

## **New Frontiers in European Studies**

**Guildford, 30 June - 1 July 2011**

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# The Eastern enlargement and the EU democratic deficit: more actors, less democracy?

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*Paper to be presented at the New Frontiers in European Studies: UACES Student Forum 12th Annual Conference, University of Surrey, Guildford, 30 June – 1 July 2011*

Draft version, please do not quote, comments and suggestions are obviously most welcome.

Word count: 7 871

## **Abstract**

The present paper brings together research on two major historical processes the EU has been undergoing in recent years, the eastern enlargement and the efforts to enhance the democratic quality of the EU decision-making procedures, and studies possible interaction effects between them. It presents a formal model of the European legislative process that explains how the increase in number of member states and diversity of their interests brought about by the eastern enlargement generates pressures that may lead to substantial worsening of democratic accountability of European decision-making. On the basis of the simple formal model I argue that we can expect differentiation of two groups of member states in the EU political system and particularly in the Council, distinguished by the degree of their support for further supranationalisation of the European polity. According to the model the group of the more integrationist states – the core – is systematically able to extract from the decision-making process more than the group of anti-integrationist states – the periphery. In this text the argument is not tested on new empirical data, rather I offer explanation for the empirical patterns identified by Plechanová (2011) and try to define the grounds for a more systematic empirical test of the claim.

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# 1 Introduction

In recent years the European union has been undergoing two significant historical processes: the dramatic expansion of its membership, to encompass the formerly communist states of the Eastern Europe, and the continuous efforts to (re-)gain or enhance its democratic legitimacy in the European societies, culminating in adoption of the Lisbon Treaty. On the first sight it may seem that the EU has coped with these major challenges rather well, it ‘survived’ the shock of the enlargement and continues to build mechanisms that are supposed to bring the ever closer union ever closer to its citizens.

In this text I argue that this view is misleading and that in fact significant disturbing processes may be unfolding on an informal level within the EU polity. On the basis of a simple formal model I argue that “core-periphery” structures may be emerging in the political system, especially in the Council, leading to division of MSs into two distinct groups, the core with a privileged position in the political process and correspondingly higher payoffs, and the periphery confined to a relatively marginalized role. The two groups form according to the MSs’ positions on the question of further integration, they are not defined geographically or on the basis of respective MSs’ political or economic powers. If the argumentation is right it has profound implications for democratic quality of the European political process as well as for long-term viability and functioning of the European polity in general.

The text is composed of three parts. In the next section I outline two important theoretical propositions and review the key existing literature to the topic. In the third section I formulate a simple underlying model of actors’ interaction within Council, and between Council and Commission, and demonstrate that the Commission has incentives to provide a group of pro-integrationist MSs with a privileged access to the legislation drafting process in exchange for support for more integrationist proposals than what could be passed otherwise. In the fourth section I argue that this ‘collusive’ cooperative mechanism is likely to become increasingly institutionalized, albeit only on an informal basis, and that deepening of the core-periphery structure in the Council can be expected. The text does not provide primary empirical evidence for the claim, rather it attempts to develop a formalized explanation for the empirical patterns identified in the recent research by Plechanová (2011).

## 2 Eastern enlargement and informalization of European political process

The 2004 and 2007 enlargement almost doubled the number of EU member states (MSs) and dramatically increased political, socio-economic, and cultural heterogeneity of EU membership. Not having undergone

the significant institutional reform for which many had longed before the enlargement, the EU institutional structure was supposed to be hit strongly by the enlargement, especially when it comes to its decision-making capacity, the overall quality of the decision-making process was supposed to be affected adversely, even to the point of system paralysis (cf. König & Bräuninger, 2004). Several years after the enlargement not much seems to have happened and apparently the process continues to work relatively smoothly even with 27 MSs.

One of the key reasons for this surprising development lies in what may be seen as a gradual informalization of the political process, i.e. relative increase in the role of informal negotiations among actors, on the margin or outside of the formal decision-making procedures described in the treaties. To be sure, informal politics is nothing new to the EU political process, the most obvious example being the *de facto* consensual decision-making in the Council (Heisenberg, 2005; Lewis, 2010; Häge, 2010). However, we have strong reasons to believe that with increase in number of MSs and heterogeneity of their interests brought about by the eastern enlargement (Zielonka, 2007) the informal politics may become even more prominent in the Council politics practice, quite simply because in a situation of significant interest collision decision-making based on a QMV threshold of 71-74 per cent (Hayes-Renshaw *et al.*, 2006, pp. 180-181) is unlikely to produce any results whatsoever (Tsebelis & Yatahanas, 2002; König, 2007; Tsebelis, 2008).

Indeed, this very logic of by-passing the formalized political procedures for the sake of avoiding deadlock has been identified as one of the reasons why the entire European structure is at all able to propagate over time, despite the actors' interest divergences (Héritier, 1999). European politics are characterized by a constant interplay between rigidity of the existing formal rule frameworks and the practical need to achieve results. As put by Christiansen *et al.* (2003, p. 9), the EU political system is characterized by a tension:

“policy-making has to both follow the formal decision-making rules (and thus obey institutional boundaries) while at the same time overcome institutional divisions in order to negotiate outcomes. This state of affairs applies to the internal politics of the Commission, to the relations between EU institutions and to the relations between national and European-level actors – in each of these arenas of contestation the presence of formal rules and institutional fault-lines has been competing with the need for actors to negotiate and cooperate.”

