

WHY INTERNATIONAL COOPERATION STRENGTHENS NATIONAL EXECUTIVES: THE CASE OF THE EUROPEAN COMMUNITY

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ABSTRACT

Most contemporary theories of international cooperation treat states as unitary actors, thereby neglecting the influence of international negotiations and institutions on domestic politics. This essay offers a theory of how and when international cooperation redistributes domestic political influence of political leaders and societal groups. A principal-agent model of domestic politics suggests three propositions:

- (1) International cooperation influences domestic politics by redistributing four key domestic political resources - initiative, institutions, information and ideas.
- (2) This reallocation of domestic political resources generally favors those who participate directly in international negotiations and institutions. Most often, though not invariably, these are national executives, who "cut slack," that is, loosen constraints imposed by legislatures, interest groups, ministries and other domestic actors.
- (3) The resulting shift in the incentives facing political leaders feeds back into international bargaining, often altering the possibilities for international cooperation.

These three propositions are confirmed by an empirical analysis of European Community (EC) institutions and by four case studies of critical EC decisions: structural adjustment under the European Coal and Steel Community, the negotiation of the Treaty of Rome, the institutionalization of the common commercial policy, and the founding of the European Monetary System. In each case, executives deliberately exploit their position in the EC system to "cut slack," an executive strategy that lies at the heart of the EC's much-maligned "democratic deficit."

These findings can be generalized to international cooperation more generally, suggesting the need for new research and theory in three areas: theories of 2-level games, which tend to focus on incentives for executives to adopt domestic commitment strategies ("tying hands") to the exclusion of incentives to "cut slack"; regional integration theory, whose central conclusion that the EC diffuses state power is called into question; and functional regime theory, which treats the state as unitary, thereby overlooking that the uneven domestic distribution of the functional benefits of cooperation and the corresponding incentive for political leaders to exploit cooperation to overcome domestic, as well as international, collective action problems.

Future work on this approach should seek to specify more precisely the antecedent conditions for successful executive slack-cutting, in order to predict variation between those areas where traditional

intergovernmental politics persists and those areas in which the diffusion of power permits domestic actors to circumvent the political leaders through transnational and transgovernmental linkages, contributing to the formation of new international political structures.

Most contemporary theories of international cooperation treat states as unitary actors and, therefore, focus primarily on the functional benefits of cooperation or the collective action problems states confront in realizing it.[1] Less attention is paid to the impact of international negotiations and institutions on domestic politics, or to the consequences for international cooperation. This essay offers a theory of when and how international cooperation redistributes domestic power resources between state and society. Redistribution, it is argued, generally empowers national executives, permitting them to loosen domestic constraints imposed by legislatures, interest groups, and other societal actors. These shifts in domestic influence have important consequences for the nature of international cooperation. More specifically, I advance three arguments, each of which challenges existing understandings of international cooperation. First, international negotiations and institutions reallocate political resources by changing the domestic institutional, informational and ideological context in which domestic policy is made. Functional theories of international cooperation tend to assume that states are unitary actors, thereby overlooking that the domestic political benefits of cooperation are often distributed unevenly. Below I identify a typology, arguably comprehensive, consisting of four causal mechanisms by which international cooperation redistributes domestic political resources: shifting control over domestic agendas (initiative), altering decision-making procedures (institutions), magnifying informational asymmetries in their favor (information), and multiplying the potential domestic ideological justifications for policies (ideas). By examining these factors, we can predict whether cooperation will augment or undermine the power of domestic actors.

Second, this reallocation of control over domestic political resources generally favors those who participate directly in international negotiations and institutions: most often, though not invariably, national executives. National constitutions tend to grant executives special foreign policy prerogatives. Diplomatic practices and international institutions, often established by agreement among executives, tend to recognize and reinforce these prerogatives. Where executives have primary access to international institutions, negotiations provide opportunities for national leaders to form "executive cartels," in which each colludes to strengthen the others' control over their own domestic instruments and increasing the cost of domestic opposition. The formation of "executive cartels" challenges the emphasis of existing "two-level" theory, which tends to stress the incentives for executives to "tie their hands," that is, to encourage tighter domestic constraints in order to increase international bargaining power. This analysis argues that executives are more concerned about domestic politics and therefore have an incentive to "cut slack," that is, to loosen binding domestic constraints.[2] This model demonstrates how executives can systematically exploit international negotiations and institutions to do so. Third, this shift in domestic power resources toward executives feeds back into international bargaining, often facilitating international cooperation. Often the ability to "cut slack" provides an added incentive for national executives to seek international cooperation. Governments can exploit common gains from cooperation, because they are better able to circumvent opposition from particularistic interests. In extreme cases, executives may welcome multilateral restrictions on national sovereignty in place of unilateral action, even in the absence of a direct international quid pro quo, as long as it increases their autonomy at home--a paradoxical prediction for conventional theories of international relations. This paper tests these general propositions across four cases drawn from the European Community (EC). The EC offers a "critical case" for testing general propositions about the domestic consequences of international cooperation.

Observers of European integration have long argued that the EC is rendering the nation-state "obsolescent"- a view pioneered by neo-functional theorist like Ernst Haas. Recent advocates of the "diffusion hypothesis" claim that alliances among sub-national and supra-national actors are undercutting the traditional source of policy initiative: national executives.[3] These analysts view the EC as a sui generis international institution dominated by a set of increasingly broad-ranging transnational policy networks or epistemic communities. The EC, they argue, is "domesticating" international politics. One analyst concludes that a "centrifugal" trend is leading toward "the emergence of multi-level governance... [pulling] some previously centralized functions of the state up to the supranational level and some down to the local/regional level." [4] The findings below suggest the contrary. The EC does not diffuse the domestic influence of the executive; it centralizes it. Rather

than "domesticating" the international system, the EC "internationalizes" domestic politics. While cooperation may limit the external flexibility of executives, it simultaneously confers greater domestic influence. The EC severely restricts formal participation in decision-making by most domestic actors other than the executive. Issues that were once handled by domestic parliaments and publics are bargained in secret sessions of the European Council, employing domestic constitutional procedures designed to handle "high politics" issues of traditional foreign policy. The so-called "democratic deficit," which has become so controversial in the wake of the Maastricht referenda, is not a coincidental characteristic of the EC; it is an integral part of the EC's institutional design. In this sense, the EC strengthens the state.

These findings have important implications for functional theories of cooperation, which stress the absolute benefits to unitary, rational states, but overlook the domestic distribution of those benefits. Often international cooperation bestow functional benefits unevenly across domestic actors; in particular, it tends to benefit disproportionately those who control access to the international policy arena. Theories of international regimes cannot capture this dynamic unless provided with stronger "two-level" microfoundations. In short, cooperation does not simply resolve international collective action problems; it resolves domestic ones as well. This, I argue in more detail below, has important consequences for explaining the motivations for creating international regimes, the form they take, and their success in assuring compliance.

This essay is organized as follows. The first section pre-sents a simple principal-agent model of domestic politics, which is then extended to include "two-level" international effects.[5] The second section presents a comprehensive typology of four causal mechanisms whereby national executives can exploit international cooperation to "cut slack" domestically; these I term initiative, institutions, information and ideas. The third section examines how these mechanisms are embedded in the domestic and international institutions and practices of the EC. The fourth section investigates four critical decisions in the history of the EC: structural adjustment under the European Coal and Steel Community, the negotiation of the Treaty of Rome, the institutionalization of foreign trade policy, and the founding of the European Monetary System. In each case, the increase in domestic influence created by the collusion of national executives has contributed importantly to the outcome of inter-state negotiations. A fifth and concluding section suggests implications, generalizable to other instances of cooperation, for theories of European integration, "two-level" theories of negotiation, and for functional theories of international cooperation.

I. INTERNATIONAL POLITICS AND EXECUTIVE INFLUENCE

A. Domestic Constraints and Executive Influence: A Basic Model

The following analysis is based on a simple principal-agent model of domestic policy-making. This model divides domestic political actors into two categories: the executive (a single agent) and societal groups (multiple principals). By executive is meant the head of state or government (the "chief executive") or the highest responsible political authority, generally a minister, in a particular issue area.[6] The precise identity of the relevant societal groups varies across issues and circumstances, encompassing interest groups, parties, parliamentarians, civil servants, individual citizens, other cabinet ministers, or any other domestic constituency whose support may be critical for the promulgation and implementation of policy.

Both executives and societal groups are assumed to have distinct and independent sets of preferences across the potential outcomes in an issue area. The relationship between executives and domestic groups can be seen as an ongoing set of bargains between principals and agents. Their relative bargaining power determines the degree of autonomy or "agency slack" enjoyed by the executive with respect to her preferred policies. Domestic constituents impose constraints on executives, who need to maintain sufficient support to adopt and sustain policies. Where such constraints are tight, the executive has little control over the outcome. Where constraints are loose, the executive can "shirk" tasks assigned by societal groups and can pursue policies closer to her own ideal.

In democratic societies, domestic groups that oppose executive proposals have two threats at their disposal: they may veto specific policies or they may impose (bestow) ex post electoral or coalitional costs (benefits) on executives.[7] The larger the feasible set of policies that the executive can pursue without provoking either a veto or the imposition of unacceptable political costs - known as the "win-

set" - the greater the probability of achieving policy goals. If the executive is not already able to impose her ideal policies, she will favor, *ceteris paribus*, an expansion of the domestic win-set in the direction of her preferred policies, thereby loosening the binding constraint on policy.[8] Effective domestic opposition, whether through veto or punishment, must overcome two barriers, each derived from the principal-agent structure of democratic governance. The first barrier is procedural. Domestic groups must enjoy access to procedural instruments necessary to block or punish the executive's actions. Where domestic institutions and practices do not permit societal groups to block proposals or to punish the executive cost-effectively, societal control is limited. The second barrier is cognitive. Domestic groups must be able to observe the actions of incumbent politicians, the true constraints they face, and standards with which to judge their behavior. Where societal groups lack the information and ideas required to monitor and evaluate the actions of executives properly, and to convince others of those evaluations, societal control is compromised.[9]

The relative bargaining power of executives and social groups can be analyzed in terms of their respective control over four domestic political resources: initiative, institutions, information and ideas. The first two resources are procedural. "Initiative" denotes the authority to introduce (or block introduction of) issues onto the domestic agenda, "institutions" the procedures by which domestic decisions are legally adopted. The last two are cognitive. "Information" refers to political and technical knowledge, "ideas" to the supply of legitimate ideological justifications for specific policies. The art of democratic governance consists in exploiting these four procedural and persuasive resources to realize political goals.[10] There is good reason to believe that this typology constitutes a comprehensive list of the political resources normally employed within democratic societies - and therefore, of those that could be influenced by international means.

Theories of domestic political power isolate three distinctive mechanisms by which "A gets B to do what B would not otherwise do": the use of positive or negative sanctions, control over procedure, and persuasion.[11] Within democracies, threats of direct sanctions (whether violent coercion or economic extortion), while of course contributing at a fundamental level to the maintenance of domestic state authority, are not widely recognized as legitimate means of prevailing in the sort of everyday political debates that underlie modern international cooperation. At the international level, theories of cooperation corroborate the comprehensiveness of this four-fold typology. International regimes are said to perform four functions, which correspond closely to the four domestic instruments outlined above: they create a negotiating forum with rules governing bargaining and linkage; codify the legal liabilities of governments; facilitate the intergovernmental exchange of information; and legitimate cooperation ideologically.[12] Rules regulating international fora redistribute control over domestic initiative; the international legal liability of governments constrains the actions of domestic legislative and judicial authorities; the exchange of information between governments modifies the domestic distribution of political and technical knowledge; and international legitimation alters the stock of ideas employed in domestic ideological debates. This model implies that international negotiations and institutions shift the balance of domestic political power only if they redistribute control over initiative, institutions, information and ideas. By transforming issues traditionally defined as "domestic policy" into "foreign policy", international engagement can open and close channels for domestic actors to influence the initiation of policy (initiative); alter the domestic constitutional and statutory procedures under which policy decisions are ratified and implemented (institutions); creating or redress asymmetries in knowledge (information); and reshape the possibilities for domestic actors to justify policies (ideas).

B. Determinants of Executive Influence: Four Causal Mechanisms

Along each of the four dimensions mentioned above - initiative, institutions, information and ideas - there is good reason to believe that international cooperation, whether in the form of negotiations or institutions, tends on balance to strengthen the domestic power of executives vis-a-vis opposition groups. International cooperation tends to redistribute domestic political resources toward executives because in matters of foreign policy, issues are channeled through a combination of national and international institutions favorable to them.[13] Within the nation-state, constitutional foreign policy prerogatives grant executives and ministers greater initiative and autonomy than in most purely domestic matters. Despite varying legislative, judicial and popular constraints, executives are almost universally recognized as the preeminent national representatives abroad. They initiate, conduct and

conclude negotiations, thereby committing the nation, often with relatively little ministerial, legislative, judicial or public oversight. In part, these constitutional prerogatives represent the historical legacy of more turbulent times in international history; in part, they reflect the widespread perception that even today, effective international bargaining requires that national positions be coordinated. International regimes, themselves usually created by prior agreement among executives, often reinforce the executive's constitutionally-mandated monopoly. Functionalist theories of international institutions tell us that regimes - "principles, norms, rules, and decision-making procedures...in a given issue-area" - reduce uncertainty by restricting acceptable policies and bargaining strategies, defining legal liability, encouraging the exchange of information between governments, and legitimating the result.[14] It is therefore rational, regime theorists argue, for nation-states to enter into such agreements. Yet the unitary rational actor assumption employed in functionalist regime theory overlooks the domestic distribution of these functional benefits. In particular, where principal-agent "slack" exists, the functional benefits of international institution-building are likely to accrue disproportionately to those domestic actors who participate directly in international regimes. In foreign affairs, national constitutions generally permit executives to choose policy goals and bargaining strategies, select the form of legal obligations on domestic actors, distribute political and technical information, and establish the legitimacy of policies.[15] Executives have an incentive to exploit these opportunities to their own advantage. International negotiations and institutions offer executives opportunities to form "political cartels," in which they reciprocally reinforce their respective control over domestic initiative, institutions, information and ideas. These domestic advantages not only reinforce the ability of heads of government to pursue international policies in the national interest, but also provide an incentive for them to engage in international cooperation, even in the absence of an international quid pro quo, if cooperation increases their domestic autonomy.

