

UACES 46th Annual Conference

London, 5-7 September 2016

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**The Principal-Agent Research Program in EU Studies:
A Lakatosian Reconstruction & Appraisal**

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-- DRAFT MANUSCRIPT --

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Paper prepared for presentation at the Annual Meeting of the University Association for Contemporary European Studies (UACES) Conference held at Queen Mary University, London, United Kingdom, 5-7 September 2016.

ABSTRACT: This paper reviews and evaluates the use of principal-agent theory (PAT) in the study of EU governance, politics and policy-making. It does so through the lens of Imre Lakatos' (1970) *Methodology of Scientific Research Programs*. Lakatosian metatheory directs us to ask, and answer, two questions. First, can the PAT research enterprise be considered a *scientific research program*? Second, do the direction and content of developments in that research program meet the standards required for it to be considered *progressive*? Our assessment of the literature leads us to answer the first question in the affirmative. The PAT enterprise has the required attributes. It has an identifiable theoretical *hard core*, an associated *protective belt* as well as a *positive heuristic* and *negative heuristic*. Our response to the second question is, however, more measured. We argue that the general trajectory of theoretical and empirical developments points *toward progress*, but that the weight of current evidence is insufficient to allow us to conclude whether the PAT research program is (or, for that matter, is not) *progressive*. Further work – theoretical and empirical – is required before a stronger conclusion can be offered. The paper concludes with suggestions on how that work should proceed.

1. INTRODUCTION

Principal-Agent Theory (hereinafter “PAT”) is an analytical technology used to explore the dynamics of agency relationships. An agency relationship exists where an authority-bearing actor (the “principal”) delegates some measure of authority to another actor (the “agent”) who acts for, on behalf of, or as a representative of the principal. But delegation comes with risk. Known generically as “the Principal’s problem,” the risk is that the agent will behave in ways that deviate from principal expectations. This deviation – termed agent slack – arises from endemic information asymmetries between principal and agent and the opportunity structures those asymmetries create. The central thrust of PAT is to identify and explore the efficacy of mechanisms principals employ to mitigate information asymmetries, reduce the risk agent slack, and, in so doing, “solve” the Principal’s Problem.

PAT has been applied broadly across the social sciences. Having originated in economics as an effort to model the structure of the firm (Ross 1973; Jensen and Meckling 1976), scholars across the social sciences have looked to PAT to offer insight into relationships that exist between those who delegate authority and those to whom they delegate it (e.g., Kiser 1999; Shapiro 2005). This has been particularly true in political science. PAT first gained traction among those who study American government. Most notably, PAT figured prominently in a spirited debate of the relationship between Congress and the bureaucracy (Weingast and Moran 1983; Moe 1984; Kiewiet and McCubbins 1991). PAT has also been utilized to explore delegation-based relationships in public administration (Niskanen 1971; Waterman and Meier 1998; Lane 2005), comparative politics (Strom 2000; Bergman & Damgaard 2000; Strom, Muller & Bergman 2003; Lane 2008) and

international relations (Downs & Rocke 1994; Hawkins, Lake, Nielson & Tierny 2006; Vaubel 2006; Rauchhaus 2009).

1.1 Principal-Agent Theory & EU Studies

Given PAT's penetration into the study of government and politics, it is perhaps not surprising that EU scholars should explore the utility of the approach. And, indeed, PAT have been used to explore a range of relationships across a broad range of issue contexts. PAT first gained prominence as a tool to shed light on *institutional relationships*. Perhaps the most developed of these lines of inquiry is the relationship between member states and the European Commission (Pollack 1997, 2003a; Doleys 2000; Tallberg 2002). One aspect of this relationship that has received particular attention is the use and impact of comitology committees (Franchino 2000; Ballmann, Epstein & O'Halloran 2002; Pollack 2003b; Heritier et al 2013). Beyond member state-Commission relations, PAT has also been used to gain analytical leverage over member government relations with other EU institutions to which states have delegated authority, including the European Court of Justice (Burley and Mattli 1993; Alter 1996; Caporaso and Stone Sweet 1998; Garrett and Weingast 1993; Garrett, Kelemen, and Schulz 1998), the European Central Bank (Elgie 2002; Schuknecht 2004; Schelkle 2005; Hodson 2009) and EU-level agencies (Majone 1996, 1997; Keleman 2002; Gehring and Krapohl 2007; Dehousse 2008; Coen and Thatcher 2008; Zito 2009; Wonka and Rittberger 2010).