As a result, whenever the existing formal procedural rules appear too constraining and effectively preventing cooperation the actors involved will have incentives to disregard them and move towards a pure-bargaining mode of decision-making in which the formal rules serve merely as mechanisms of *ex post* justification of the negotiated outcomes vis à vis the public. Indeed a significant research endeavour addressing precisely this issue conducted by Thompson *et al.* (2006) demonstrates that the cooperative ‘baseline’ models of the EU decision-making process outperform consistently the non-cooperative models conceptualizing the process as

explicitly structured by significant institutional features (Achen, 2006). In principle, then, the ‘absence’ of gridlock after the eastern enlargement can be explained as resulting from an effective partial by-pass of the existing formal rules by the MSs and from increased negotiation of the outcomes on the margin or outside of the formal institutional framework (cf. König & Junge, 2009).

This explanation, while certainly plausible, fails to address one key concern: negotiations are costly, they take time, they take skill, they take political capital, and the less formalized the rules defining the negotiation process the higher these transaction costs are. With 27 MSs and the Commission there are 378 pairwise relationships that need to be established and negotiated among the actors if the process was to be based purely on ‘unstructured’ bargaining; the transaction costs of such negotiations are obviously extreme.

In his seminal work on *The Nerves of Government* (1966), Karl Deutsch developed the concept of political system as a body the ultimate survival of which depends on its ability to work with information or, quite simply, to secure that the information about who in the system wants what flows smoothly and that the information reaches the decision-makers in good quality and on time. Indeed, the concept of *governance* is derived from the notion of information and control in *cybernetics*, i.e. the quality of governance directly reflects quality of the information flows mechanisms (Deutsch, 1966, p. 76). In this sense, the notion of a governance system in which in every round of the game several hundreds of relationships need to be re-established is absurd; the information intensity of such a process would rapidly lead to a system overload and possibly collapse (cf. Deutsch, 1966, p. 162).

Hence, even if we accept (as I do) that the EU decision-making is increasingly characterized by informal negotiations and in general avoidance of rigidity of the formal procedural rules it is clear that an institution-free bargaining forum is not a plausible alternative. Viability of the EU-level governance scheme depends on its ability to secure that at least some of the negotiation links among actors actually do not have to be re-negotiated at all, i.e. in the fact that much of the links are in principle fixed. This, after all, is precisely the argument developed by transaction-costs economists (Coase, 1937, 1960; Williamson, 1971, 1979) and later applied in IR under the name of functional regime theory (Keohane, 1984): cooperation among rational actors is impeded by high costs of information and it pays off to the actors to lower these transaction costs by enabling development of institutions that transfer the information at low costs across actors and over time.

In this vein, the existing studies of EU informal politics, while maintaining that the formal rules are side-stepped by the actors, immediately add that what results from this process is emergence and institutionalization of new informal rules which may in the longer turn even supersede the existing formal rules and increasingly transform the decision-making practice (Farrell & Héritier, 2003, pp. 580-583; cf. Helmke

& Levitsky, 2004; Bailer *et al.*, 2009). In other words, if we admit that the increased system workload brought about by the eastern enlargement and the connected threat of a system gridlock drives a process of informalization of the decision-making we have to see that the very same process also triggers development of new institutions that, albeit informal, may have a profound effect on how the political system works.

The reason why this mechanism of formal *de-institutionalization* and subsequent informal *re-institutionalization* needs to be discussed at length is that in much of the literature in European studies, as well as in IR, the notion of institutions bears a significant underlying normatively positive content; institutions are thought to be mechanisms through which welfare-enhancing cooperation can be enabled. This, however, certainly needs not be the case (cf. Keohane, 1984). The fact the the re-institutionalization of EU politics takes place on an informal basis, without established mechanisms of democratic scrutiny, opens space for emergence of institutionalized cooperation increasing payoffs of certain actors at the expense of others and potentially for cooperation with collectively detrimental effects. The empirical evidence provided by Plechanovová (2011) suggest that this is precisely what may be happening in the EU. In the rest of this text I develop a simple model that attempts to explain the observations and elaborates on the mechanisms that may have produced the observed patterns.

The basic setup of the model is straightforward: I assume a two dimensional political space in which policy proposals are defined by their substantive policy content (sc), most prominently by their location on the left-right scale, and by the degree of their European supranationalism (eu). For most of the analysis (unless specified otherwise in a particular section) I assume that the two dimensions are independent, that they are for the MSs of equal saliency, and that on both the dimensions the MSs' ideal points are distributed evenly. The latter two assumptions may appear restrictive but none is necessary for the argument to hold, they only simplify the graphical representation and the way the argument is developed<sup>1</sup>.