Whereas functional regime theory focuses on the ways in which international cooperation resolves international collective action problems; this analysis examines the ways in which it resolves domestic ones. The following sections explore in detail each of the four causal mechanisms by which international negotiations and institutions may alter the domestic balance of power between executives and domestic groups.

1. Initiative: International Cooperation and Domestic Agendas

Among the characteristics that distinguish foreign policy-making most strikingly from corresponding domestic policy-making is the enhanced domestic agenda control wielded by executives. In the area of foreign policy, strong executive control over policy initiation has both domestic and international roots. Domestic, national constitutions generally designate executives as sole national representatives in international negotiations, with parliamentary, public and ministerial oversight over the executive's conduct more limited than in the domestic policy process. Most international agreements are not formally considered in domestic parliaments, ministries or publics, if at all, until they have been concluded internationally and submitted for ratification. International institutions reinforce the executive monopoly by recognizing only executives as legitimate national representatives. This restriction, which reflects the fact that most international institutions were brought into being by prior agreement between national leaders, permits executives to "cartelize" control of the international agenda, thereby further strengthening their domestic influence.

One underlying source of the executive's power to exploit international initiatives to manipulate the domestic agenda stems from the high transaction costs of renegotiation, which tend to hinder opponents from proposing and pursuing viable alternatives. Domestic groups rarely develop full-fledged alternatives to the national negotiating position. Once an international agreement has been reached, renegotiation is often costly and risky, since it delays implementation of the policy, creates uncertainty about the precise nature of that policy, and heightens the risk that negotiations will collapse altogether. In general, the more controversial the issue, the more delicate the international linkages and compromises, and the higher the expected transaction costs of renegotiation.[16]

Agenda control confers on the executive "gatekeeping" power to veto proposals; the ability to dictate a choice among policies that lie within the domestic win-set; and a greater opportunity for strategic manipulation of the form, timing and circumstances of executive policy initiation. "Gatekeeping" power, the power to veto proposed policies, permits executives to block negotiation or agreement at the international level, thereby imposing a de facto domestic veto. Because it takes place without

publicity or formal deliberation, this veto may often be less costly to employ than in corresponding, purely domestic situations. Where the domestic win-set contains more than one ratifiable agreement, executives may impose their preferred outcome by structuring the choices facing domestic ratifying or implementing bodies. By presenting parliament, for example, with a "take it or leave it" decision between that international agreement and the status quo - the equivalent of legislative deliberation under a "closed" rule, which bans amendments - executives have the power to select among policies that lie within the "win-set." [17] The ability to strategically manipulate the timing, sequencing and presentation of policies and issues can be exploited to present agreements to coincide with periods of strong domestic support. All other things equal, the more complete the executive's monopoly over policy initiation, the greater his or her influence over the form, timing and substance of decisions. [18] In "multi-dimensional" situations of linkage, a larger number of equilibrium issue linkages, compromises, issue dimensions or side-payments are likely to exist, thereby expanding the win-set in which the agenda-setter operates. Sometimes linkage or compromise is explicit, as when executives negotiate an international "package deal" or when an executive demands that interest groups commit themselves to the government's broad international objectives in exchange for special attention to their narrow concerns. Sometimes linkage or compromise remains implicit, as, for example, when executives argue - rightly or wrongly - that the failure to ratify an particular agreement will erode a state's reputation, thereby undermining future agreements. [19]

Agenda control may also be used to manipulate the credibility of government policy. By investing time, political capital, prestige and other transaction costs in international negotiations, executives may signal their resolve to carry out a policy. Early, decisive actions - extensive negotiation, strategic leaks, propaganda campaigns, and domestic coalition-building - further enhance the credibility of government policy, transforming the initial supposition into a self-fulfilling prophecy. In general, the greater the time and prestige invested in a position, the greater the political liability of retreating from it the more credible the government's perceived commitment to its preferred outcome. Domestic actors with an interest in early recognition of the new policy - political and economic "first movers" - may take costly steps (e.g. make foreign investments, form corporate alliances) predicated on the assumption that the government will carry out the policy. Top government officials may also manipulate external deadlines or invoke foreign pressure to create similar perceptions of urgency. [20]

2. Institutions: International Cooperation and Domestic Procedure

The previous section demonstrated how executives bolster their control over domestic agenda-setting by cartelizing international policy initiation. Once EC executives place a proposal on the domestic agenda, legal incorporation and compliance takes place according to domestic procedural rules imposed by national constitutions and international regimes. Relative to procedures commonly used in matters of domestic policy, foreign policy procedures often restrict opportunities for meaningful opposition. It may be costly, sometimes prohibitively so, for national parliamentarians, publics or officials to reject, amend or block ratification of and compliance with decisions reached by national executives in international fora. The difficulty of mounting opposition depends on the formal nature of the international agreement in question. Opposition is easiest where parliaments or publics vote directly on ratification or implementing legislation, as in the case of most international treaties. Judicial scrutiny may also be necessary.

Even in such cases, however, ratification may be reduced to a "take it or leave it" vote in which rejection or significant amendment of the decision, as well as subsequent non-implementation, is procedurally limited. Sometimes ratification and implementation occurs through executive action alone. In still other cases, such as some informal or "soft law" agreements, no formal ratification or implementation is required at all. Where domestic procedures render direct opposition to formal ratification and implementation impractical, opponents of international proposals must resort to threats to punish the government, electorally or coalitionally, or to repudiate an international institution altogether.

By comparison to parliamentary or popular obstruction of a single measure, both strategies are blunt and therefore costly instruments of political opposition. This is true for three reasons. First, cross-cutting cleavages limit the effectiveness of such tactics; in general elections, it is difficult to convince voters to abandon a government they would otherwise support on a single issue. Business interests hesitate to punish a right-wing government; socialists hesitate to punish a left-wing government. The

issue in question must therefore be salient enough to override other concerns and inspire single-issue voting, which is rarely the case with specific foreign policy issues.[21]

Second, the passage of time between policy decisions and general elections permits governments to reap the electoral advantages of policies that yield broad, longer-term benefits with narrow, short-term costs. Linkages can be more fully taken into account. Economic adjustment may eliminate losers altogether and inform beneficiaries more fully about their gains, thereby creating support for the policy. Third, but perhaps most important, should opponents of a specific policy seek to undermine the organization as a whole, other domestic groups may mobilize to defend it. This automatic "mobilization of bias" in response to any frontal assault on an international institution may consolidate both prior and current decisions.

3. Information: International Cooperation and Domestic Perceptions

A third way in which international cooperation can strengthen executives is by creating domestic informational asymmetries in their favor. The provision of information is a vital element in modern theories of international cooperation. Functional theories of regimes instruct us that international institutions, whether formal or informal, enhance transgovernmental information flows by providing fora for regularized exchange of information and by establishing secretariats that coordinate its production. International negotiations serve the same function.[22]

International negotiations and institutions afford governments privileged access to two types of information. The first is technical information about the consequences of alternative policies. Without the exchange and generation of information induced by international negotiations and regimes, governments might remain ignorant of policy problems and their potential solutions. The second is information about the political constraints imposed by the preferences and power of other governments or supranational actors. International bargaining and ongoing participation in regimes provide governments with precise information about the preferences and power of foreign governments, the range of possible bargains, and the institutional limitations on national policy. The assumption of a unitary rational state, which underlies not only functional regime theory but also most theories of negotiation, tends to obscure the fact that the information generated by international negotiations and institutions is often asymmetrically distributed, favoring those domestic actors, most notably executives, who participate directly. Privileged access to a steady stream of reliable technical and political information as a side-effect of normal diplomatic activities increases the domestic influence of executives.

Opposition groups, by contrast, must often incur high costs to collect and analyze such information. Executives may be better able to hide both their actions and the information necessary to assess those actions properly, thereby introducing greater slack in the domestic principal-agent relationship. Informational asymmetries increase the fixed costs of effective opposition and create opportunities and incentives for executives to manipulate domestic perceptions. Opposition groups may find it particularly costly to distinguish viable alternatives, convince potential supporters of their desirability, bargain internationally over new terms, and draft precise legal language. Moreover, the greater the informational asymmetry between governments and potential domestic opponents, the greater the opportunity for governments to manipulate or mobilize elite or public opinion by selectively releasing vital information.

Three aspects of the domestic perception of international agreements are critical in determining the costs of opposition to executive preferences: their salience, consequences and causality. The simplest form of executive control involves manipulation of the salience of an issue. Executives can depoliticize issues by keeping citizens ignorant or mobilize groups through publicity.[23] Groups that are favorable to the executive's position are informed of forthcoming moves early; opponents hear at the last minute.[24] By manipulating information about the technical and political consequences of an agreement, executives may reshape domestic consensus. By releasing such information selectively, governments mobilize bias, influencing the coalitions that form around issues. Controversial elements of agreements may be left vague, while popular elements are elaborated in detail. Perhaps the most important category is causality. By shifting domestic perceptions about the technical and political constraints under which states act, executives shift domestic expectations about responsibility for and alternatives to government policy. By manipulating the perception that a policy is "necessary," executives can shift blame and credit. Credit claiming, the practice of alleging responsibility for

outcomes beyond the executive's control, is common. Equally common is scapegoating, the practice of blaming unpopular policies on international constraints, whether real or imaginary: the intransigence of certain other governments, the vagaries of majority voting, the nature of institutional rules, ambitious supranational executives, international economic constraints.[25]

4. Ideas: International Cooperation and Domestic Legitimacy

A fourth and final way in which international negotiations and institutions bolster the domestic power of executives is by providing them with additional sources of ideological legitimation. Ideas link particular policies to their broader economic, political, strategic or philosophical implications; justify policies with reference to the realization of common abstract values rather than self-regarding, material interests; and shape calculations about the weighting of various consequences. The introduction of ideas adds new dimensions to domestic deliberations, potentially altering the calculations of potential supporters and opponents of government policy. Ideas tend to have a particularly strong influence where the consequences of materially self-interested behavior are uncertain, indeterminate, or diffusely distributed across a large population, as is generally the case in issues of "grand strategy," whether politico-military or economic.[26]

Casting a policy as a foreign policy issue augments the executive's ability to craft persuasive ideological justifications. In foreign policy, even more than domestic policy, executives enjoy disproportionate control over ideological, as well as political, access to the international system. They occupy privileged position from which to influence the ideas introduced into domestic debates.[27]

Working together or separately, executives can exploit their agenda control to impose an initial ideological "frame" on an issue, thereby setting the symbolic terms of subsequent debate. Ongoing bilateral and multi-lateral relationships reinforce domestic control by harnessing the prestige and support of foreign governments to strengthen each executive's ideological justifications. When the executives of the major participants in a particular forum - whether NATO, the EC, the UN or an uninstitutionalized negotiation - agree on a particular ideological justification for a policy, it is extremely difficult for domestic groups to challenge it.

II. THE INSTITUTIONS OF THE EUROPEAN COMMUNITY

The previous section described four causal mechanisms whereby international negotiations and institutions strengthen domestic executives vis-a-vis other domestic actors. These sections seek to show that domestic and international institutions in the EC do indeed provide advantages to executives corresponding to each of the four causal mechanisms of control - initiative, institutions, information and ideas. The result is an extraordinary centralization of domestic power in the hands of national executives.

Within each section, two categories of EC decisions are considered. The first comprises major ("history-making") reforms of its basic legal structure, such as the Treaty of Rome, the Luxembourg Compromise, the founding of the European Monetary System, the Single European Act, and the Maastricht Treaty. Such changes generally take the legal form of resolutions of the summit meetings of chief executives (the "European Council"), treaty revisions through Intergovernmental Conferences under Article 236, or extra-legal understandings between governments. The second category comprises "everyday" legislation within the EC's basic legal structure, which takes the form of so-called "directives," "regulations" and "decisions." Significant legislation is promulgated according to a distinctive "Community method," according to which the EC Commission, a supranational executive comprised of national representatives named to four-year terms, advances proposals, which the Council of Ministers, comprising twelve national representatives, can enact by unanimity or qualified majority (over 2/3) of the weighted votes of national representatives.[28]

A. Initiative: Domestic Agenda Control in the EC

In every member country of the EC, traditional foreign policy powers serve as the basis for national participation in the EC. National constitutions grant executives broad prerogatives in conducting international negotiations, while parliamentary, popular or ministerial control remains weak. The French constitution, for example, explicitly enjoins the legislature from placing limits on executive

actions in foreign policy. In Germany, the "Richtlinienkompetenz" enshrined in the Grundgesetz gives the Chancellor a privileged position in setting foreign policy.[29] Even in Britain and Denmark, where parliaments are more active in EC affairs, the weakness of institutions for parliamentary oversight of government negotiations is consistently criticized. Typical is the observation of John Biffen, former Leader of the House of Commons, that the executive runs day-to-day British EC policy without much Parliamentary constraint. In "our relationship with the EC," Biffen concludes, the "government has retained its sphere of authority...more effectively than has Parliament." [30]

The executive monopoly over policy initiation is most obvious in the case of major reforms, which are generally negotiated by conventional diplomatic means. As in nearly all other international organizations, major reforms require a unanimous approval by representatives of unitary nation-states, giving them substantial control over both timing and content. To an even greater extent than in other international organizations, chief executives direct the negotiations, which are typically conducted by national representatives selected by and directly responsible to them personally - often circumventing even classical diplomatic institutions, such as foreign ministries. Chief executives meet bilaterally and multilaterally to resolve particularly tenacious disagreements. No other domestic actors enjoy a formal role until the changes are submitted, if required at all, for domestic ratification.[31]

In the process of everyday legislation, primary legislative authority resides not in the European Parliament, as an analogy to domestic processes might suggest, but in the Council of Ministers, which represents only national executives. European national executives have exploited foreign policy prerogatives to centralize and consolidate control over representation in the Council of Ministers. While preliminary policy discussions may be conducted by senior civil servants, final decisions are generally taken by chief executives, national ministers or permanent diplomatic representatives. Governmental representatives from outside the executive and relevant ministries, as well as non-governmental organizations (NGOs), rarely participate in decisive discussions; where they do, they do not have formal powers.