In addition to institutional relationships, empirical work has increasingly focused on specific *issue (policy) domains*. No issue has received more attention than the Commission's role as the EU negotiator in external forums (Billiet 2009). Trade negotiations have been a particularly popular subject of inquiry (Meunier and Nicolaidis 1999; Meunier 2000; Elsig 2007; Kerremans 2004, 2006; De Bièvre and Dür 2005; Reichert and Jungblut 2007; Damro 2007; da Conceicao-Heldt 2011; Poletti 2011). But PAT has been applied to other negotiating contexts, including environmental negotiations (Delreux 2009), negotiations over chemical conventions (Delreux 2008), negotiations related to cross-border cooperation in competition policy (Damro 2006), and external migration (Stetter 2000; Menz 2015). Studies have also utilized PAT to explore how intra-EU delegation structures shape how the EU acts within multilateral governance structures such as the G8 (Mugge 2011; Niemann and Huigens 2011).

In addition to "external " contexts, there is emerging a literature that explores principal-agent dynamics across a range of "domestic" policy contexts. These include agriculture policy (Dunlop and James 2007), employment policy (de la Porte 2011), competition policy (Wilks 2005; Lehmkuhl 2008; Zahariadis 2010), cohesion policy (Blom-Hansen 2005), migration policy (Stetter 2000, Menz 2014), and policies relating to the alleviation of poverty (Bauer 2002).

1.2 Evaluating PAT in EU Studies

The evidence is clear, PAT is a *popular* tool. But is a *good* tool? Has PAT proved itself a productive resource? Does PAT explain what it claims to explain? Has the use of PAT led to new empirical insights? If so, are the insights cumulating in a way that advances our understanding of EU governance, politics and policy-making?

Assessments of this nature are few. Perhaps the most comprehensive – and certainly the most oft cited – effort to evaluate the contribution of PAT to EU studies is a 2003 review article Hussein Kassim and Anand Menon (2003).¹ As the title of their article suggests, their purpose was to determine whether PAT’s “promise” had been “fulfilled”. And, indeed, the review points to some positive developments. The authors argue the PA framework offers a way to understand institutional complexities in the EU in a manner that is “more sophisticated” than that offered by heretofore dominant approaches (i.e., neofunctionalism and intergovernmentalism) (p.133). They note, in particular, that PAT “offers greater leverage in understanding (the preparedness of member governments) to entrust supranational institutions with key responsibilities, and provides a valuable heuristic for approaching the relationship between governments and those institutions” (p. 133).

Still, though, Kassim and Menon’s evaluation is broadly critical – concluding that, on the balance of the evidence, the PAT’s “promise” remains “unfulfilled”. Among the shortcomings they highlight is what they take to be PA’s overly-simplistic modeling technology. They suggest that the principal-agent construct oversimplifies the complexity of political relationships and policy processes. Specifically, they regard as “questionable” (p. 133) the routine use of the *unitary actor assumption* to model actors such as the Commission or Council of Ministers. They also point to theoretical blind-spots that limit the perspective’s empirical reach. One such blind-spot is created by PAT’s focus on *dyadic principal-agent relationships*. By restricting the domain of explanation to situations involving only one principal and one agent, PAT is incapable of explaining issue contexts where, for instance, the Commission serves as agent to more than one principal. Kassim and Menon also express concern that PAT privileges particular understandings of delegation (informational over distributional) and that the framework fails to address questions of democratic legitimacy and accountability raised by the delegation of authority.