In addition to these two deeply political or ideological dimensions I take into consideration that all regulation is characterized by a myriad of technical, legal, and administrative arrangements that in fact determine how the *political* content of the policies is translated into legal and administrative *practice*. While these particularities may not substantively influence the core goals of the policy on average they may matter significantly for particular societal groups within or across individual states, for particular sectors of economy, or even for individual key business actors. I assume that the electoral success and ultimate survival of any

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<sup>1</sup>Firstly, variation in saliency of the dimensions simply changes the shape of the MSs' indifference curves which certainly complicates the analysis and prevents some of its simple implications but does not affect the core argument. Secondly, instead of even distribution we can equivalently assume any other distribution that does not arbitrarily cluster MSs around certain point; if, for instance, I instead assume that MSs are distributed across the space normally the graphical presentation becomes more tedious but the results are not substantively affected.

government depends not only on the substantive policies it adopts but also on its ability to keep support of the key business and interest group actors, primarily by securing for them favourable regulatory conditions (cf. Bueno de Mesquita *et al.*, 2003). Virtually any supranational regulation cuts into the interests of some of these actors, and attacks the institutional and regulatory frameworks of at least some of the participating states (cf. Mattli & Büthe, 2011); consequently, while all MSs may benefit from adoption of the proposed regulations for some the particular adopted arrangements will fit better than for others, and it is essential for the governments to try to minimize the costs of regulatory adjustment, through skillful negotiations, by passing them on the other MSs (cf. discussions in Drezner, 2007). Within our model, MSs' utilities will therefore not depend solely on the substantive political arrangements but also on their ability to minimize the costs of regulatory adjustment (which I denote with  $\alpha$ ). Lastly, later in the discussion I introduce the question of the negotiation transaction costs, that is costs of establishing the negotiation links, of building the winning coalitions in the Council, and obviously also of running the negotiations as such (I denote these costs with  $\gamma$ ).

Overall, then, we can define the utility function of MS  $i$  from the resulting policy as

$$u_i = -\sqrt{(p_i^{eu*} - p^{eu})^2 + (p_i^{sc*} - p^{sc})^2} - \alpha - \gamma, \quad (1)$$

that is as capturing the distance of the resulting policy from the  $i$ 's ideal point, the technical, administrative, and managerial costs of the regulatory adjustment  $\alpha$ , and the transaction costs  $\gamma$  of the negotiations. Given the procedural rules of the Council decision-making I assume that the default option where the Commission proposal is not adopted by the MSs' governments is the unanimously approvable point  $(0; \bar{p}^{sc})$ , that is a point at which on the European dimension the least integrationist policy and on the substantive content dimension the power-median position is adopted<sup>2</sup>. In other words, the default is the least progressively supranational, power-based intergovernmental bargain. We can presume that a government  $i$  votes for the proposal if and only if

$$u_i(p^{eu}; p^{sc}) - \alpha - \gamma \geq u_i(0; \bar{p}^{sc}). \quad (2)$$

The key analytical tool I use is spatial analysis. To achieve necessary clarity of the graphical representation the costs of regulatory adjustment  $\alpha$  are not included in the charts explicitly, their role will be considered

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<sup>2</sup>This assumption is obviously to some extent contestable but in our view still by far the empirically most appropriate one. On the European dimension the natural default is the status quo, or the position of the least integrationist state, whichever is higher. On the substantive content dimension there is no natural zero-benchmark, the resulting policy should presumably follow the distribution of power among the MSs, i.e. it should fall on the median (at the same time the mean) of the states' ideal points distribution.

separately. Further, the transaction costs will be introduced to the analysis only at a later stage, otherwise the discussion becomes overloaded. Most of the argumentation presented in the following sections can be derived from a simple spatial model presented in figure 1.

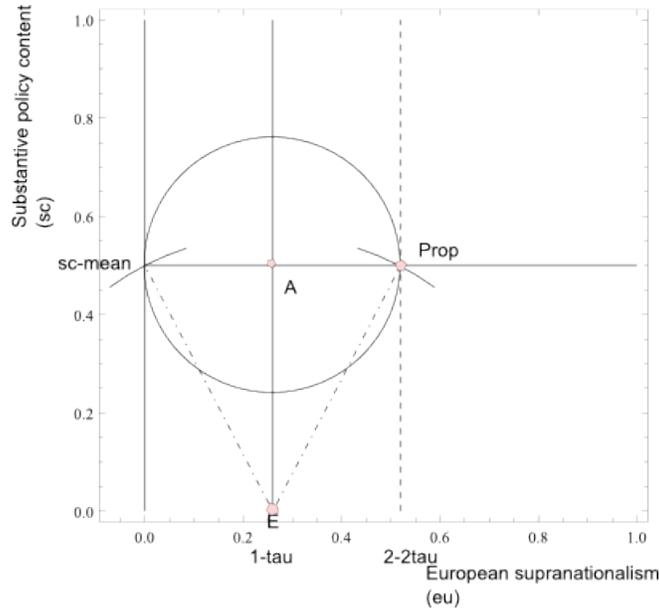


Figure 1: The standard model

The decision-making procedure assigns to the Commission the sole right to propose new legislation; assuming that the Commission acts systematically so as to maximize the supranational content of the policies (König, 2007, p. 420; Thompson *et al.*, 2006) the core of the argument revolves around the question of how ambitious in terms of the European dimensions the proposals by the Commission can be to still garner support from a sufficient number of MSs (c.f. Häge, 2010, p. 7; König & Junge, 2009). With a QMV threshold of  $\tau$  ( $\tau \in [0; 1]$ ) the model predicts that the Commission will propose policies lying on  $p^{eu} = 2 - 2\tau$ , i.e. policies that make exactly indifferent the pivot MS lying on  $p^{eu} = 1 - \tau$  and thus turning the coalition of proposals supporters into a winning one (as indicated in figure 1)<sup>3</sup>.