To coordinate and oversee policy, executives have established interministerial coordinating committees, ministries of European affairs, strong permanent representations in Brussels, and special Cabinet procedures. In Britain, policy coordination is carried out by the European Secretariat in the Cabinet office, the Foreign and Commonwealth Office, and the Permanent Representation to the European Communities, as well as lead departments. In France, a Cabinet-level minister and committee for European affairs, backed by various subcabinet committees coordinate policy, providing written instructions to diplomatic or ministerial representatives.[32]

When viewing the institutional development of EC through the narrow lens of the late 1980s, it is tempting to stress the trend toward greater supranational initiative by the Commission and Court, as well as increasing control by the European Parliament. Perhaps more important, however, has been the series of institutional innovations, often outside the letter of the Rome Treaty, to enhance centralized executive control over international (and hence domestic) agendas. These have tended to be closely connected with the need to manage issue linkages, side-payments and compromises. The most important of these institutional innovations is the creation in 1974 of the European Council, where European chief executives, each accompanied by only one assistant, meet several times a year in open-ended, extra-legal sessions. Edward Heath, British prime minister at the time, recalls that the primary purpose of the Council was to permit chief executives to propose compromises, issue linkages and side payments that ministers, bureaucratic factions or domestic groups might otherwise block. Recently the European Council has increasingly assumed the role of a referee between competing domestic and international interests. The Council of Ministers have recognized decisions taken at the European Council as unappealable, even though they encroach on legal prerogatives of the European Parliament, particularly in budgetary affairs.[33]

Additional institution-building, outside the confines of the Rome Treaty, include the institutionalization of a rotating Council presidency, the strengthening of Permanent Representations, and the establishment of a COREPER bureaucracy, all in the 1960s - all of which were closely connected with the need to manage complex bargaining among executives. In addition, new issues were added through intergovernmental action, including the establishment of European Political Cooperation and the European Monetary System in the 1970s and 1980s; and the so-called "third pillar" of the Maastricht treaty on home and policy affairs in the 1990s.[34] Alongside, and in part to "prepare" institutional initiatives, a network of informal, often ad hoc, bilateral relationships between

heads of government and staffs has grown up within the EC, the Franco-German relationship being only the most obvious example.[35]

Nonetheless, everyday legislation does differ from major reforms in that the Commission is involved at an early stage of policy initiation. Guaranteed four-year terms and institutional freedom to formulate proposals permits the Commission to act with a measure of autonomy - although on many important issues individual Commissioners subtly represent national positions. The Commission's autonomy could in theory be exploited to involve opposition groups in supranational policy formulation, thereby undermining executive power. Yet the institutional structure of the EC constrains the Commission's ability to represent domestic coalitions against executives - a strategy which it thus only rarely has the power and motivation to pursue. EC legislation is narrowly circumscribed by national governments, whose votes (by super-majority, if not unanimity) in the Council of Ministers generally impose a binding constraint on reform. Moreover, the Commission's preferences are often closer to those of executives than those of domestic groups opposed to the executives. Finally, the wide range of interests within the European polity impedes agreement among particularistic groups.[36]

The Commission's long-standing efforts to create permanent interlocutors at the European level - Eurogroups - has met with only very limited success, while it is often costly and difficult to create ad hoc transnational coalitions. The result, according to recent studies, is that "European policy-making is far...less accessible to the lobbyist than at the purely national level." [37] Because of these institutional limitations on Commission autonomy, even increases in the agenda-setting power of the Commission, as in the introduction of qualified majority voting, may actually strengthen the domestic autonomy of national governments. While the use of qualified majority voting undermines the "external sovereignty" of the nation-state - each can be overruled by a coalition of the others and the Commission may enjoy the agenda power to select the winning majority - it simultaneously contributes to the domestic influence of executives by making it more difficult for opponents in any individual Member State to mobilize a blocking minority. (Other advantages of majority voting are considered below.)

Here British policy toward the Single European Act provides an illustrative example. Although the Thatcher government initially opposed the formalization of qualified majority voting on the internal market package, it "was willing to countenance institutional reform in order to effect economic reform." Yet "an added, and unstated, bonus for the Thatcher government was that protectionist pressures at home could more easily be resisted by further marginalising the House of Commons in the decision-making process on trade matters." [38] On balance, domestic and international agenda control tend to insulate national executives from "policy networks" and "iron triangles," whether centered in ministries, parties or regions. Officials, interest groups, parties and individuals are forced to compete more openly with one another for influence over policy initiation, much to the advantage of national executives. In Britain, the coordination mechanisms are "highly effective[and]...inaccessible to most private-sector lobbyists." [39] Executives play domestic groups off against one another, demanding support in exchange for consideration of specific interests.[40] In France, even the most powerful "iron triangles," such as those surrounding the steel industry and various service providers, have failed to circumvent national policies nor to develop an effective European strategy, once executives rejected their preferred policies.[41]

B. Institutions: Domestic Decision-Making in the EC

Nearly all agreements between EC members, once agreed to at the international level, are ratified and implemented without serious partisan, electoral or judicial challenge. In part this reflects a strong elite consensus in many countries in favor of integration, but it also reflects the advantages enjoyed by executives by virtue of the legal form of EC decisions and the procedures by which they are ratified. Both shift the domestic balance of power in favor of the executive by increasing the cost of domestic opposition. This shift is created by joining traditional foreign policy prerogatives, embedded in national constitutions, with the supranational sanction of the European legal order, overseen by the European Court of Justice (ECJ) and enforced by national courts.[42] Where major "history-making" reforms are concerned, governments may influence domestic ratification procedures by selecting the international legal form of the agreement. Revisions of the Treaty of Rome require parliamentary approval and, in some cases, popular referendum. Other legal forms of international cooperation, however, including those routinely employed within the EPC, EMS and European Council, do not

require domestic ratification.[43] Such agreements, akin to "executive agreements" in the US, may take the legal form of resolutions or decisions of the European Council or the Council of Ministers. In order to oppose such agreements, parliaments or publics must pass legislation expressly banning the actions in question - a more serious and costly step than the imposition of a veto on a single piece of legislation. In some EC member states, constitutional revision would first be required; almost everywhere, limitations are viewed as undermining the government's international bargaining position. At first glance, the normal EC legislative process might appear to constrain executive autonomy more narrowly, since each member state is required to implement major pieces of EC legislation ("directives") as domestic statutes. Yet in practice the opposite is true: national and supranational rules generally grant parliaments and publics even less power to amend, alter or reject everyday EC legislation than treaty revisions. Much EC legislation takes the legal form of "regulations" or "decisions," both of which have immediate and unconditional legal effect. (In European legal terminology, they are "directly applicable.")[44] Even directives, the legal form employed for broader and more significant legislation, need not always be legally implemented by parliaments or publics. Since the Treaty of Rome "leave(s) to the member states the choice of form and method" of legal implementation, it may occur through many means, ranging from administrative circular to parliamentary legislation.[45] In fact, the vast majority of EC directives are reviewed by neither domestic parliaments, nor domestic courts. In France, for example, only 8% of EC directives are considered by the Assemblée Nationale. Even in the case of those directives that must be submitted, these pass through a streamlined legislative procedure: the Conseil constitutionnel does not express its opinion on European bills, nor must the Government make amendments in light of its opinion, as with domestic legislation.[46]

Even where parliaments (or administrative bodies) do enjoy formal powers of implementation, the EC's distinctive supranational legal system diminishes their de facto control over the substance of policy. The ECJ has interpreted Article 189 of the Treaty to mean that many treaty provisions, as well as those directives that are precise and unconditional, have so-called "direct effect," meaning that they are legally binding even if never properly implemented by national governments.[47] Individuals or the EC Commission may challenge defective implementing legislation or contrary national statutes in national courts, which are obliged to strike them down and apply the EC directive directly. Under certain conditions, according to a recent ruling of the ECJ, individuals whose rights are infringed by the non-implementation of EC directives may sue national governments for damages.[48] (Sections of the Treaties of Rome themselves, including those on barriers to trade in goods and services, the free movement of workers, and much of EC competition law, have also been interpreted to have direct effect.) In short, once the Council of Ministers ratifies a directive, subsequent amendment or rejection is not just difficult; it is often illegal.[49]

Having failed to block legal ratification and implementation, domestic opponents might resort to the obstruction of administrative compliance. Yet this rarely eases their task. Not only do national executives exercise oversight over compliance, but judicial scrutiny by national courts, backed by the ECJ, imposes an independent check. In areas such as competition and trade policy, other member states and the Commission monitor state behavior as well, the latter acting as an independent branch of government akin to independent regulatory commissions in the U.S.[50]

Having failed to obstruct legal ratification and administrative compliance, domestic opponents are left with three alternatives: electoral or coalitional opposition to the government, outright rejection of the EC, or exit from the jurisdiction. None is generally credible. To be sure, where exceptionally strong potential for electoral or coalitional pressures exists, as in agricultural policy, the threat of electoral sanction may limit executive autonomy. In such areas, executives benefit less, though even in agriculture, integration may well result in a net strengthening in state power vis-a-vis sectoral interest groups.[51] In general, however, publics and interest groups view the European issues as secondary; electoral campaigns around the EC issue are almost unheard of. Finally, international cooperation across the region makes "exit" as a response to government policy more costly.[52] To be sure, member governments may occasionally find judicial and quasi-judicial oversight inconvenient, and have - most recently in the Maastricht Treaty - sought to circumscribe the power of the Court to unilaterally expand the scope of its jurisdiction. But within traditional areas of EC policy, governments have consistently acquiesced in the expansion of ECJ enforcement and appear recently to be encouraging it openly.

Increasingly, EC directives are increasingly tightly drafted documents with strict deadlines attached.[53] The result: the level of compliance with EC directives, even before recent steps to tighten EC practices, is no lower than compliance with national statutes.[54] In France, one study concludes, the result has been a weakening of traditional relationships between ministries and business interests, thereby "weaken[ing] France's traditional pattern of policymaking...[and] call[ing] into question the administrative nature of the French state, where making exceptions is the rule." [55] Even in countries like Britain and Germany, where parliaments are relatively influential, European integration has eroded de facto parliamentary and popular sovereignty in European matters, at least at the level of everyday legislation, almost entirely. The result is a "malaise of national parliaments" in the face of European integration, leaving them with only "residual competences." [56]

C. Information: Domestic Informational Asymmetries in the EC

Because EC negotiations are generally treated as matters of foreign policy, the executive's privileged constitutional role as chief negotiator or, at the very least, coordinator of the national position, affords direct access to information generated by international cooperation. These informational asymmetries stem in part from the weakness of existing domestic rules requiring that legislatures and publics be informed about EC issues. In Germany, most attempts by national and Länder representatives in the Bundestag and Bundesrat to scrutinize government actions during negotiations have been either ruled unconstitutional or routinely ignored; in France, many such efforts are unconstitutional.[57] Governing coalitions in national parliament often see little short-term benefit in insisting on information; where national parliaments have attempted to do so, information about ongoing negotiations tends to arrive only after critical bargains have been struck. These informational asymmetries are also to a large extent inherent in the highly complex nature of EC negotiations. Collective action problems in legislatures make effective daily monitoring of such negotiations relatively costly. Even where timely information is available to parliaments, it is of limited utility, because the terms of the agreement often change before parliaments can deliberate and instruct national representatives.[58]

The institutional design of the EC reinforces the informational asymmetry stemming from domestic constitutional arrangements. To an extent inconceivable in the domestic affairs of European democracies, EC decision-making remains shrouded in secrecy, even to members of national political elites. Debates and votes in meetings of the Commission, the Council of Ministers, COREPER and the European Council - as in many other international negotiations - take place almost entirely off the public record.[59]

The lack of clear distinctions between jurisdictions and the widespread use of informal decision-making procedures exacerbates the fundamental absence of transparency. Secret meetings among selected ministers and heads of state prepare Council presidencies. The tactical details of late-night "package deals" are often unclear, leaving room for opportunistic ex post reinterpretation. The precise conditions under which a decision requires consensus or is subject to veto under the Luxembourg compromise, for example, has long been uncertain and open to negotiation. In such cases, executives tend to have far better information than domestic groups about the true limits of each country's negotiating power.[60] As a result, EC executives have grown adept at claiming credit and shifting blame. The tactic of claiming credit on the basis of a last minute compromise, for example, has been favored by successive British prime ministers. John Major, for example, returned from the Maastricht summit, which capped a two-year negotiation in which Britain was continuously on the defensive, proclaiming: "Game, set and match for Britain!" Participants confirm that such conclusions to EC negotiations are often carefully orchestrated.[61] Former national representatives testify also that majority voting in the Council of Ministers serves a useful political function by permitting executives to scapegoat their foreign counterparts by being "outvoted" on certain issues.[62] Supranational officials offer an even more inviting scapegoat. When things go badly, a technocratic Commission receives the blame; when things go well, national leaders claim the credit.

D. Ideas: Domestic Legitimation in the EC

The EC provides a particularly flexible instrument through which executives can legitimate their policies ideologically. There are three reasons for this. First, since European integration is perceived, at least in part, as a "grand strategic" choice with precisely this sort of complex, diffuse and long-term

implications for future peace and prosperity, appeals to ideology are likely to be particularly potent in EC policy-making.[63]

Second, for a substantial number of Europeans, integration carries a particularly important historical resonance. As Joseph Weiler eloquently observes, a connection between European integration and the principled belief in the ideals of peace, prosperity and cosmopolitanism - the three most fundamental sources of "European" ideological legitimacy - was forged in the collective mid-century experience of the opposing horrors: depression, nationalism and total war.[64] Strong economic performance during the first two decades of the EC further reinforced the view that all EC policies, as well as the domestic reforms that support them, are necessary for a country to remain "part of Europe" economically.[65] A substantial group in each EC member state consistently supports "European" initiatives without close attention to their substantive effects.