It has been well over a decade since Kassim and Menon delivered their verdict. It seems an appropriate time to ask – is their unfavorable assessment still merited? The scholarly landscape over the last thirteen years has changed considerably. The body of PAT scholarship in EU studies has grown significantly. PAT is being applied by more scholars in a wider range of institutional and policy

¹ For another, albeit less well developed, review of the PAT literature, see Maher et al (2009).

contexts. It has also grown in sophistication. PAT scholarship is taking an increasingly nuanced view of principals, agents, and the nature of the dynamic between them. In view of these changes, is it not time to ask whether the promise of PAT *still* remains unfulfilled?

We think it is. And it is to this task that the current manuscript is dedicated. But, before we begin, it is important to note a key difference in the approach we undertake and that taken by Kassim and Menon. They divide existing scholarship into what they took to be four discrete applications of the principal agent approach – intergovernmentalism, institutional intergovernmentalism, historical institutionalism, and rational choice supranationalism. They then offer conclusions on what they see as weaknesses with each of the four accounts. Our approach takes an altogether different tack. We treat the body of PAT scholarship as constitutive of a coherent, centered, and evolving research enterprise. We lay out what we understand to be the fundamental, constitutive element of that research enterprise. We then ask whether the trajectory of developments – empirical and theoretical – show progress.

We are guided in this task by Imre Lakatos' (1970) *Methodology of Scientific Research Programs (MSRP)*.² Lakatos' approach to theory appraisal directs us to ask, and answer, two sets of questions. First, can the application of PAT in EU studies be considered a *scientific research program*? Does it possess the requisite elements? Can we identify them? The second group of questions directs us to explore the trajectory of scholarship within the PAT research program. Can we identify a developmental trajectory? And, if so, is the direction and content of developments progressive?

To foreshadow a bit – we answer both sets of questions in the affirmative. First, we argue that PAT in EU studies *can* be considered a scientific research program. PAT scholarship contains the commonalities in assumptions and coherence in application required by Lakatosian metatheory. Our positive assessment with regard to the second set of questions is, however, more measured. We argue that the general trajectory of theoretical and empirical developments points *toward progress*, but that the body of evidence remains insufficient to allow us to conclude whether it satisfies the formal criteria demarcating *progressiveness* within the Lakatosian meaning of the term. Further, we assert that the current trajectory does not point irrevocably toward progress. Whether developments continue along this trajectory, and avoid a turn toward what Lakatos terms theoretical degeneration, depends on how the PAT research community addresses the theoretical and empirical challenges with which it is faced.

² Only one of several approaches one can adopt to appraise theory development, Lakatosian criteria are widely applied within political science – and particularly within international relations subfield – as a reasonable basis for evaluating progress. See, for example, Chernoff 2004; DiCicco & Levy 1999; Elman & Elman 2002; Keohane & Martin 2002; Ungerer 2012. For a dissenting view, see Jackson & Nexon 2009.

The balance of the presentation unfolds in four sections. First, we present the elements Lakatos' *Methodology of Scientific Research Programs*. We identify what constitutes a research program and specify Lakatos' standards for appraisal. Next, we map PAT onto Lakatosian structures. The following section identifies the developmental trajectory of the PAT research program. We give particular attention to empirical anomalies and theoretical puzzles with which those working in the research program must wrestle. The paper concludes with a summary evaluation of the research program and offers guidance for future research.

2. EVALUATING THE (SCIENTIFIC) PROGRESS OF RESEARCH PROGRAMS

In his *Methodology of Scientific Research Programs*, Imre Lakatos presents his widely applied metatheory for appraising progress in both natural science and the social sciences (Lakatos 1970). Lakatos argues that progress is best determined on the developmental trajectory of what he terms "scientific research programs". Scientific research programs are clusters of interconnected theories that share a commitment to a guiding idea that points the way to explain some aspect of the empirical world. In this section, we provide an overview of Lakatos' MSRP. We do so by deconstructing the concept into two linked questions. First, what is a "scientific research program"? And, second, what "methodology" is used for appraising scientific research programs?