This is an intuitive conjecture, a fairly innocent one as this is precisely the outcome the MSs could have expected when they granted the Commission the exclusive right of legislative initiative (I refer to it as the *standard* model throughout the text). In principle, the rest of this text demonstrates that unfortunately the standard model is incorrect and that, in fact, the Commission can do better than as predicted by the

<sup>3</sup>Recall that exact location of line  $p^{eu} = 1 - \tau$  is given by distribution of the actors, it is not a substantive feature of the space. Thus, it does not matter where on the substantive content dimension the actor lies, whether somewhere close to the average or at the very extreme, as indicated in the figure by actors A and E and their indifference curves (the two arcs).

standard model by developing informal relationships with a particular group of states. To show that this is the case I discuss in the next section what strategies the MSs can be expected to develop within the political space just defined and under the existing the rules defining the European political process.

### 3 Commission and the member states: selective cooperation

The standard model predicts that for each proposal the Commission finds out who the pivot actor lying on  $p^{eu} = 1 - \tau$  is and proposes a policy that makes this actor exactly indifferent. When it comes to the decision in the Council, all the MSs to the right of the pivot vote automatically for the proposal since it is closer to their ideal points than the  $(0; \bar{p}^{sc})$  alternative (here the assumption of equal saliency of both dimensions is at play). To compel the pivot to vote for the proposal the Commission can easily use its discretion in preparing the legislation and draft it in a way that minimizes the pivot's regulatory adjustment costs  $\alpha$  and therefore in fact increase its payoff. In principle, the Commission offers a trade off in which the pivot agrees to a relatively more supranational policy in exchange for a proposal that takes into account all its particular non-substantive interests (such as concrete needs of the government's key domestic supporters).

This notion, however, has two substantial shortcomings. Firstly, it disregards the fact that finding out who the pivot actor is may not be for the Commission an easy task, especially provided that each MS has strong incentives to misrepresent its preferences and to pretend that in fact it itself is *the* pivot and therefore the Commission needs to take into account primarily its particular needs. Secondly, providing the opportunity to have its particular interests accommodated solely to the pivot may not be efficient for the Commission either. As argued above, the particular administrative and legal arrangements of the legislation are not necessarily of a completely conflictive nature: although there are certainly limits, we may expect that if the proposal is carefully crafted and the key interests are properly communicated, at least several MSs can certainly have their particular needs accommodated. In other words, if the Commission only crafts the proposal to fit the needs of the pivot (and therefore minimize only the pivot's  $\alpha$ ) a lot of potential benefit is left on the table. Hence, I would argue, the standard model is in practice neither likely to be possible, nor efficient.

This seems particularly relevant because an alternative and a more plausible scenario is available, one that is preferred by both the Commission and a sufficient share of the MSs. In this scenario, depicted in figure 2, a group of MSs whose ideal points are located around the point  $(2 - 2\tau; \bar{p}^{sc})$  take the initiative and offer the Commission to secure passing of a more supranational proposal ( $p_{prop}^{eu} > 2 - 2\tau$ ) in exchange for the possibility to get their particular interests taken care of and thus to reduce their adjustment costs  $\alpha$ . As opposed to the previously outlined picture, no available gains are left on the table. Part of the

extra gain obviously has to be transferred to the pivot actor in exchange for its support for the now more supranational proposal but because the group is composed of more than a single state this cost is for the individual members of the group lower.

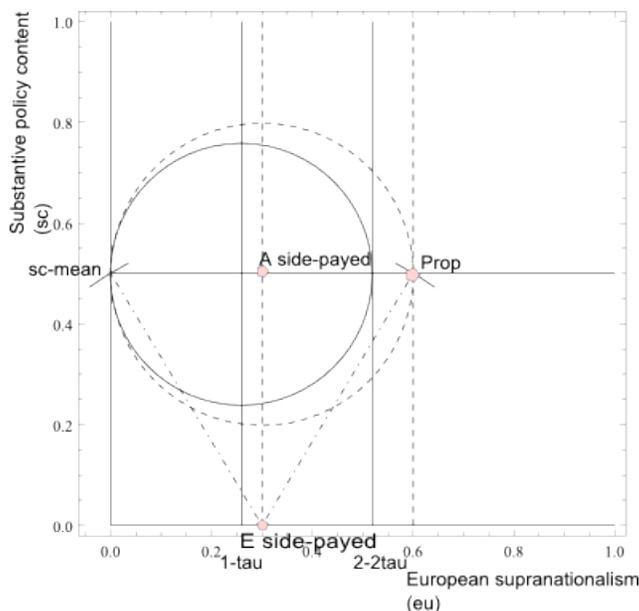


Figure 2: The proposal according to our model

Related to this, in this scenario, the Commission avoids the significant problem of identifying who the pivot actually is; at the legislation-drafting stage the MSs who are approaching the Commission do not need to know who the particular pivot is, it is enough for them to know the approximate overall distribution of the MSs' ideal points. In the actual Council negotiations in which the proposal is already on the table and individual MSs decide whether or not to support it their ability to derive concessions from misrepresenting their preferences is significantly lower and therefore the task of identifying the real pivot actor is much easier than it was for the Commission in the drafting stage.