Third, the "European idea" is a vague and therefore particularly versatile source of domestic political legitimation. The looser the links between broad ideals and concrete policies, the more flexibility the executive enjoys in framing domestic policy deliberations. While some ideologies are closely connected with particular policies and political organizations - the links between Marxist ideology, Communist parties, and strong government intervention in the economy being a prominent domestic example - "European" sentiment offers an unusually rich, varied and open-ended panoply of ideological options. Hence European ideology has been used to support widely varied, even contradictory, policies. Projects as disparate as the Common Market and the Common Agricultural Policy, industrial and competition policies, the Fouchet Plan and European Political Cooperation, Keynesian reflation and monetarist deflation, have been presented as "European." Once major European governments label an initiative "Franco-German" or "European," it is difficult for domestic opponents to detach or deny the labels. European policy is, to a large extent, whatever member governments want it to be.[66] By staking "the future of Europe" on a certain outcome, governments invest symbolic capital in negotiations, thereby reinforcing their commitment to a particular policy and discouraging domestic opposition. European sentiment is compatible even with the tough pursuit of narrow national interest. Because the EC is also a forum for international negotiations, some governments are able to take strong steps toward integration while claiming to defend national sovereignty, prestige and "grandeur," while others defend precisely the same policies on federalist grounds. All claim to be true Europeans.

III. EUROPEAN INTEGRATION AND EXECUTIVE INFLUENCE: FOUR CASES

The first section above outlines four domestic mechanisms by which international negotiations and institutions strengthen national executives; the second confirms that they are present in EC institutions. This section demonstrates their empirical significance for EC decision-making by examining how they shape national negotiating positions and international bargaining outcomes. Four major policy issues in EC history are examined: structural adjustment under the European Coal and Steel Community (ECSC), the negotiation of the Treaty of Rome, the functioning of the Common Commercial Policy, and the founding and functioning of the European Monetary System.[67] In each case, the data reveal that EC negotiations and institutions increased the costs of opposition, thereby strengthened the domestic autonomy of national executives, and that this strengthening played a significant role in shaping national negotiating strategies and the nature of international agreements. Competing explanations, with particular attention to functional regime theory, are assessed where appropriate. These cases lay a firm foundation on which to generalize about the significance of the phenomenon in the EC and beyond.

Four aspects of the case selection and research design are important in assessing the internal and external validity of the inferences drawn. First, as we have seen, the EC is a "critical" case among international organizations, since it is widely argued that in the EC, the erosion of executive power has progressed further than elsewhere.[68]

Second, the cases themselves are significant. Unlike many current studies of political power in the EC, which tend to focus on secondary policies (e.g. regional and structural funding, originally developed only as side-payments) or anecdotal accounts of individual enforcement decisions, this study is based on four key formative decisions in the history of major EC policies. Temporally, they span forty years, from the late 1950s through the early 1990s.

Third, the cases are broadly representative of the tasks commonly performed by international economic regimes. Each treats a basic policy goal targeted by international regimes: the cartelized management of structural adjustment, the liberalization of markets, the development of common policies toward third countries, and the joint provision of regulatory public goods.

Fourth, within each issue, the cases focus on "critical" national decisions. Each examines the policies of a country (or countries) for which the political and economic costs of adjusting to international cooperation were highest: Belgium in the ECSC, France in the Common Market, relatively protectionist countries in the Common Commercial Policy, Germany and other larger countries in the EMS. If the EC shifts domestic power to the executive over strong societal opposition in these cases, there is good reason to believe that it, as well as other international organizations, have similar effects elsewhere.[69]

A. Structural Adjustment in the European Coal and Steel Community

The ECSC, founded in 1953 by France, Germany, Italy and the Benelux countries, established a preferential zone for managed trade and adjustment in the coal and steel sectors. It was to be administered by a supranational institution, the High Authority, with decisions taken by an intergovernmental Council of Ministers. Among the most important tasks of the ECSC was to encourage rationalization of two highly cartelized and subsidized industries, coal and steel. In the 1950s, the Belgian coal industry was among the most inefficient among the Six and, therefore, required the greatest adjustment; accordingly, Belgian coal and steel producers opposed the ECSC. Despite the high costs of rationalization, however, the Belgian government supported the treaty. Similarly, in the 1980s, the Mitterrand government in France called for greater supranational oversight in the coal and steel sector, although the result was additional pressure on its own troubled steel industry. Both national positions can be explained, in part, by examining how international cooperation strengthened the influence of national executives. EC involvement in the coal and steel sector has augmented the political resources available to domestic executives, thereby permitting them to impose domestic structural adjustment that might otherwise have been blocked.

Turning first to the 1950s, the willingness of Belgian politicians to accept the ECSC appears puzzling. The attractiveness of the ECSC treaty as a policy arena did not lie in the provision of functional benefits highlighted by regime theory: there were no clear rules mandating adjustment, no inter-sectoral issue linkages, little interest in monitoring foreign countries, and relatively insignificant decision-making and enforcement power granted to supranational bodies. What opportunities for centralized initiative existed were swiftly restricted by national governments.[70]

A more satisfactory explanation for Belgian policy concerns the domestic effects of the ECSC arrangement. Geopolitical concerns aside, the primary virtue of the treaty for Belgian politicians was that it appeared to provide the best possible conditions for inducing domestic industrial rationalization particularly in the coal industry - a goal supported by the executive, which represented primarily Flemish interests, but blocked before the early 1950s by Walloon opposition.[71] European institutions reduced the political costs for the Belgian executive of making these difficult decisions. The first effect was ideological. European institutional machinery disguised and legitimated a quid pro quo whereby Germany bought access to the Belgian coal market. This intergovernmental bargain was potentially controversial, particularly among those who had to pay for the adjustment in Belgium, but was masked through the ECSC: Germany was both the major contributor of ECSC funds and the major coal exporter in the EC, while Belgium was the major beneficiary of financial assistance from the common fund of the ECSC. The Belgian executive was able to trade access to its market for financial assistance with structural adjustment. Until the late 1950s, this meant that the pace of rationalization was slower than it might otherwise have been, but this was a necessary in order to avoid "devastating interregional conflict."

The second effect was informational. The ECSC - and particularly the High Authority - provided a convenient scapegoat for inevitable actions of the Belgian government. When serious rationalization finally occurred, after 1958, EC subsidies had been all but eliminated. But the EC still played a key role. Historian Alan Milward concludes:[72] Without supranational support the policy would have been harder to carry out...It was a source of political authority outside the nation which could be appealed to for help, blamed for unpopular policies which were also those of the government itself, and,

when it suited the mood, caricatured as a technocratic dictatorship trampling the rights of Belgians. In short, the ECSC provided a ready political and economic mechanism, but also a flexible one, for national leaders seeking to induce domestic industrial modernization.

ECSC institutions lay dormant during the following two decades of economic prosperity, during which buoyant demand for basic industrial goods averted problems with surplus capacity. After the European steel market collapsed in the wake of the second oil shock of 1979, however, a situation similar to that of the late 1950s arose again. Seeking a framework in which to introduce domestic structural adjustment, governments rediscovered this "sleeping beauty" institution. The political dynamics behind the decision to use the ECSC to help promote domestic structural adjustment closely resemble those prevailing in the 1950s. Economic crisis initially led less competitive national sectors to demand subsidies, which governments initially provided. In France, the Socialist government headed by Pierre Mauroy continued to support national champions in steel, despite almost continuous challenges by the Commission. Where the French government had spent FF4 billion annually in subsidies from 1966 through 1981, it spent approximately FF15 billion annually from 1981 through 1983.[73] The enormous size of these subsidies eventually induced a domestic policy shift. During the first half of 1984, in the face of bitter disputes between the Economics and Finance Ministries, President Mitterrand initiated a new policy directly overseen by the Prime Minister and the President. In Brussels, representatives of the French government, which at that moment occupied the presidency of the European Council, suddenly reversed their position and began to press for stronger EC mandatory pricing structures. Once again, European institutions provided informational and ideological support for difficult executive decisions, strengthening the French government against domestic steel and coal industries in a number of ways.

First, the French Permanent Representative to the EC during this period, Jacques Leprette, recalls that one purpose of French policy toward the EC was to maneuver the Commission into a position of responsibility for inevitable domestic production cuts. When seeking to reduce steel production, he quietly informed the Commission: "we want to fire 3000 workers in the Bassin de Longwy and it is up to you to do it." [74] Structural adjustment was presented as a "European" policy, not a French one, with the Commission, like the High Authority before it, cast as the scapegoat.[75]

Second, the Commission circumvented domestic ministries, providing the French executive a unique source of balanced, objective information, based on mandatory reporting requirements for industries. This was important because national ministries had "never succeeded in assembling a pool of experts capable of providing advice totally independent of the employers." [76]

Third and finally, the role of governments as international negotiators for industry gave them an additional source of leverage against domestic firms, permitted them to pressure the latter to moderate their demands. In exchange for pursuing industry interests, governments demanded support for the general policy line, an example being the acquiescence of German producers in a number of government bargaining positions.

B. France and Creation of the Common Market

The Treaty of Rome, negotiated and ratified between 1955 and 1958, established procedures for the creation of a common market among its six signatories. After an initial commitment to explore the idea, made in a declaration of the foreign ministers of the six ECSC countries at the Messina conference of June 1955, the negotiations proceeded in stages. A committee of national experts chaired by the Belgian foreign minister, Paul-Henri Spaak, drafted a report, which was approved at a meeting of the six foreign ministers at Venice in June 1956. An intergovernmental conference of national representatives then negotiated a treaty - signed in February 1957 and ratified by the end of the summer - providing for the progressive elimination of internal tariffs and quotas, the erection of a common external tariff, and a common agricultural policy.[77] During the critical three-year period in which the treaty was negotiated, French domestic opposition imposed a binding constraint on cooperation among the Six. Germany, Benelux and even Italy staunchly supported trade liberalization, reflecting the continuation of previous policies, a desire to guarantee access to the French market, and a broad effort to promote prosperity. Within France, the political leadership favored liberalization. Every French chief executive - with the possible exception of Mendès-France - was more supportive of European integration than the French parliament, public or economic ministries.

For executives, the primary motivation for trade liberalization was not, as might have been expected, to gain access to foreign markets. In the 1950s, Germany, France's largest trading partner and the hub of the European trading system, pursued a consistent policy of unilateral tariff reductions; French exports to Germany were increasing rapidly, with little evidence of a protectionist reaction across the Rhine.[78] Instead, French leaders of the late 1950s - including Edgar Faure, Guy Mollet, Maurice Bourgès-Maunoury, Robert Schuman, Christian Pineau, Maurice Faure and Robert Marjolin - favored trade liberalization because it was seen as the only policy that could force French firms to modernize, thus rejuvenating the French economy, plagued in the last years of the IV Republic by recurrent balance of payments crises.[79] Successive French governments had sought liberalization for almost a decade, only to see it blocked by sectoral business interests seeking greater safeguards.[80] In addition, ideological opposition to European integration in Parliament came from Poujadists and some Gaullists on the nationalist Right, as well as Communists and some of the more radical Socialists on the Marxist Left. Finally, the ministries overwhelmingly opposed the idea. Of the ministers present at an early meeting at the Hôtel Matignon, 80% rejected the common market. The bureaucracy was cautious as well. Official opinion in the Foreign Ministry, split between those who supported pro-colonial collaboration with Britain and a smaller group in favor of European integration, was skeptical at best.[81]

International negotiations permitted French leaders, in collusion with their foreign counterparts, to exploit the foreign policy prerogatives of the executive and the special advantages conferred by international negotiations in overcoming this domestic opposition. The means by which this was achieved demonstrates the importance of executive control of initiative, institutions, information and ideology. Confidential coordination permitted European chief executives and their close associates to exploit their joint power of initiative, adapting the tempo of international negotiations to the exigencies of French domestic politics. Through early 1955, German and Benelux leaders deliberately held back initiatives, since the Mendès-France government was correctly perceived as unwilling or unable to act on European issues.

When Mendès-France was replaced by Edgar Faure, who - along with his foreign minister, Antoine Pinay - supported European integration, the French government quietly encouraged its neighbors to propose initiatives.[82] Domestic information was closely guarded. Since the presence of four anti-European Gaullist ministers blocked the Faure government from taking overt steps toward integration, the Six proceeded covertly. Pinay, working with the other five governments, quietly agreed to the decisions at Messina, but deliberately downplayed them in public, portraying the Spaak Committee, which was to continue the negotiations, as a group of apolitical experts. He and Faure disguised its importance by simultaneously publicizing two decisions favored by the Gaullists: the refusal to reappoint Monnet as head of the High Authority (Faure disliked him anyway) and the proposal for the Euratom project. The initial meetings of the Spaak Committee were presented as having reached an impasse, one participant recalls, as part of a conscious strategy "to avoid calling attention to the technical work of the experts until their proposals were complete and ready for political action." Details of the emerging agreements were deliberately left vague, hindering the formation of opposition among French sectoral business organizations. All six governments deliberately eschewed public mention of European federalism or "supranationality." [83]

The government of Guy Mollet, which replaced that of Faure in January 1956, included neither Gaullists nor Communists, permitting a more pro-European public position. Mollet nonetheless remained concerned about ministerial and parliamentary opposition. Led by Minister for National Economy and Finance Paul Ramadier and Secretary of State for Economic Affairs Jean Masson, the technical ministries unanimously opposed the common market when consulted in April 1956. Under the normal procedure in the IV Republic, with its weak executive, initiative and autonomy devolved to individual ministers and officials. Over 500 advisory committees, attached to ministries, had the right to be consulted on ministerial business, guaranteeing producer groups access to policy-makers.[84] Rather than working through the economic ministries, as was customary in domestic policies and prior international negotiations, Mollet and Pineau, his foreign minister, exploited foreign policy powers to insulate executive decision-making. They hand-picked a special negotiating team of dedicated Europeans, including Maurice Faure, Robert Marjolin and Jacques Donnadiou de Vabres. All received positions within the executive office and Pineau's foreign ministry, employing the latter because it was "far less permeable to interest group pressure than the Ministry of Industry." [85] The team reported directly to Émile Noël, Mollet's chef de cabinet.