2.1 Elements of a "Scientific Research Program"

The unit of analysis for Lakatosian metatheory is "the scientific research program". A scientific research program is comprised of four elements: (1) *a hard core*, (2) *a protective belt* of auxiliary hypotheses, (3) *a positive heuristic*, and (4) *a negative heuristic*. The beating heart of any research program is its *hard core*. The hard core is the collection of foundational axioms and assumptions that define the parameters of the research enterprise. The hard core has a taken-for-granted status. Unchanging and irrefutable, they are beyond criticism or question. They serve as the "set of commitments that cannot be abandoned without abandoning the research program altogether" (Larvor 1998, 51).

Located metaphorically around the hard core is a *protective belt*. The protective belt consists of auxiliary assumptions, theories, and observation statements that constitute the testable (and thus refutable) implications of a research program's hard core. It takes its name from the fact that it is these theories that bear the brunt of empirical scrutiny, not the hard core. The protective belt function as the proving ground for the guiding idea that animates the research program. It is, in an operational sense, where the theoretical rubber meets the empirical road. The protective belt is

also flexible. Unlike the hard core, the auxiliary assumptions, theories, and observation statements that constitute the protective belt can be changed or augmented without undermining the integrity of the research program.

Guiding all work within a scientific research program are a positive heuristic and a negative heuristic. The *positive heuristic* is the “partially articulated set of suggestions or hints” that serve as an epistemological map for the production of “ever more complicated models simulating reality” (Lakatos 1970, 135). It is a set of beliefs that give guidelines for how to construct the auxiliary hypotheses that constitute protective belt. It exhorts, “develop the program, stage by stage, by constructing an ordered series of more sophisticated protective belt theories consistent with the world picture that the program attempts to articulate” (ARGH, find cite). Put in simpler terms, the positive heuristic points those working within the research program toward productive avenues of inquiry.

The *negative heuristic*, by contrast, signals research paths to avoid. Specifically, it directs attention away from the hard core. The negative heuristic can be thought of as a methodological rule that sets the research program’s fundamental assumptions “off limits” as a matter of critical analysis or empirical inquiry (Lakatos 1970, 132-133). The central admonition of the negative heuristic is not to contradict the hard core.

2.2 A “Methodology” for Appraising Scientific Research Programs

Lakatos viewed scientific research programs dynamic entities. The dynamism is found in the developmental trajectory of theories that arise from the “hard core” of the research program. This trajectory emerges from the recursive process that defines the conduct of science - where theories are developed, tested against empirical evidence, anomalies identified, theories are revised in light of anomalies, and the revised theories are subject to their own tests. This recursive process results in what Lakatos terms *problemshifts*. A problemshift is a substantive modification in a research program that occurs as members of a research community adjust, re-adjust, or even replace auxiliary assumptions, hypotheses and observation statements.

Problemshifts serve as the focal point for appraising research programs. For Lakatos, problemshifts are either progressive or degenerative (Lakatos 1970:133). *Progressive problemshifts* are those that enlarge the reach of research program. A progressive research program constantly expands its application to a larger and larger set of cases, or strives for a more precise treatment of the cases it presently covers. Lakatos identifies a number of ways this can be done. If the positive heuristic stimulates novel hypotheses that impart “excess content” to a theory – meaning that it predicts facts not already predicted by existing theory – the research program is said to be

theoretically progressive. If some of the new facts predicted by novel hypotheses are corroborated through empirical analysis we may speak of *empirical progress*. Lakatosian metatheory also speaks to a third standard of appraisal – *heuristic power* (Lakatos 1970, 137). Not strictly tied to problemshifts, heuristic power is the capacity of a research program to account for empirical facts and to explain anomalies. Whereas one assesses the theoretical and empirical progress of a research program with reference to how a research program develops, heuristic power attends to the current state of a research program.