The model has several important implications which require careful attention. Let us start with the most simple question: what are the distributive implications of the model? First of all, one clear winner is the Commission which achieves a more supranational outcome than would be possible otherwise. Secondly, being the pivot pays off as well since it is (intuitively) the pivot who receives the side-payments that make it vote for the proposal (albeit at the cost of the proposal being too supranational). Thirdly and most importantly, the group of states situated around the point  $(2 - 2\tau; \bar{p}^{sc})$  who initiated the process of coordination with the Commission receives most of the 'cream' of lower regulatory adjustment costs. In other words, the Commission will have incentives to always draft the legislation in ways that put most of the (technical, legal,

administrative) regulatory adjustment costs on the anti-integrationist states (for whom  $p_i^{eu*} < 1 - \tau$ ); it will effectively provide indirect benefits to those MSs that support its own goals.

So far I have assumed that the pro-integrationist and anti-integrationist states do not differ systematically in their substantive content preferences, i.e. that the two dimensions of the political space are strictly independent. What if, however, this is not the case, and in fact the pro-integrationist states tend to have in some areas systematically different preferences than the anti-integrationist states (e.g. higher scores on the left-right scale, i.e.  $p_{p-eu}^{sc*} > \bar{p}^{sc} > p_{a-eu}^{sc*}$ )? As showed in figure 3, if this is the case, the Commission will maximize its payoff by making proposals that correspond to the mean ideal point of the pro-integrationist states solely, and effectively disregard the preferences of the anti-integrationist states. In particular, it will propose policies at  $p_{prop}^{eu} \geq 2 - 2\tau$  and  $p_{prop}^{sc} = p_{p-eu}^{sc*}$ . This policy will be favoured by most pro-integrationist states, the potential outliers may be provided with appropriate side-payments, the move of the resulting policy towards the mean position of the pro-integrationist states generates (by definition of the mean) enough of the extra benefit. Provided that the appropriate side-payments are made to the pivot as well, these policies will be adopted by the Council. As a result, the anti-integrationist states' views are disregarded while the pro-integrationist states achieve their preferred policies and again receive the bonus of lower regulatory adjustment costs.

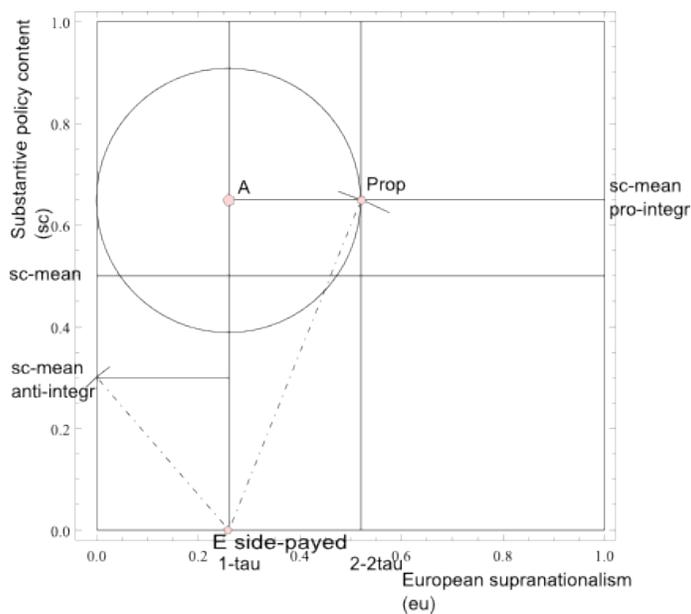


Figure 3: The proposal when the groups differ in preferred substantive content

This surely is a very disturbing picture as it predicts that the pro-integrationist states will be able to extract systematically higher payoffs even on issues that are substantively unrelated to the question of

optimal degree of integration, i.e. even on issues on which there is no substantive interest of the ‘ever closer union’ as a whole. Surely, that one group of the states differs systematically from the other in terms of its preferences on the substantive content dimension (i.e.  $p_{a-eu}^{eu*} \neq p_{p-eu}^{eu*}$ ) is a fairly strong scope condition and I certainly do not claim that it is empirically accurate but the point should be clear that *if* it were so, or *in areas* in which it may be so, serious consequences for the political competition among the MSs are implied.

A further important point that ought to be discussed in relation to the model presented in this section concerns the way the group of states who engage in the interaction with the Commission is constructed, and how this is impacted by the enlargement. Firstly, we can assume that the size of the group will be determined by the amount of benefits participation brings to the MS and by the size of the costs the participants have to pay to be able to join the group. The gains are given by the degree to which participation enables them to lower, through coordination with the Commission and other MS, their regulatory adjustment costs  $\alpha$ . As discussed earlier, we can assume the marginal returns diminish with increasing number of participants in the group. The costs are determined by the amount of side-payments that the participants have to provide to the pivot in order to compel it to support an otherwise too supranational proposal of the Commission. Figure 4 captures the situation, the resulting group size will be determined by the intersection of the cost and benefit curves at which all available gains are consumed, i.e. in the bottom right corner, provided that the group size surpasses an initial threshold.