Within this carefully designed institutional structure, Mollet's team exploited their monopoly of access to the negotiations to throttle special interest pleading within the state. Up through the ministries came objections from businesses, professionals, universities and officials disadvantaged by the agreement. Noël deftly "sterilized" them, writing back over Mollet signature that the negotiators would take into account their complaints. Where compromise solutions were needed, Marjolin and Faure chaired expert groups, rather than bringing the issues before ministers. The government met with business interest groups on its own terms, hinting that they should endorse the common market in exchange for consideration of their interests. Leading business groups, which appear otherwise to have opposed the Common Market, cautiously supported it. These procedures alarmed the Finance Ministry, which protested that French interests were not being adequately safeguarded, but there was little to be done. Eventually the "ministries grew tired" and demands ceased.[86]

Mollet and Pineau, like their predecessors, further strengthened executive influence by manipulating public information of the negotiations. According to a secret strategy known only to Mollet, Foreign Minister Christian Pineau, and one other person, Euratom was used as a "smokescreen" (Écran de fumée) for the government's first priority, the more controversial common market. At successive meetings, including Venice, French negotiators, led by Pineau, contrived to appear undecided about the common market by stressing French reservations but quietly agreeing to a progression of "expert reports." [87] Obliging, the French press paid more attention to Euratom than the proposal for a customs union. Lack of adequate access and information hampered the formation of sectoral interest group opposition. The government quietly informed peak interest groups, but sectoral groups were not directly associated with the negotiations. One industrialist complained that "only several days before signature by the Governments [have] industries been able to obtain unofficial knowledge of the...texts which can no longer be changed" - yet George Villiers, the pro-European head of the CNPF, had informally approved the agreements well before they were signed.[88]

In response to business concerns, a series of symbolic concessions to France, including commitments to equalize social welfare rates and female wages, were arranged. Marjolin and others in the government knew that these concessions were economically insignificant, but sought them because business - basing its belief on obsolete government studies - believed that they were necessary in order for French industry to compete.[89]

In the final months of 1956, Mollet spied an political window of opportunity and exploited executive initiative to reach agreement swiftly. The French government's position grew more flexible, and Faure signalled foreign governments that an agreement must be signed before the government weakened or changed. Negotiations that had dragged on for eighteen months were concluded in three. Where difficulties arose, Franco-German summit meetings surmounted them, after which discussions were not reopened. In February 1957, the Treaty of Rome was signed.

Agreement at the international level shifted the forum of opposition to the French parliament. In seeking parliamentary ratification, the government was greatly aided by the fact that the treaty only needed to pass a single "up-or-down" vote; amendment appeared impractical. Mollet and later Maurice Bourgès-Maunoury - who succeeded Mollet in early 1957, but retained Pineau, Faure and the rest of Mollet's European team - adopted a three-pronged parliamentary strategy aimed at undermining the institutional, informational and ideological foundations of opposition to the Treaty. First, beginning in 1955, Mollet established executive leadership over his party, the SFIO, which had split badly over the EDC. Support for the EDC was employed as a litmus test for a systematic purge of left-wing, anti-EDC elements in the party. Moreover, it would have been difficult for the center-left coalition, headed by Mollet, to desert him on this issue.[90]

Second, the timing of the ratification was carefully synchronized to deny the opposition an opportunity to mobilize. Fearing that a financial crisis would undermine support, the Bourgès government bypassed "traditional channels for discussing European integration projects...in a deliberate effort to present the Treaty to the Assembly before the deteriorating situation permitted opposition to the proposal to coalesce." The ratification vote was scheduled only two weeks in advance. Had the treaty been delayed, one insider later argued, "a majority would not have been possible." [91]

Third and most fundamental, participation in the debate was manipulated so as to bias the public available on the treaty: general arguments, particularly political arguments, for the treaty were stressed. Between signature and ratification, Mollet ordered the SFIO to wage "a propaganda battle...to assure ratification." [92] Until the last few days before the vote, details of the treaty were not generally available, as we have seen, even to some interested business groups and members of the political elite.

In the parliamentary debate, deliberate ambiguities in the treaty, which could not realistically be amended away, were exploited to the fullest. Loose commitments on social issues permitted Faure to exaggerate concessions to France on the harmonization of social security, a concern of business, claiming that they were among the Treaty's most important elements. Pineau assuaged the Mendèsists by stressing the likelihood of eventual British membership, while reassuring economic interest groups that the treaty was in fact an alternative to the British free trade area. Mollet and Bourguès further shaped the content of parliamentary discussions by restricting the speaking privileges of ministers. L'Usine Nouvelle, a leading industrial publication, reported that "only the political ministers, Mollet, Pineau and Faure, have spoken [while] the technical ministers Ramadier, Masson, Lemaire and Gazier have not been called on" - a tactic that would have been unjustifiable had the issue been debated in a purely domestic context.[93] General national interests, such as the desire for independence from the superpowers, were invoked, while federalist implications were suppressed.[94] Moreover, having signed the treaty, Pineau and Faure were able to portray the prestige and reputation of France as at stake. The other five governments ratified quickly in a deliberate attempt to place greater pressure on France. France, Pineau argued, could not afford another rejection, lest she be considered an irresponsible negotiating partner; the French "must choose between Europe and the uncertain future of isolation." [95]

In contrast to the ill-fated EDC, which three years previously had been defeated after gaining only lukewarm executive support from Mendès-France, the Treaty passed relatively easily. Similar events took place in other countries: Spaak kept the government and domestic groups in Belgium uninformed until the last minute; German sectoral business groups were kept at arm's length, while the leader of the central Verband was constantly apprised of developments; the Italian negotiators were technocrats and the Treaty received little serious political scrutiny. One of the German chief negotiators recalls that the press was deliberately given very little information, "otherwise there might have been much more opposition to the treaties." [96]

In sum, international cooperation permitted French politicians to attain a domestic goal, trade liberalization, that they could not achieve through domestic means. The international political process conferred on executives a number of political advantages, which were skillfully exploited by the Faure, Mollet and Bourguès governments. By strategically employing the power of the executive, drawn both from a combination of constitutional foreign policy power and from collusion with foreign leaders, to block the access of groups to the process of negotiation, to eliminate procedural opportunities for parliamentarians and ministries to amend proposals, to limit the information available to potential opponents of the treaty, and to undermine ideological legitimacy of opposition, these governments succeeded where others had failed. In this they were explicitly aided by coordinated action taken with foreign governments, which tailored their tactics, timing and rhetoric to the domestic needs of the French government. These tactics were premeditated and, in the eyes of many participants, decisive in the founding of the EC.

C. The Consequences of the Common Commercial Policy

The deep erosion of national parliamentary and ministerial control over foreign trade policy demonstrates the full extent to which the expansion of EC competence has disempowered domestic opponents of EC policies and strengthened the role of national executives. First and most obvious, the implementation of the Treaty of Rome's internal market provisions eliminates nearly all national discretion regarding tariff and most quota reductions among EC members, which were reduced according to a fixed schedule. Non-implementation would be an outright violation of the Treaty. Second, the treaty has been interpreted by the ECJ as preempting national activities in a number of areas, including agricultural trade, competition policy, and other issues in which the EC enjoys "exclusive competence." One of the most important is external (third-country) commercial policy. GATT trade negotiations are carried out by the Commission, acting under tight oversight of the member governments in the 113 Committee, COREPER, and ultimately the Council of Ministers. Although the Treaty of Rome specifies qualified majority voting, trade issues are in fact decided by informal consensus.[97]

As a result, democratic scrutiny of GATT tariff agreements by national parliaments, officials and publics has been eliminated entirely. Since the Dillon Round, concluded in 1961, not a single GATT tariff agreement has been submitted to parliaments, publics or any other branch of national

governments for ratification. Before the recent Uruguay Round, the only GATT accords to require domestic ratification - and only in some member states were parliaments involved - were "mixed" agreements exceeding the competence accorded the EC by Article 113, namely two Tokyo Round non-tariff codes (on standards and civil aircraft) and one procedural agreement (the Tariff Protocol of 1979). Even these modest parliamentary powers over mixed agreements are now threatened by a tacit alliance between the European Court and the member governments, which favors placing all international economic agreements under exclusive Community competence.[98]

The near total erosion of parliamentary oversight over trade policy has not been offset by new powers accorded the European Parliament (EP). One reason for this is that foreign policy imperatives render direct democratic oversight difficult. During the Tokyo and Uruguay Rounds, the EP's demands to be consulted were flatly rejected by national governments - an act justified in part by the desire to avoid undermining the EC's international bargaining position. As Sir Fred Cathelwood, president of the Committee on External Economic Relations, stated, the EP had "no intention of recommending a procedure which forces negotiators to show their hand in public." [99] Recent voluntary export restraints on imported automobiles negotiated with Japan took the form of a "consensus" between the Commission and MITI; about which one participant noted that "public vagueness was necessary to confuse and divide its adversaries." Much like the practice of "fast-tracking" trade bills in the US Congress, EC trade policy-making has strengthened national executives and facilitated the pursuit of an outward-looking industrial trade policy in the Kennedy, Tokyo and Uruguay Rounds.[100]

To be sure, each executive is still limited by bargains struck with foreign counterparts, which may reflect the indirect influence of certain special interests, particularly those with substantial electoral or partisan influence. Nonetheless, European executives surely conduct trade policy with more freedom from domestic constraints than they would in the absence of the EC. From the Kennedy Round on, this meant that EC negotiators were under less direct political pressure from interest groups than their American counterparts.[101]

D. The Founding and Functioning of the European Monetary System

The European Monetary System (EMS) was launched in March 1979, replacing an inflexible and ill-fated arrangement, termed the "Snake", that structured European monetary coordination in the 1970s. The EMS fixed exchange rate parities within specified bands, facilitated short-term loans, coordinated intervention to buttress the system against speculation, and provided for meetings by finance ministers to negotiate parity changes and exchange information about national policies.

Throughout the history of the EMS, chief executives exploited their political resources derived from the foreign policy process to shift the domestic balance of power in their favor. Strong opposition to monetary union came, or could have come, from central banks and the partisan opposition (in Germany) and from the governing coalition (in France). In founding the EMS, French and German chief executives colluded secretly to seize the initiative, employed legal forms that reduced the institutional power of domestic opponents, denied information to a wide range of domestic and international actors, and increased their legitimacy by couching the entire operation in European rhetoric. Once in place, the EMS strengthened the credibility of disinflationary policies pursued, largely for domestic reasons, by national governments. The conventional explanations of this strategy, which are legal and economic, are implausible. The evidence supports rather a domestic political explanation, in which governments employ informational and ideological means to reduce the political costs of necessary disinflation.

1. The Founding of the EMS

Despite at least two dozen official and unofficial proposals for monetary union over the previous decade, often elaborated in considerable detail, serious negotiations on the EMS began only when two chief executives, Helmut Schmidt and Valéry Giscard d'Estaing, seized the initiative. Both faced strong domestic and international opposition. Schmidt faced some business groups, the Christian Democratic Union (CDU) and Christian Socialist Union (CSU) parties, and, above all, the Deutsche Bundesbank, all committed to monetary autonomy. Attacks from the CDU/CSU were vehement enough to call into "question Germany's traditional bipartisan approach to major EC questions"; Bundesbank hostility, grounded in a defense of its institutional autonomy and suspicion of binding external constraints, was

even more important. For Giscard, domestic opposition came from those who opposed economic austerity or European integration, and from those who objected to any French concessions to Germany. In addition, Schmidt and Giscard sought to defuse opposition from publics in smaller EC countries, which distrusted German (or Franco-German) motives.

According to Giscard, the two leaders felt at the start that they were the only two national executives who strongly supported the initiative.[102] A close personal relationship and the combined influence of their two countries made Schmidt and Giscard an effective executive cartel.[103] At a bilateral meeting in early 1978, they agreed to raise monetary cooperation at the forthcoming April meeting of the European Council in Copenhagen, where only chief executives would be present and discussions were secret. (According to Schmidt, the initiative was deliberately scheduled after the French elections to ensure a "strong government" in France.[104]) Anker Jørgensen, the Danish Prime Minister, whose government held the presidency of the European Council, was politely but firmly requested to make time for the discussion. To their counterparts in other EC countries, Schmidt and Giscard stressed the need to insulate a West European bloc from monetary fluctuations emanating from Japan and the US, which implied that the upward pressure on the DM would be limited. (This permitted the DM to remain somewhat lower and German macroeconomic policy somewhat more expansionary than otherwise would have been the case.) For Giscard, the EMS would also help maintain the credibility of the disinflationary policies initiated by the Barre government.[105]

At Copenhagen, no formal proposal was made and no formal decision taken. At a confidential breakfast the next morning, however, Schmidt, Giscard and James Callaghan, their British counterpart, agreed to continue secret discussions by way of personal representatives. Discussions proceeded for several months, leaving the other six EC chief executives, as well as central bank and finance ministry officials of the big three, and the EC's Monetary, Central Bank, and ECOFIN committees, entirely in ignorance. Jørgensen, responsible for setting the European Council agendas, heard nothing and assumed that the plans had been abandoned.[106] Schmidt has observed that the EMS would never have emerged through formal channels - that is, through the committees of the EC's Council of Ministers of Economics and Finance (ECOFIN).[107] Secrecy and unofficial procedures were essential not primarily to avoid discussions in the Commission and Parliament; though Schmidt's contempt for supranational institutions was legendary, his relations with Roy Jenkins, the Commission president, were good. Instead, his goal was to avoid empowering domestic opponents. The official EC committees were composed of ministerial experts, whom Schmidt and Giscard were systematically excluding from domestic deliberations; it was "essential to get a big head of steam behind the plan first." [108] Schmidt thereby circumvented the Bundesbank, whose president, Dr. Otmar Emminger, a skeptic of monetary cooperation, "was systematically excluded from the circle of the initiated" and was informed only during the last days before the July meeting of the European Council in Bremen, when "the Franco-German plan was already complete and all[he] could do was insist that the Chancellor should not enter into any binding commitments." [109] Whereas in normal German Cabinet decision-making, the Bundesbank president takes part in discussions of important questions, Schmidt directed policy until July through a small team in the Chancellor's office.[110]