Not all changes to a research program are progressive. Research programs can also *degenerate*. A research program is adjudged to be (to have become) degenerative when its problemshifts are *ad hoc* (Lakatos 1970:175, n.2, n. 3). Ad hoc problemshifts appear when those working within a research program respond to empirical anomalies by building in exceptions that serve to increase neither the theoretical or empirical scope of application. Changes to protective belt neither predict new facts or, if they do, those predictions fail to be corroborated empirically. Put simply, research programs degenerate when tweaks to the protective belt serve only to fix old problems without providing any new insights.

3. THE PAT RESEARCH PROGRAM - THROUGH A LAKATOSIAN LENS

Having outlined the elements of a Lakatosian scientific research program, and the bases on which they are appraised, we turn our attention to PAT as it is applied in EU studies. The purpose of this section is to articulate the hard core, the protective belt as well as the positive and negative heuristics associated with a PAT research program. But before we do, it is important to be clear about what we claim and the domain in which those claims are made.

3.1 Caveats and Limitations

Three things bear mention before proceeding. First, we are looking at a limited theoretical and empirical domain. PAT is sometimes characterized as an offshoot of rational choice theory. More specifically, it is closely aligned with a particular variant of rationalist theorizing in international and comparative politics - rational choice institutionalism. We concur with this characterization. Nevertheless, we argue that the PAT research program has distinctive theoretical concerns and research objectives. The appraisal undertaken here focuses solely on how PAT has developed and is applied in EU studies.

The second thing to note is that PAT is related to, but distinct from, delegation theory. The act of delegating authority leads to principal-agent relationships. It is not surprising, therefore, that

the two are often treated together. But we contend that PAT and delegation theory explore discrete explananda. Delegation theory focuses on the decision to delegate – on the motivation, on the rationale by those who hold authority to transfer a measure of it to another. It seeks to provide insight into the question – *why* delegate? PAT, properly understood, treats this decision as exogenous. PAT focuses on the structural and behavioral contours of the relationship between principal and agent that is created *following* the decision to delegate. PAT analyses are certainly informed by the scope and content of delegation. What Actor A (Principal) delegates will influence how it structures the relationship with Actor B (Agent) which, in turn will shape subsequent principal-agent interactions. But what we will characterize as the “standard model” provides no explanatory leverage over the reasons why an actor would choose to delegate. Put differently, PAT looks not at *why* principals delegate, but *to whom they delegate, how they delegate, and with what consequences*.³

The third caveat we offer is that there exists no single definitive, universally accepted articulation of what constitutes the principal agent research program. Scholars examined different elements of the principal-agent framework depending on the needs of their research or their intellectual interest. Mark Pollack’s (1997, 2003) seminal work is sometimes highlighted as a touchstone. But agreement is not universal that this constitutes the foundation on which all subsequent research has been built. This project represents a modest effort to reconstruct the PAT research program using what we take to be an implied consensus a majority of those who use it. There will undoubtedly be those who disagree with this presentation, not least sociological institutionalists. Still, the hope is that our efforts will stimulate reflection, discussion, and debate amongst those who use PAT, and that this will bring greater clarity and precision to the research enterprise.

3.2 Reconstructing the Principal–Agent Research Program

To review briefly, PAT purports to offer analytical leverage over the dynamics of agency relationships. An agency relationship comes into being when an authority-bearing “principal” delegates some measure of authority to an “agent” to act for, on behalf of, or as a representative on his/her behalf in a specified domain. But with delegation come risk. A principal cannot assume that their agent will perform its delegated role faithfully. Agents are independent, autonomous entities that possess preferences distinct from those of principals. That they have distinct preferences gives rise to the risk that an agent might perform its delegated role in ways that do not comport with principal preferences. This wayward behavior is referred to as *agent slack*. The central thrusts of

³ I expect not all will agree that the two lines of inquiry can be separated. For some treatments of Delegation Theory in political science, see Epstein and O’Halloran (1999) and Bendor, Glazer and Hammond (2001).

PAT are to understand the sources of agent slack; to explore the measures principals use to minimize this preference mis-alignment; and to understand how the measures employed influence the behavior of both principals and agents.