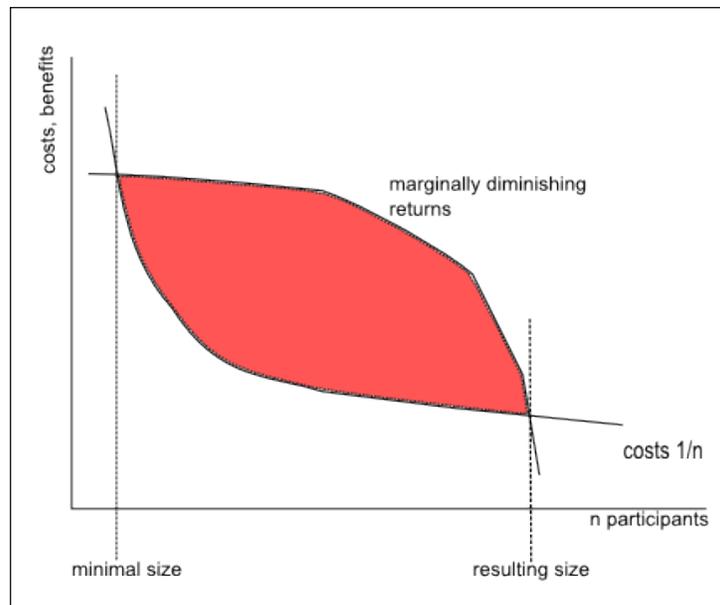


Figure 4: Formation of the core group

Given this it is clear that with the (eastern) enlargement the average size of the group across individual

proposals will be increasing because as the number of EU member states rises so does the overall size of gains available through coordination with the Commission during the drafting stage (the  $\alpha$ ). Quite simply, the enlargement increases the number of governments represented in the Council and therefore reduces the relative power of each individual government, and presumably also its ability to promote effectively its interests in the Council negotiations format of now 27 MSs. The benefits from pre-negotiating ones' agenda in the less crowded environment of informal consultations with the Commission then naturally increase; the more actors there are in the standard Council negotiations, the more important it is to find alternative ways of having ones' particular concerns taken care of.

If this is the case, however, average size of the group of states engaging in the informal pre-negotiations with the Commission will also be larger (cf. figure 4) and as a result the probability that any two states meet in the group in two or more subsequent rounds of policy making increases as well. In other words, by making the costs of regulatory adjustment relatively more significant the enlargement drives a process in which it will be increasingly the case that some states participate in the interaction with Commission outlined in this model repeatedly, across different issue areas. If this is the case, space opens for formation of an increasingly stable group of states – I will refer to it as the core – who are able to secure for themselves privileged access to the Commission and therefore who gain in the legislative process a significant advantage. In the next section I discuss what is implied if we make this basic model more realistic by incorporating into the picture the concept of transaction costs of negotiations.

## 4 Emergence and institutionalization of core-periphery structures

The discussion so far omits one key factor: establishing links among states of the (core)group, as well as among all participants in the emerging winning coalition, is not costless. A lot of formalized or rationalistic European research tends to consider the issue of transaction costs of negotiations only implicitly, at best, and this text started with a description of the simplified transaction-costs-free world as well. Clearly, however, especially in the case of the EU where supranational regulation expands to most policy areas and where the individual actors' interactions tend to evolve over years and even decades, the issue of transaction costs is of crucial importance.

Following the literature on economics of transaction costs (Coase, 1937; Williamson, 1979), and obviously its application to the study of international relations (Keohane, 1984), I understand transaction costs as the costs induced not by the substance of the agreement but rather by the contractual process as such. In our case, then, the primary transaction costs are those of selecting with whom at all to enter negotiations, of establishing the negotiation links, and of participating in the negotiations *per se*. More particularly, in

building alliances for or against particular proposals, MSs need to establish with whom to negotiate, under what (informal) rules, what the scope of negotiations agenda will be, and obviously they need to invest time and other resources into the negotiation process.

It should be noted that the concept of transaction costs is analytically distinct from the question of costs and perfectness and completeness of information, as used in game theory. I refer to the issue of *information* costs later in the text, but the argumentation about the role of *transaction* costs should be kept separate.

Given our discussion so far, how does the issue of transaction costs affect the processes outlined in the previous section? On the one hand, it is clear that transaction costs make the processes of formation of the core group of states to cooperate informally with Commission more costly and therefore less likely to occur. In other words, transaction costs diminish the probability that the mechanisms I outline above at all emerge, or push the conditions under which it can emerge. On the other hand, once the mechanisms are in place, and once their internal dynamics start to unfold, the transaction costs provide the process with further dynamics.

In particular, due to the transaction costs inherent in Council negotiation processes individual MSs have strong incentives to institutionalize, perhaps informally, the relationship with their most common negotiation and winning-coalition partners (cf. Farrell & Héritier, 2003). If the MSs find themselves in cooperative arrangements outlined in the previous section repeatedly with the same partners it is profitable for them to solidify the links with them and by this to save the substantial transaction costs of their repeated re-negotiation. Following the general functional reasoning of the (rational-choice) institutionalist literature we can expect that relatively stable institutionalized links will develop among the states that tend to cooperate within the Council often and, in light of the previous argumentation, notably among the states that tend to become members of the core-group engaged in close informal interaction with the Commission.

As discussed above, most authors tend to equate emergence institutions naturally with enhanced ability of actors to solve cooperation problems (e.g. Smith, 2004). The logic of institutionalization, however, is universal – it can help a group of actors achieve a wealth-enhancing cooperative outcome but it can also help a group of actors achieve an outcome that enhances their benefit at the cost of others.