Although foreign policy powers and the use of summit meetings permitted Schmidt and Giscard to act almost autonomously, seizing the initiative and conducting negotiations in secret, they never decoupled the plan entirely from the EC political system. Indeed, immediately after the Bremen summit ratified the Franco-German plan, the negotiations were turned over to precisely the EC committees of national officials that Schmidt and Giscard had initially circumvented. This decision appears doubly paradoxical, since behind the scenes, political guidance remained tightly held. The committees of senior officials were told to "work out the details" of the plan rather than "questioning fundamentals." When the committees were unable to reach compromises, final negotiations were held among ministers and executives of the member governments between from November 1978 to March 1979.[111] If the real power lay in the hands of the national leaders of a few states, what purpose could European institutions have served? There is little reason to believe that they were invoked for any of the purposes generally emphasized by functional regime theory: issue linkages (in particular to agriculture) were rejected; executives possessed adequate information; existing EC institutions provide no monitoring, enforcement or adjudication services; the Commission conducted no arbitration or agenda-setting; and the transaction costs of ad hoc negotiations at no time appeared significant. EC structures of legal liability were deliberately bypassed; the EMS remained extra-legal until incorporated into the Treaty structure at Maastricht, over a decade later.[112]

One motivation for employing EC institutions was to legitimate domestically what was essentially a secret bilateral political initiative. Inside of Germany, where European integration remains an important ideological commitment, the EC provided useful support for a controversial policy. In December 1978, for example, when the negotiations briefly seemed headed for failure, even domestic opponents of both the government and the EMS, such as the Frankfurter Allgemeine Zeitung and the opposition CDU spokesman in the Bundestag, felt obliged to praise Schmidt for his European leadership and vision.[113] Outside of Germany, Schmidt was concerned about the psychological and political unease that might arise from the first overt act of German political leadership in the history of European integration. International institutions served as a means of domestic and international legitimation, rebutting claims of German hegemony. In a confidential internal memo written the previous year, Schmidt outlined the tactic precisely, noting that the Federal Republic had become:[114] "...in the eyes of the world de facto economically the second world power of the West...[It is therefore] necessary for us, so far as at all possible, to operate not nationally and independently but in the framework of the European Community...This attempt to cover our actions multilaterally will only partially succeed...we will (necessarily and against our own will) become a leadership factor..."

Even with European "cover," the exclusion of other countries from the early negotiations only narrowly escaped becoming politically controversial among the parliaments and publics of small neighbouring countries, such as the Netherlands, as well as in France - despite overlaps of substantive interest with Germany. Ideological appeals to European and Franco-German solidarity were particularly critical in the case of the EMS, because they helped disguise a fundamental asymmetry in the burdens of monetary integration. This asymmetry favored strong currency countries, in particular Germany, while placing greater burdens on a weak currency country, such as France. This engendered a fundamental Franco-German disagreement.

The German government supported a system based on bilateral parities; when two currencies moved apart, both central banks would be obliged to intervene. This arrangement, which eventually formed the basis of the EMS, had the singular political virtue of appearing to impose symmetrical obligations, but actually imposing disproportionate burdens on weak currency countries. In a crisis, it would be far less risky and costly for Germany to intervene than for France to do so; Germany would be selling its own currency, while France would have to sell gold and foreign currency. Weak currency countries typically deplete their reserves, thereby forcing devaluation; the corresponding pressure to revalue in strong currency countries is less immediate.

By contrast, the French government favored a system in which currencies pegged to a common currency unit, the ECU. When a currency diverged too far from its ECU peg, it would be obliged to adjust unilaterally. The ECU-based system, although it appeared to be asymmetrical, selecting only one currency at a time, actually imposed symmetrical obligations, since it was equally likely to oblige strong or weak currency countries to alter their parity.[115] The German proposal prevailed, but the Franco-German summit at Aachen, at which the basic principles of the EMS were fixed, offers a striking illustration of precisely how ideas were manipulated to disguise the asymmetry of the arrangement. The symbolism of the bilateral meeting was stressed in advance by press officials of both governments: Schmidt and Giscard would visit the throne of Charlemagne and attend a concert in the cathedral of Aix-la-Chapelle - deliberately evoking memories of the celebrated meeting between Adenauer and De Gaulle at Reims nearly two decades before. "Perhaps," declared Giscard afterwards to the press, "when we discussed monetary problems, the spirit of Charlemagne brooded over us." [116] In response to direct questions, Schmidt denied the existence of any Franco-German disagreements over monetary integration and waxed uncharacteristically about "our old and dear continent." [117] The substance of the agreement was kept secret and received relatively little notice in the press, but those who suspected that France had quietly capitulated to the Germans were correct. Hence two of the most important issues had been resolved in Germany's favor before official negotiations began: convergence to a low-inflation standard, Giscard and Barre's own goal in any case, was to be the precondition for monetary integration, and the parity grid system would be employed, placing greater pressure on France to adjust.

Yet the system was packaged so as to appear more favorable to French interests than it actually was. This is evident by the inclusion of a number of meaningless or blatantly symbolic provisions. The appearance of a French negotiating success was preserved by including both the ECU-based system and the parity grid system in the agreement, though insiders understood that the ECU system was

structured so it could not possibly influence real exchange-rate obligations. The French announced at the time of the signing that the text might be further elaborated to impose further obligations on Germany. Giscard suggested that the new money be called the ECU, an English acronym ("European Currency Unit") that corresponded to the "écu," a French coin from the time of the Valois. Giscard and Schmidt believed this would "better permit the 'selling' of the policy in France." [118] In September 1979, at the first biannual meeting to review the new system, however, the French quietly abandoned their claim to the ECU-based system, reducing the new currency unit to a marginal role as an accounting value for certain EC transactions. The other major concession the Germans had made - a clause authorizing the creation of a European Monetary Fund within two years - was never activated. [119]

In weak currency countries, such as Belgium, France and Italy, European symbolism enhanced the credibility of prior governmental commitments to austerity, insulating executives in imposing unpopular policies like the French Plan Barre and the Italian Pandolfi Plan. Politicians in these countries stressed the symbolic importance of the EC link - a point we shall return to in the next section. Guido Carli, president of Confindustria and former governor of the Banca d'Italia, invoked the fear of exclusion from a two-tier Europe, predicting that if Italy did not join the EMS, its role in trade relations would be undermined, with disastrous results. Combining domestic and international imperatives in a masterly political maneuver, Prime Minister Giulio Andreotti was even able to exploit the EMS to strengthen his coalition, isolating yet muffling the Communist opposition. Only in Britain was this tactic ineffective. Callaghan encountered tighter domestic constraints, due to upcoming elections, strong opposition from the reflationary left-wing of his own party, and the lack of any tradition of ideological support for Europe. Britain formally joined the EMS, but declined to participate in its exchange rate mechanism, with Callaghan apparently intending to do so after the elections. [120]

Perhaps the most important tactic employed by European executives was institutional. Having secured an agreement on German terms and protected it from domestic and international criticism, European executives manipulated domestic procedures to remove any possibility of formal opposition.

According to Alain Prate, a governor of the French central bank and a participant in the negotiations, national leaders were primarily concerned that domestic ratification might permit ministerial officials, parliamentarians and judges to obstruct ratification. With this in mind, they deliberately created the system through a "resolution" of the European Council - a soft-law agreement rather than a hard legal commitment, such as a formal revision of the Treaty of Rome. [121] Since Council resolutions are not formally recognized under domestic law, they require neither parliamentary ratification nor vetting by constitutional courts; since they are not formally recognized under EC law, they are similarly immune to any revision by EC institutions. Although monetary sovereignty was at stake, national parliaments, publics and courts considered neither the initial resolution nor any subsequent changes in the EMS, until the Maastricht Treaty, nearly fifteen years later. [122]

2. The Functioning of the EMS

It is widely agreed, by both analysts and participants, that the EMS contributed to European disinflation during the 1980s, but it remains unclear how. [123] Two common explanations - that the EMS mandated disinflation or that it contributed to the credibility of disinflation in domestic and international market - are, for reasons outlined below, incomplete or unconvincing. A major contribution of the EMS to executive efforts to reduce inflation appears to have been the domestic institutionalization and rhetorical legitimation of unpopular and costly policies, offering particularly valuable support for centrist and socialist governments. By raising the costs of effective political opposition, European institutions contributed to the domestic sustainability of monetary cooperation. The EMS did not legally mandate nor enforce macroeconomic coordination through the imposition of legal or political constraints. Real long-term interest rates began converging in the mid-1970s, well before the formation of the EMS. Inflation rates and nominal long-term interest rates began converging significantly afterwards, between 1982 and 1986, depending on the country. An analysis of wages reveals no consistent relationship over time or across countries. Only between 1983 and 1986 did exchange rates begin to stabilize, inflation rates to converge, and real interest rate differentials to shrink. For the first four years of its existence, EMS rules and procedures appear to have had little effect on government policy, with governments devaluing more or less at will, though competitive

devaluations did not take place. Between 1979 and 1983, parity changes in the EMS fully accommodated the accumulated franc-DM inflation differential. Only the convergence of macroeconomic policies, which predated the EMS's period of exchange rate stability in the mid to late 1980s, created the space for policy coordination. As one participant, Jean-Louis Rey of the Belgian Central Bank, put it:[124]

The decisive change...came about after 1982, when countries like Belgium, Denmark and France decided to...switch toward a Deutsche Mark exchange-rate target. The change in policy orientation did not occur because of EMS, but [because] the costs of economic divergence within the EMS had become obvious, and they were unlikely to disappear simply by opting out of the system....the sequence goes from basic policy reversal to EMS sustainability, not the other way around. There is thus little evidence that the EMS directly mandated disinflation.[125]

The second commonly proposed causal connection between the EMS and disinflation - the "credibility" hypothesis - is entirely economic. By linking domestic policy to a foreign central bank or to an international organization, governments are said to "borrow" credibility on international capital markets or domestic labor markets.[126] On this view, the EMS reduces the macroeconomic costs of disinflation because international and domestic market actors, viewing government policy as credible, will not bet against it, thereby reducing the cost of disinflation. Without the international commitment, it is argued, economic actors would view the policy as non-credible, and the government would have to impose higher interest rates or greater fiscal austerity in order to bring down inflation. The EMS also contains provisions for the joint defense of parities and for short-term currency swaps, although they were hardly employed during the first decade of the EMS, since governments preferred to intervene intramarginally.

The "credibility" hypothesis is, insofar as it sees government actions as directed toward domestic groups, consistent with the argument advanced in this essay, namely that executives employ international institutions to "cut slack." [127] Yet theory and evidence support only a weak link, if any at all, between the EMS and the greater credibility of disinflation in domestic and international markets. Theoretically, the precise reason why commitments grounded in international institutions should be credible to international actors other than those grounded in domestic institutions remains unclear. Moreover, a simpler and arguably more credible alternative would have been to create independent central banks - an alternative to which we shall return shortly.[128] Empirically, econometric studies simply do not confirm the link. Member countries of the EMS neither reduced inflation more rapidly than non-EMS countries, nor - more significantly - did they reduce inflation at a lower macroeconomic cost, measured in foregone growth and employment.[129] If credibility in international markets alone were the objective of weak currency governments, it seems unlikely that European governments would have persevered for over a decade in an international arrangement with large costs but no measurable effects. Hence, while there is perhaps some truth in the economic credibility argument, it is surely not the entire story.

A third explanation, the existence of an "executive cartel" to "cut slack" and reduce the political costs of disinflation, seems more plausible. In this view, like the "credibility hypothesis," the purpose of the EMS is to strengthen executives against domestic groups, was less economic than political: once European governments decided on anti-inflationary policies, the EMS reduced the domestic political costs of maintaining them. International cooperation provided a particularly effective instrument, for three reasons: it increased executive initiative within the monetary policy-making institutions in each country, provided a scapegoat for costly policies, and served as a source of ideological legitimation for austerity. Let us examine each tactic more closely.