3.2.1 The Hard Core

Recall that the Lakatosian *hard core* of a research program is the set of foundational axioms and assumptions that define the parameters of a research enterprise. They are unquestioned. To reject or modify any part of the hard core is to reject the entire research program. We submit that four categories of assumptions comprise the “hard core” of the PAT research program. The first address the act of delegation that brings principals and agents into existence. The second concerns the characteristics of these classes of actors. The third address the relationship between them. The final group of assumptions speaks to the environment within which principals and agents interact. Each element enjoys parametric status. None can be relaxed or questioned without undermining the research program.

The Presence of Delegation: The fount from which the PAT research program flows is the foundational assumption that an act of delegation has taken place. An act of delegation is defined as a situation where one actor (the principal”) transfers a measure of its authority to another actor (the “agent”) to act for, on behalf of, or as a representative on his/her behalf in a specified domain. [Note: The assumption carries no claim regarding either the motivation for delegation or the specific content of delegation beyond a grant of authority to act on its behalf.]

Actor Characteristics: The PAT research program hold that delegation “creates” two categories of actors – principals and agents. It holds principals and agents are similarly constituted. Both principals and agents are *self-regarding* and *goal-oriented*. Further, both are assumed to be *intendedly rational*, meaning that they assess their strategic situations in light of their environment and make means-ends calculations on how to act based on available information.⁴

Actor Relationships: The PAT research program rests on three assumptions about the relationship that exists between principals and agents. The first is that the unit of analysis is the *principal-agent dyad*. No other actors in a given environment are of direct analytical interest. The second assumption is one of *outcome dependence*. Benefits (or costs) that accrue to a principal in the domain of delegation are impacted by the (in)actions of the agent (and visa versa). The third

⁴ The “hard core” of the principle-agent research program in political science diverges from how the research program is cast in economics (e.g., Jensen and Meckling 1976; Laffont and Montimort 2002). Agency theory in economics starts from the assumption of perfect rationality and complete information. The focus is on optimal contracting and, in particular, on how principals address *ex ante* threat of hidden information and hidden action. The question of what happens *after* delegation is not a relevant consideration since principals anticipate all possible states of the world and incentive aligning-solutions are incorporated into a “complete” agent contract (Hart and Holmstrom 1987).

assumption is that agent preferences *differ* from those of the principal. PAT makes no foundational claim about the degree to which they differ. The claim is limited to the assertion that as individual, autonomous actors, principals and agents hold preferences that are distinct.

Environment: Finally, the PAT research program rests on three assumptions about the environment within which principals and agents interact. The first is *information asymmetry*. Actors are imperfectly informed about one another. The research program tends to foreground that agents have superior knowledge about both their preferences and actions than do the principals. But the reverse is also true. The second assumption is that *information costs are positive*. Actors can collect information to overcome asymmetries, but those efforts are costly. Third, PAT assumes that interactions between principal and agent are *embedded* in an environment that is *partially ordered*. Principal-agent relationships do not exist in a vacuum. Rather, they interact on the basis of rules embodied in – and within the parameters set by – the *delegation contract*.⁵

3.2.2 The Negative Heuristic

The negative heuristic of the PAT research program forbids any questioning the rationalist hard core. It sets off-limits ontological claims about individual actor characteristics, their relationship, or the environment within which they interact. For instance, the negative heuristic prohibits those working within the research program from putting forward auxiliary theories that assume either the principal or agent is perfectly rational, that preferences are perfectly aligned, that actors are fully informed about the interests/actions of others, or that information is costless to acquire.⁶

3.2.3 The Positive Heuristic

Whereas the negative heuristic cordons off the hard core from examination or refutation, PAT's positive heuristic hints at potentially productive avenues for research. One can identify in the PAT research program at least three promising lines of inquiry.