The model in the previous section demonstrates that we can plausibly expect existence of a simple mechanism through which a group of states located centrally around the point  $(2 - 2\tau; \bar{p}^{sc*})$  may increase their payoff by cooperating on an informal basis with the Commission, and further that with the enlargement we may expect the group to increasingly involve the same states repeatedly, across issues, over time. Incorporating to the model the transaction costs we find that this process may be expected to acquire certain self-reinforcing, positive-loop dynamics, and that these dynamics may lead to institutionalization, albeit

informal, of the links on which the group is based. Put simply, the emerging core-group is likely to become increasingly institutionalized.

By institutionalizing their relationships (pairwise, among states, or between individual states and the emerging group) the actors can save part of their transaction costs  $\gamma$  and thus increase their utility. Further, once they become more or less stable members of the core group their incentive to stick with the group covers an increasingly large area of policy proposals – they may prefer to vote with the group even on issues on which they would have previously otherwise not. The process of institutionalization of cooperation is characteristic by these self-reinforcing dynamics. As put by Smith (2004, p. 17), studying the processes of institutionalization of relationships among actors

[...] means taking into account the reciprocal links between institutional development and the propensity of states to cooperate to achieve joint gains. This relationship is dynamic and circular: cooperation can encourage actors to build institutions, but institutions themselves should foster cooperative outcomes, which later influence the process of institutions building through feedback mechanisms.

Once the cooperative mechanism is created, actors can save costs by sticking to it, which in turn increases their payoffs in the next rounds of cooperation, and so on.

Incorporating the transaction costs to our model strengthens our predictions even further when we consider that with the enlargement the size of  $\alpha$  does not increase only due to changed power relations in the Council but also simply due to the rise in transaction costs of Council negotiations. The more MSs there are, and the more diverse their interests, the higher the workload of the ministerial meetings and, presumably, the less time there is for discussion and careful re-drafting of each individual legislative proposal. As a result, MSs may find it difficult to have their particular interests accommodated not only due to changes in power structures but also simply because of lack of space for the necessary negotiations. Being a member of the group with priority access to the Commission in the pre-formal drafting stage will then pay off even more significantly.

What all this points at is that we should expect that the core-group whose emergence we hypothesized in the previous section is likely to become, over time and with the increase in overall EU membership, progressively stabilized and institutionalized. Those who are ‘in’ will tend to repeatedly receive the bonus of reduced costs of regulatory adjustment  $\alpha$ , which will consequently be passed to those who are ‘out’.

In a slightly weaker form the same reasoning applies to all the states lying to the right of the  $2 - 2\tau$  threshold, and are therefore voting for the proposal anyway, but who are not members of the core-group. Firstly, if it is the case that the MSs are not located on the European dimensions completely randomly, and

completely differently for each separate proposal, that is if states generally prefer either integrationist or non-integrationist solutions across more issue areas and proposals, it is easy to see that by stabilizing their links with the core group and other generally integrationist states the MSs to the right of the  $1 - \tau$  threshold may save a part of the transaction costs  $\gamma$ ; negotiations within a group are likely to be easier when the states of the group continuously tend to vote together.

Secondly, if particular MS is a stable member of the winning coalition (of states to the right of  $1 - \tau$ ) it will be able to promote its substantive policy interests even on issues on which it is an extremist and would therefore normally not be considered by others for participation in the winning coalition. In particular, consider the actor marked with  $E$  (for a policy extremist) in figure 5.

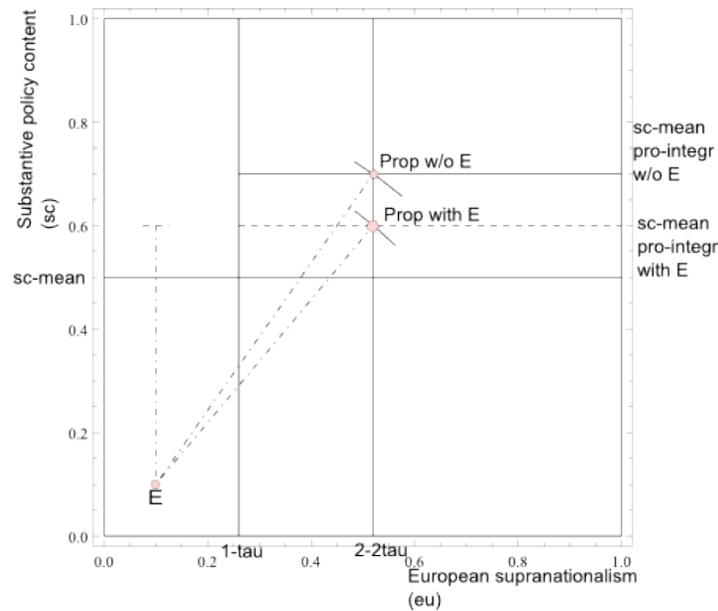


Figure 5: Policy extremist

If the MSs is not a standard member of the winning coalition the outcome will be a policy at point  $A$  adopted by the Council. If the MS is a regular member of the winning coalition, and therefore others automatically enter into negotiations with it, no matter that it has a deviant position on the particular proposal at hand, the actor  $E$  may be able to drive the outcome into a more favourable point  $B$ , simply by pretending to be a natural member of the winning coalition whose preferences ought to be taken into account in the weighted average of positions on the substantive policy dimension  $p^{sc}$ . By stabilizing their relationships with other usually pro-integrationist MSs the states to the right of  $1 - \tau$  may realistically expect to influence positively (for them) the policy process in cases where they significantly diverge from the

others<sup>4</sup>.