Initiative and Institutions: The EMS, like most exchange rate regimes, shifted the domestic institutional responsibilities within various member states in favor of the executive. In weak currency countries, the exchange rate is more easily targeted than fiscal or monetary aggregates, which are subject to direct legislative control and direct influence attempts by interested parties. In Germany, the law provides for a central bank independence in domestic monetary affairs, but executive control over exchange rate policy. This gave Chancellors Schmidt and Kohl greater authority to pursue European

monetary integration for a considerable period over the opposition of the Bundesbank and, at times, German business.[130]

Information: The EMS, along with the Bundesbank, served as a scapegoat for unpopular policies. By making participation in the EMS appear unavoidable, governments silenced many domestic critics. The need for monetary convergence was often blamed on German policy or European rules. The argument that "there is no national...influence with regard to exchange rate policy," though an exaggeration, "in essence remov[ed the issue] from the domestic political agenda." [131] In addition, many French and Italian politicians argued, as they had in 1979, that monetary integration is an essential precondition for remaining a full participant in Europe and protecting the achievement of the single market - though evidence at the time, and subsequently, suggests that neither claim is true.[132] Mitterrand appears to have exploited the "scapegoating" technique to gain external support for the austerity program following the 1983 turnaround. Despite the large inflow of foreign capital into France after the devaluation in March, which obviated any need for external financial support, the French government nonetheless assumed an EC loan with strict macroeconomic conditions attached, apparently to grant additional support for policies already chosen.[133]

Ideology: The link to European ideals offers a source of ideological legitimation for governments, particularly those on the left, that had turned toward austerity. In Italy, where "the onus of proof in...politics lay on those who proposed an anti-European course, rather than on those who preached their European credentials," the EMS provided legitimacy for those who would reduce budget deficits and strengthen the autonomy of the central bank.[134]

The most important example of the use of the EMS to "cut slack" is French President François Mitterrand's shift to a policy of monetary discipline in 1983, which ushered in the period of EMS consolidation. Despite the French President's record of pro-European sentiment and his subsequent European leadership, which have been cited as evidence that the turnaround must in fact have been ideologically motivated, everything we know about the case itself suggests the primacy of economic constraints and domestic political calculation.[135] The French president began internal discussions in late 1982 with the apparent inclination to leave the EMS and he appears to have changed his mind only when informed that doing so would not loosen the constraints on French macro- and microeconomic policy. The testimony of participants unanimously records that European ideology, the Franco-German relationship, and the geopolitical importance of "tying Germany into Europe" did not figure in the internal debates over the turnaround. Mitterrand does not appear to have feared the loss of national prestige or European ideological purity that might have resulted from leaving the EMS; insofar as French prestige was concerned, his major concern appears to have been avoiding loss of control over the economy and the embarrassment of IMF intervention, as befell the British Labour government in 1976.[136]

Only when the French President went before the television cameras to announce the devaluation did he invoke European ideology; the next year he would embark on a major European initiative. In short, Mitterrand's appeal to European ideology appears to have been entirely tactical - an ideological cover for the abandonment of the Socialist experiment and the adoption of conservative policies, and as an appeal to centrist groups, which had long served as the core of French support for the EC, a tactic he had attempted at least once before in his long political career.[137]

The final goal set forth in the Maastricht treaty - irrevocably bound currencies managed by an independent Eurofed - simply extends and institutionalizes this "two-level" strategy. A Eurofed would insulate policy-making from domestic pressures to a radical extent, employing foreign pressures to achieve domestic reform. For Italy, the convergence criteria for monetary union were set at precisely the level that Guido Carli, the Italian Minister of the Treasury, thought his government could achieve if foreign challenges were employed to force through domestic reform.[138] Even if the Eurofed is not eventually created, it will have provided an international justification for the creation of independent central banks - an unattainable goal prior to it being mandated by the Maastricht treaty. The recent reemergence of proposals for an independent central bank in Britain suggests that the European context is reshaping domestic debates, even in countries disinclined to support European initiatives.[139] This interpretation - namely that membership in the EMS helped executives "cut slack," thereby reducing the political costs of disinflation - explains two further anomalies in the history of the EMS: the decision to seek European monetary integration rather than creating independent central banks, and the uneven geographical pattern of membership.

The first anomaly concerns the unwillingness of governments to take unilateral measures, such as the creation of independent central banks, to achieve the same goals. To the student of international relations, this unnecessary surrender of sovereignty to a cumbersome international decision-making process appears particularly puzzling.[140] There are a number of international reasons, including the availability of short-term financing. One important factor, however, is that the international constraint reduced the amount of domestic political conflict over the imposition of domestic monetary discipline. In France, one observer reports, no independent central bank was created in the 1980s, despite interest among politicians, because "at the time there was [not] a sufficiently broad political consensus....It was not until the monetary union project was adopted that the need for this reform became accepted." [141] The EMS, by contrast, reduced the domestic political costs of moving towards monetary stability by appearing to take costly decisions out of the hands of politicians.

The second anomaly resolved by the domestic political explanation is geographical. How do we explain Britain's refusal to join the EMS in the 1980s? From an economic perspective, this makes little sense, since the Thatcher government was among the most strongly committed to disinflation. Yet a political explanation suggests clear reasons for British reticence. Appeals to Europe provide valuable domestic political legitimation in those countries - such as Italy, Spain and France - where pro-European sentiment was strong and the government lacked an anti-inflationary ideology or constituency. The effect of the EMS on the distribution of domestic political resources in Britain would have been the opposite - or so many perceived it during the 1980s. Popular support for Europe is weaker; Thatcher was rhetorically opposed to federalism; and her government's commitment to impose austerity was, to say the least, credible.

Nonetheless, those British politicians who supported the EMS, most notably Nigel Lawson, advanced precisely the sort of political arguments predicted by a "cutting slack" interpretation. As early as 1981, Nigel Lawson, then a high Treasury official, wrote to then Chancellor Geoffrey Howe:[142]"[EMS membership]...is in many ways a second best course....I have no doubt that ideally a straightforward monetary discipline is superior. But...as the election approaches, when the political pressures for the relaxation of monetary discipline will start to mount...we may...be able to enforce and maintain a greater degree of effective financial discipline if we were to embrace the exchange rate discipline. This is particularly apposite given that those of our colleagues who are most likely to be pressing for relaxation of monetary discipline, are those who are keenest on the UK joining the EMS. In other words, we turn their sword against them....At the end of the day the argument rests on political judgment." Lawson was to advance similar arguments over the next decade. Yet Thatcher repeatedly rejected Lawson's pleas on the ground that EMS membership would restrict, rather than expand, her "freedom of maneuver." [143] In the late 1980s, for example, she reminded her Chancellor, given the tightness of current policy, membership in the EMS might commit the government to more inflation, as did Lawson's policy of "shadowing the DM" and the decision to join the ERM in 1990.[144] For the Thatcher government, international commitments were thus a less effective means of generating domestic political support, as well as a less useful policy tool.

IV. IMPLICATIONS FOR THEORIES OF INTERNATIONAL COOPERATION

This section draws the broader implications of these findings for three widely-debated issues. It challenges the view, widespread among integration theorists, that the EC diffuses domestic power. It sheds new light on the causes and consequences of the so-called "democracy deficit" in international organizations, suggesting that it may be functionally beneficial. It suggests important revisions in both "two-level" and "functional" theories of international cooperation.

A. The European Community and the "Diffusion Hypothesis"

Most contemporary analysts argue that the EC diffuses executive power - a claim I have referred to above as the "diffusion hypothesis." Based primarily on the study of the implementation of regional and structural policy, Gary Marks draws the generalization that a "centrifugal" trend is leading toward "the emergence of multilevel governance... [pulling] some previously centralized functions of the state up to the supranational level and some down to the local/regional level." [145] Stephen George attributes the major innovations of the mid-1980s - European R&D programs and the Single European Act - to the actions of Etienne Davignon, Commissioner for Industry under the Thorn Commission,

who "constructed a transnational network where one had not existed...and generated...a groundswell of support for an EC policy." [146] From a regulationist perspective, Bob Jessop argues that "a fundamental restructuring and strategic reorientation" of the modern state is taking place, centering on "a tendential 'hollowing out' of the national state" and a "reorganization...of state capacities" at the supranational and subnational levels. [147] Alain Minc predicts that Europe is entering into a "new medievalism," in which regions and supranational bodies are undermining the unique authority of the nation-state. [148] The evidence provided here, based on a broadly representative sample of EC institutions and policies, suggests the opposite conclusion: EC policies tend, on balance, to reinforce the domestic power of national executives. At the very least, the data presented here cast serious empirical doubt on the diffusion hypothesis. This article has focused instead on a range of essential structures and major policy decisions. What accounts for this divergence of views? [149] It seems likely that those who defend the "diffusion hypothesis" with respect to the EC tend to cite anecdotal examples of cases in which the interests of societal groups have been better served in Brussels than at home, thereby generalizing from a sample of issues biased in many ways. First, rather than sampling critical decisions that structure major policies, "diffusion" studies often focus on anecdotal examples that tend to exaggerate the diffusion of power. Such studies tend to be drawn from areas where few governments have any preexisting policies, like environmental policy, or where policy is designed to diffuse resources, such as EC regional and structural policies. [150] Second, such studies often generalize from the implementation of and compliance with a policy, rather than its initial formulation. Many of the efforts by domestic groups to exploit the policy implementation process against executives are best interpreted as efforts to "claw back" influence previously lost to executives in initial stages of policy formulation. Indeed, the development of international organizations (and not just the EC) over time appears to trace a "punctuated equilibrium" path, in executives cartelizing power through large decisions, only to see it dissipate over time among societal actors. Third, such studies tend to highlight issues in which individual countries (often the U.K.) find themselves in a minority on the Council. Given super-majoritarian voting, such cases are unrepresentative of the EC as a whole. Instead, they should be seen as predictable exceptions to the generalization. In short, while advocates of the diffusion hypothesis have discovered isolated examples of power shifting toward domestic groups, there is good reason to believe that the net effect favors executives. Regional policy, most often cited as an example of diffusion, offers a fine illustration. Anecdotes about the diffusion of power to regions are often cited. Given the intention of regional and structural funding to decentralize resources, however, the most striking finding of recent studies is surely that on balance the gatekeeping role of national governments has prevented any significant diffusion of power through regional and structural policy. In France, the state has placed itself "at the core of negotiation procedures"; as a result, EC regional policy, "has been essentially appropriated by [central] administrations." In Germany, regional governments are primarily concerned to "gain back" the powers they have lost to the federal government as a result of the EC. In Italy, the disbursement of fully half of regional and structural funds is blocked, largely due to the effectiveness of central government officials at retaining their discretion to block unwanted projects. [151]

The case of Britain is most often cited in support of the "diffusion hypothesis," because of the clash between the Commission's interpretation of EC regional policy and the Conservative government's hostility toward local and regional government. The Commission, working together with regional groups, has sought to embarrass the British government, a consistent outlier on questions of regional policy, into permitting regional spending patterns to reflect the priorities of Brussels, rather than London. Yet Whitehall continues to employ EC monies primarily as an alternative source of funding for existing priorities. Even the conflict between Britain and the Commission over Scottish additionality, widely cited a year ago as the victory of a supranational-subnational alliance over London, now appears to be resolving in favor of the latter. [152] More broadly, this analysis calls into question the underlying theoretical framework on which the diffusion hypothesis is based. Rather than viewing the EC as a zero-sum conflict between different "horizontal" levels of government, it may be more useful to view the EC as resting on "vertical" coalitions, which include domestic groups, executives and supranational actors. In this view, the decisive question is not whether the Commission or member governments or subnational groups triumphs, but which coalitions of domestic actors in which member states can best exploit the EC policy arena to their ends.

B. Saint-Simonianism and the Democratic Deficit

Popular opposition to the Maastricht treaty in Denmark and France has convinced many that the EC suffers from a "democratic deficit." European publics, it is argued, will no longer tolerate the absence of direct parliamentary or public control over the EC. The democratic deficit is widely viewed as an unrepresentative and philosophically unjustifiable exception to modern democratic practice. Hence post-Maastricht Europe is said to face a stark choice: democratize or degenerate. National parliaments, or perhaps the European Parliament, must be strengthened.[153] This 2-level analysis suggests an interpretation of both the nature of the democratic deficit and the consequences of various remedies. First, the democratic deficit has been a characteristic of European integration since the beginning, and its roots are primarily found in domestic politics. According to polls, European electorates have, since the founding of the EC, been uncertain about the costs and benefits of European integration and, while willing to express general support for the notion of European integration, they tend to be unwilling to pay any costs connected with it, nor do they trust neighboring governments.[154] Jean Monnet and Charles de Gaulle, whose diametric visions bounded the spectrum of intellectual debate during the EC's founding decades, agreed on one thing: the elitism of the domestic political process that supported integration.[155] The major institutions of the EC - the Commission, the Council, and the Court - were deliberately constructed without direct democratic mandates. Pascal Lamy, Delors' chef de cabinet, in an allusion to Saint-Simon, the early 19th-century French technocratic utopian, observes that "Europe has been built in a St. Simonian way from the beginning; this was Monnet's approach. The people weren't ready to agree to integration, so you had to get on without telling them too much about what was happening." [156] Why, then, the sudden wave of opposition in 1992? Most commentators suggest a "demand-side" explanation: public support for the EC declined. Lamy, for example, stresses the end of the Cold War, which "destabilized everything," and the shift from the reduction of tariffs, quotas and other at-the-border measures (termed "negative" integration), to the harmonization of domestic regulations in areas like the environment, social policy and consumer protection (termed "positive" integration).[157] Such fears surely contributed to the opposition to the Maastricht treaty, yet poll results reveal that little of the opposition was based on an understanding of EC policy.[158]

A 2-level analysis of executive incentives suggests a different, though in part complementary, "supply-side" explanation. The Maastricht referendum in France gave the public an almost unique opportunity to express its opinion on the EC at very low cost, since - in contrast to national or European elections - no other domestic partisan issues were involved. Moreover, the precise terms of the complex treaty revision were, to say the least, difficult to grasp. As one would expect when issues of secondary importance in the minds of the citizenry are put to a vote, the negative vote appears to have reflected, above all, dissatisfaction with incumbent governments and economic performance, rather than EC policy.[159] EC and national politicians will surely seek, if at all possible, to avoid repeating this unfortunate experiment. This analysis also suggests a more nuanced evaluation of the possible consequences of redressing the democratic deficit.

The democratic deficit is not a problem; it is a dilemma. While democratization may be useful, even necessary, as a means of maintaining the sentimental support for European publics, it may simultaneously make the EC less effective at serving their interests. Democratic governments often tend to be influenced disproportionately by concentrated, well-organized, well-moneyed groups whose interests are relatively extreme on the domestic spectrum.[160] This is particularly true of issues like trade liberalization and monetary stabilization, in which the benefits tend to be diffuse or extended, and the costs more concentrated and immediate. In such cases, insulated executives can resist from particularistic groups, pursuing policies in the interest of a broader spectrum of society. Paradoxically, a "strong" insulated executive may be most essential when the government aims to reduce state regulation.[161] The major EC policies over the past three decades - structural adjustment, trade liberalization, monetary stabilization, and regulatory harmonization - address precisely the sort of issues that pit concentrated, powerful rent-seeking groups, generally among producers, against more diffuse consumer, user or producer interests.[162] The democratic deficit has thus contributed in this way to the EC's success; for national executives, insulation from particularistic interests is a major comparative advantage of the EC as a policy forum. In such cases, the insulation of national executives from domestic rent-seeking groups not only facilitates international cooperation; it can also be justified as a more broadly "representative" outcome than direct democracy would generate. Hence, while

democratization may create greater legitimacy in the short term (though this remains to be seen), a possible, but paradoxical consequence in the long-term may be a further erosion of precisely the popular support that democratization seeks to restore.[163]

C. Implications for 2-Level and Functional Theories of International Cooperation

The analysis above also suggests significant revisions of conclusions drawn from existing theories of international negotiation and cooperation, in particular theories of "two-level games" and "functional" theories of regimes.[164] The analysis of executive incentives in this essay draws on the metaphor of "two-level games," but reverses the conclusion of recent two-level analyses. Most 2-level analyses reproduce the "systemic" emphasis on the incentives for executives to manipulate domestic politics to increase their international influence. Perhaps the most common prediction of recent "two-level" analyses, inspired by Thomas Schelling, is that statesmen have an incentive to "tie their hands" domestically in order to achieve gains internationally. Where interests conflict, "tying hands" bolsters international bargaining power. Where interests converge, "tying hands" helps the state signal credible commitments to cooperate.