All this shows that the core group, once established, will generate interesting centripetal forces, effectively inducing actors to move towards the center of the political space or, at the minimum, to stabilize their relationships with the center and constantly reaffirm their affiliation to the winning voting block. This, however, obviously only holds for the states preferring relatively more integrationist policies and who are therefore among the potential partners for the core-group or for the broader winning coalition. As a result, we should see increasing differentiation and stabilization of the two groups of states, of the core composed of more integrationist states ( $p^{eu*} > 1 - \tau$ ) and of the periphery composed of the minority of others.

It also shows, however, why we should not expect the core-periphery dynamics to emerge and unfold very often. Many of the steps through which some of the MSs can achieve a privileged position in the political system require skillful political and diplomatic representation and in general heavy initial investment. It should be also clear why it is most likely the MSs lying in the center of the political space (around the point  $(2 - 2\tau; \bar{p}^{sc})$ ) who can initiate the process and acquire the advantageous position. By the virtue of their location they have the most political capital to invest at the initial stage, since the proposals tend to fall near their ideal points and their payoffs are then on average naturally highest.

Lastly, we should take into account that our simplifying assumption that information is costless (however imperfect and incomplete) is empirically clearly not accurate. Obtaining information on the positions of all actors requires investment and any state that wishes to establish the cooperative arrangement with the Commission outlined in the previous section needs to make this investment in the first place; this is another reason why it is not automatic that the core-periphery structure emerges. However, once this information is acquired by the actor or group of actors it provides them with further incentives to continue with the arrangement in the following rounds, and therefore the costliness of information again provides additional impetus for stabilization and institutionalization of the links among the member states, where those who made the initial investments can be expected to have a significant advantage in the future rounds. In fact, a rapidly growing research on social networks demonstrates, on the basis of game-theoretical models, that a core-periphery structure is a natural outcome of actors' interaction in environments where information is costly (cf. Hojman & Szeidl, 2008; Borgatti & Everett, 2000). The model is not based on the problem of information costliness but the existing formal investigations clearly support its implications and indeed suggest that the predictions derived from it may in fact be further strengthened by other factors not explicitly incorporated into this analysis.

The argumentation I present here is highly simplified and many additional important factors, specific

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<sup>4</sup>This argument is obviously meaningful only if we assume that the two groups differ in their average position on the substantive policy dimension. If they do not the argument still holds but becomes trivial.

for instance to individual issue-areas, enter in practice the decision-making process. Furthermore, the logic behind the model predicts that MSs do not respond to emergence of the potential perverse tendencies, the model is very mechanistic and does not consider the space for political invention by the MSs, presumably especially by those to the left of the  $p^{eu} = 1 - \tau$  point who are most likely to stay outside of the winning coalitions and who will be forming the periphery. Bearing this in mind, however, I would argue that many of the empirical phenomena we can observe seem to support these contentions and therefore that in fact the mechanisms the emergence of which I predict in the model may already be at play. Most prominently, recent research by Plechanovová (2011) reveals a clear pattern of MSs' alignment in the Council into two distinct groups one of which is characterized by generally significantly higher support for further integration while the other, significantly smaller group tends to adopt opposing views.

## 5 Conclusion

The argument I put forward is relatively simple: in each round of the legislative process Commission and a group of states may increase their payoffs by trading support for a more transnational proposal for privileged access to the legislation drafting procedure. With the enlargement the space for such cooperation widens and the incentives for engaging in it for individual states intensify. Over a longer period we can expect differentiation and stabilization of two groups of states, the core and the periphery, and emergence of structures securing for the pro-integrationist core systematically higher payoffs.

Important pieces of empirical evidence supporting the model are already on the table but much more systematic empirical assessment is necessary. Firstly, the existing analysis of Council voting records by Plechanovová (2011) that identifies the core-periphery pattern elaborated in this text should be extended to cover also the most recent period. Secondly, the argument I present here leads us to expect that the core-periphery structure of membership should be over time becoming clearer, the two groups should be increasingly distinct. Thirdly, we should observe, in general, increasing prominence of various informal mechanism through which the actors side-step the formal rules defining the European political process and which operate alongside them. Lastly, more qualitative process-tracing approach should complement the quantitative empirical assessment to probe plausibility of the causal mechanism outlined in this text.

If the argumentation outlined in this text is correct important implications regarding functioning and democratic legitimacy of the EU follow. Firstly, differentiation of two groups of states according to one of the most salient political dimensions – the degree of states' support for supranationalism – would likely lead to polarization of European politics and to emergence of a bimodal distribution of actors across the political space. This might obviously have severe implications for viability of the polity as such. Secondly,

emergence of core-periphery structures in EU membership, and the connected systematically uneven distribution of benefits across the states, would threaten the democratic nature of the EU polity. There are strong disagreements over whether the EU as it functions now does or does not suffer from a democratic deficit (Moravcsik, 2002; Follesdal & Hix, 2006); clearly, though, the argument outlined here would point at a much more profound accountability gap between the supranational body and some of its members, suggesting that even the elementary ‘internal’ accountability mechanisms fail (Keohane, 2003) and that the body could not be considered democratic even in the most thinnest conception of the term *democracy* (Moravcsik, 2002).

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