Yet empirical studies disconfirm the "tying hands" hypothesis: executives tend in fact to be jealous of their prerogatives and seek instead to "cut slack." [165] The approach taken here reverses the systemic focus of most 2-level theory, examining instead the ways in which international commitments can be employed to achieve domestic aims. Hence, the primary empirical prediction is also reversed, removing the empirical anomaly. Chief executives seek to "cut slack," rather than "tie hands," loosening domestic constraints in order to reduce the political costs of agreement.[166] This analysis improves on the modest amount of existing work that has appeared on this possibility. First, it specifies more precisely the mechanisms through which "cutting slack" occurs, providing a comprehensive typology of possible domestic instruments. Existing "two-level" analyses, like statist approaches to foreign economic policy, are incomplete, focusing on only a few tactics for cutting slack, generally security threats and tactical issue linkage.[167]

Second, this analysis links theories of "two-level games" with theories of international regimes. While many of the shifts in domestic power stem from the use of domestic foreign policy institutions, these are reinforced by the design of international regimes. Functional regime theory tells us that governments employ regimes to reduce the transaction costs of negotiating intergovernmental bargains, locating issue linkages, drafting international rules, providing technical information, monitoring compliance, and legitimating outcomes. Yet regime theory's parsimonious view of the state as rational unitary actor with exogenously determined economic interests neglects essential elements necessary to explain major decisions in institutions like the EC. Regimes do not bestow functional benefits uniformly across all domestic actors, but tends to benefit disproportionately those actors who control access to the international policy arena, generally national executives. Functional theories of international cooperation therefore be revised through the provision of stronger "two-level" microfoundations. The would result in a fundamentally different understanding of the sources of obstacles to cooperation. Whereas functional regime theory sees the most important barriers to international cooperation as lying in international collective action problems, this analysis sees them as lying in domestic collective action problems. The tendency of national executives to "cut slack" has important empirical implications for the nature of international cooperation we should observe. In particular, it is an essential part of the explanation for the motivations for regime creation, the form regimes take, and the success of regimes in assuring compliance.

Motivation: The domestic distribution of the functional benefits of cooperation both increases the ability of governments to sustain cooperation, as well as creating wholly new, purely domestic motivations for doing so. Regimes do not simply help resolve international collective action problems; they also help resolve domestic ones. As compared to what an examination of the underlying configuration of societal interests would suggest, international negotiations and institutions can shift domestic outcomes in favor of the preferences of executives. Where chief executives have divergent goals, we should expect less cooperation; where they share compatible goals, we should expect more cooperation than an analysis of economic interests alone would suggest. In extreme cases, executives may even assume international commitments solely for domestic reasons.

The theory presented here suggests that international institutions should be conceived not as constraints on unitary states, but as alternative political arenas in which domestic actors pursue their goals. For regime theorists, who conceive of states as unitary actors, the domestic effects of regime membership, which alter state goals, can only be accounted for as shifts in "underlying preferences." But descriptions of exogenous preference shifts are too often tempting substitutes for explanation. By conceiving of regimes as alternative arenas for domestic actors, the analyst endogenizes such "preference shifts," explaining them as the rational adaptation of domestic actors to new institutional opportunities.[168]

Form: The findings above suggest that national executives do not necessarily seek the sort of clear, streamlined, unambiguous, efficient organizational structures that functional regime theory's focus on transaction-cost reduction seems to predict. Where possible, they seek to create institutions that permit them to control international agendas, circumvent domestic ratification, reach decisions in secret, and exploit strong, ambiguous "grand strategic" ideologies. The traditional justifications for executive control, secrecy and ambiguity in the conduct of international negotiations, namely the need to keep valuable information out of the hands of foreign enemies, is hardly credible in the context of the EC. Executives continue, however, to have an incentive to employ these techniques to insulate executives from domestic pressure - an aspect of international economic regimes(not just the EC) that helps explain the persistence of the democratic deficit.[169]

Compliance: International commitments may shift domestic political power in such ways as to "lock in" new policies against the pressure from specific national interest groups or future governments of a different party - thereby encouraging future compliance with international agreements. By maintaining the policy initiative, executives limit the possibility of what Robert Putnam has termed "involuntary defection," when domestic groups override international commitments.[170] Having achieved a desirable agreement, executives may promote compliance by making international commitments and renouncing influence over future domestic policy. EMU, for example, not only insulates monetary policy decisions from parliamentary and popular control, but also from executive manipulation. If executives have determined the terms of the initial commitment, such an arrangement to limit discretion may, paradoxically, increase their subsequent influence. The key to the EC's extraordinary enforcement system is not simply supranational adjudication in the European Court of Justice; more important, and certainly more distinctive, is the fact that compliance at the national level is policed by national courts. For regime theory, this suggests that using international institutions to empower domestic ones may be a surer way to gain compliance than to rely on intergovernmental reciprocity.[171]

Governments may employ effective domestic enforcement not only to reciprocally bind other governments, as a prisoner's dilemma model of international cooperation would suggest, but also to impose policies on their own domestic polity that would otherwise be successfully resisted. This analysis suggests a number of additional hypotheses about international cooperation. First, activism in international institutions should reflect the electoral security of national executives. We should observe election cycles, with major initiatives coming after, rather than before, general elections. Second, referenda on international issues are likely to be risky. By providing an inexpensive means of registering single-issue preferences, they tend to reduce executive power and introduce uncertainty into the process. Third, strong, well-organized, electorally significant single-issue constituencies, are likely to resist successfully the erosion of their domestic power, regardless of the tactics executives employ to block them. Fourth, alongside underlying economic and geopolitical motivations, the personal beliefs and political commitments of the executive should influence the level of international cooperation, particularly in areas where domestic interests are less concentrated, homogeneous and intense.

D. Extending the Model

While the data appear to confirm that the net consequence of the internationalization of domestic policy issues is to strengthen national executives, it is unlikely that internationally this is invariably the case. Hence the next step in developing the model of international influences on the distribution of domestic resources presented here will be to specify the conditions under which international cooperation redistributes domestic political resources in favor of the executive. Unlike existing

specifications of "two-level" bargaining, which assume that the executive has an invariant "veto" over international agreements, this approach assumes that the power of the executive is itself a function of international opportunities. Rather than assuming an ideal-typical "strong state," this section elaborates causal mechanisms and antecedent conditions, which, if they are present, tend to strengthen the executive. Where the antecedent conditions embedded in the assumptions of this model do not obtain, the predicted results should not occur. Those who disagree with the overall empirical finding in this essay should not, therefore, reject the theory outright, but instead should employ the same theory to help explain variance in the domestic consequences of cooperation. To specify the circumstances under which the EC would be expected to undermine the domestic power of national executives, skeptics need only reverse the conditions above, which, if the theory is correct, would reverse the causal mechanisms above. While a comprehensive list of important antecedent conditions for the conclusions reached above would take us beyond the scope of this paper (and will be the subject of future research), the following five conditions are suggestive.

First, national constitutions must grant executives a measure of institutional autonomy in the conduct of foreign policy. If foreign policy is under less firm executive control than domestic policy, executives will benefit little, if at all, from internationalizing a policy. Similarly, where the costs of renegotiation are low, or where supranational officials have considerable discretion over individual cases of enforcement or implementation, domestic groups may find it easier to maintain their influence.

Second, executives must enjoy privileged relations with international institutions. Where domestic societal groups enjoy formal decision-making power or continuous contact, they may gain more influence and information than they would otherwise have.[172] Transnational and supranational actors may seek to mobilize domestic groups with whom they can exchange information. Such mobilization is particularly likely to occur in those areas where stable policy processes are not yet established, for example in "new" issue with a great potential for the mobilization of voters and organizations, such as environmental and consumer policies in the 1970s.[173] As international institutions become more direct representation, as in the case of the European Parliament, such relations become easier. Over the long term, therefore, the EC and other international institutions may develop in this direction.

Third, there must be "slack" in the policy process; a "permissive consensus" that will support executive policy. The existence of sizable societal groups or publics with intense issue-specific preferences and substantial electoral power limit the opportunities to exploit transaction cost advantages, whether institutional or informational. Even where decision-making procedures do not accord domestic groups a veto, large interest groups with intense and homogeneous preferences may command sufficient single-issue electoral or coalitional support to deter governments from acting against their interests. One might expect this to be the case in issue areas, like the Common Agricultural Policy (CAP), where large constituencies with intense, homogeneous preferences have a greater impact on policy. Where preferences are less intense or groups more diffuse, executives are likely to enjoy greater autonomy.[174]

Fourth, the cooperative gains made possible by "cutting slack" must be perceived to outweigh the distributive gains from "tying hands." A full specification of this condition is complex, but in general, "cutting slack" is likely to occur where executives perceive international cooperation as paramount and international distributive concerns as secondary, but where interest groups view distributive issues as more important. In such cases, executives will seek to reduce the costs of international compromise, while interest groups will seek to increase them.[175]

Fifth, while political complexity and uncertainty at the international level increases the short-term usefulness of "cutting slack," they may decrease the long-term predictability of the tactic. Where the pattern of linkages, bargaining and interests is indeterminate or uncertain, greater opportunities for executive manipulation are likely to exist. The ability to select among side-payments and link issues, exploit asymmetrical information and establish ideological justifications increases. The greater the underlying political and technical uncertainty surrounding an issue, the more complex that an issue is, the greater the potential importance of asymmetrical information. The higher the transaction costs of developing, proposing and (re)negotiating alternatives.

Sixth, individual executives cannot be consistently outvoted at the international level. A persistent outlier internationally will find it more difficult to exploit international events than a consistent member of a majority. By specifying more precisely the antecedent conditions for successful executive

slack-cutting, future work can exploit the theoretical tools developed here not only to account for what appears to be a net tendency toward greater executive control, but to explain variation across issues between cases in which executive powers are strengthened and cases in which executive power is diffused. This is the most important implication of this paper, one particularly suitable for studies of the EC, where such an approach offers a single framework, grounded in a coherent set of domestic microfoundations, in which to explain variation between those areas of European integration in which traditional intergovernmental politics persists and areas where the traditional role of governments has been undermined by transnational and transgovernmental linkages, contributing to the emergence of new international political structures.

E. Conclusion

In this essay, I have advanced three arguments. First, international cooperation redistributes control over four important domestic political resources: initiative, institutions, information and ideology. Second, such shifts tend to benefit those domestic actors - generally, but not always, national executives - who control access to international negotiations and institutions. Third, this shift in domestic power resources toward executives feeds back into international bargaining, often facilitating international cooperation. The empirical sections demonstrate that executive influence has indeed had an important influence on major decisions in the history of the EC - thereby reversing the general belief that the EC diffuses executive power. Evidence drawn from the EC strongly supports these general claims about international institutions. In constructing international regimes, European executives appear to have a strong incentive to create intergovernmental cartels, perpetuating traditional foreign policy prerogatives.

The result: They have enhanced their institutional, informational and ideological control over EC policy to the point where they dominate domestic agendas. Effective opposition to costly and, as a result, generally incoherent, almost always taking the form of scattered negative criticism. While viable alternatives to European policies often exist, domestic opponents of European initiatives rarely coordinate to reject executive proposals, nor to advance concrete alternatives. These three arguments challenge strong presumptions in current writings on international politics, among them the notions that nation-states can be modeled as unitary actors, international institutions undermine domestic sovereignty, executives prefer to "tie their hands" domestically, and that the EC diffuses state power toward supranational authorities and subnational groups. They suggest, moreover, that executives have domestic, as well as international, motivations for regime creation; that executives often favor secret, exclusive and complex institutions to simple, open ones; and that compliance can be promoted by constructing international institutions that alter domestic institutions. This approach might be applied to many cases of international cooperation.[176]

In the US, delegation of power to the executive facilitates international negotiation by permitting the "fast-tracking" of multilateral trade agreements through Congress. Membership in human rights regimes is motivated not only by a desire to spread human rights abroad, but perhaps more often by executives who seek to protect or perfect human rights at home. US and Mexican involvement in the North Atlantic Free Trade Area (NAFTA) has been justified, in part, as an attempt by the U.S. (and Canada) to secure Mexican economic reforms by external means. Such arguments suggest an explanation why the development of international institutions since World War II has coincided not with a retreat of the state from economic management, but with its unprecedented expansion. In Japan, politicians exploit US pressure, termed *gaiatsu*, to strengthen the state's capacity to act. IMF adjustment plans create international support for politically costly, but welfare-enhancing domestic reforms. The United Nations imprimatur has eased the task of generating formal and informal support domestically for the deployment of military force from Cambodia to the Persian Gulf.

Overall, these findings accord with our intuition that membership in international organizations cannot simply be reduced to the interplay of state preferences and power. International negotiations and institutions have a subtle reciprocal effect on domestic decision-making in the nation-states that participate in them. In many analyses, this intuition often remains vague, lacking clear causal microfoundations. This essay takes a first step towards demonstrating how, why and when participation in international negotiations and membership in international institutions alters not just national strategies, as current analyses of regimes suggest, but the domestic politics that underlies the process of national interest formation. The next step is to explain variation between cases in which

executives benefit and those in which they are disadvantaged; in either case, these mechanisms provide a useful theoretical instrument. It is likely that the theoretical mechanisms isolated here help account not only for the process of European integration, but for the dynamics of international cooperation more generally.