Research Avenue #1 – Examine How Principals Address the Principal's Problem (Principal Focused): The positive heuristic directs researchers to construct models that focus on "the

⁵ Due to the fact that information is costly and that contracts are crafted by actors with imperfect information about their environment, all by the simplest delegation contracts are invariably "incomplete". Although it is possible in theory to consider all possible future states-of-the-world and to specify *ex ante* the responsibilities and appropriate actions by all parties to an agreement in each of those states, in practice a large number of future conditions are left unconsidered (Williamson 1985) or they are addressed in a general manner that leaves room for interpretation.

⁶ This is not to say that questioning assumptions is an unreasonable or illegitimate enterprise. What it does mean is that to build auxiliary theories based on assumptions that depart from those specified in the hard core puts a line of inquiry *outside* the PAT research program.

Principal's Problem". It directs researchers to address how *information asymmetries* between principal and agent give rise to the risk of *agent slack* and the agency costs associated therewith. It encourages researchers to examine the impact both of *hidden information* (where the agent has better information than the principal) and *hidden action* (where the agent is able to act in ways that are difficult for the principal to identify or measure).⁷ It directs attention to the risks posed by *agent shirking* (where the agent minimizes the effort it expends on the principal's behalf) and *agent slippage* (when an agent shift its effort from outcomes that align to principal's preferences toward outcomes align with its own). It calls for theories that speak to the mechanisms principals use to reduce agency costs and how these mechanisms increase the likelihood that agent behaviors will result in outcomes that align with principal preferences.

Research Avenue #2 - Examine How Agents Use Discretion (Agent Focused): The second avenue of research suggested by the positive heuristic focuses on agent discretion. Discretion can be defined as the scope for behavior that agents have in exercising delegated authority.⁸ The positive heuristic encourages researchers to develop theories and tests hypotheses that focus on how agents perform their delegated responsibilities and, in particular, how they employ the *discretion* attendant to their grant of authority. It directs researchers to look at the sources and consequences of *agent slack*, but from the agent's point of view. It calls attention both to *agent shirking* and *agent slippage*, though it frames the concepts not as problems to be solved but opportunities to be utilized. It calls for theories that explain the scope of agent autonomy and that explain how agents exercise discretion.

Research Avenue #3 - Examine the Impact of Authority Structures (Environment Focused): The authority structures within which principals and agent interact constitute the third avenue of research suggested by PAT's positive heuristic. The positive heuristic calls on researchers to theorize the role *delegation contracts* play in shaping the behavior of principals and agents. It directs researchers to construct models that explain how the structural contours of relations set forth in delegation contracts impact a principal's capacity or willingness to effectively address agent slack. Similarly, the positive heuristic directs researchers to develop theories that explain how authority structures specified in the delegation contract condition an agent's autonomy and how it impacts its capacity or willingness to use discretion in ways that align with its preferences.

⁷ The economics literature on agency refers to these as problems of "adverse selection" and "moral hazard" (respectively). However, following Arrow (1985), we use the terms hidden information and hidden action because we feel they are more descriptive.

⁸ Thatcher and Coen (2002) operationalize an agent's "zone of discretion" as the sum of delegated powers granted by the principal to the agent minus the sum of control instruments available for use by the principal. This gives a sense for what is commonly understood by the term.

3.2.4 The Protective Belt

The protective belt consists of the auxiliary assumptions, theories, and observation statements that constitute the testable (and thus refutable) implications of a research program's hard core. Inspired by the positive heuristic and built on elements in the hard core the protective belt serves as the focal point for theoretical development and empirical testing. Below is a collection of core propositions that have served to animate theoretical development and empirical testing in the PAT research program.

Address the Principal's Problem: The PAT research program posits three general hypotheses that speak to principal efforts to "solve" the principal's problem. The first concerns principal efforts to minimize agent slack by reducing information asymmetries. They do this by *monitoring agent behaviors*. The logic is that the lower the information asymmetries, the lower the likelihood agent shirking or agent slippage will go undetected, and, by extension the greater the likelihood that agent actions will align with principal preferences. This leads to the first general auxiliary hypothesis.

HYP(1): *The more effectively principals monitor agents, the more likely outcomes will align with principal preferences.*

The hypothesis is "general" in the sense that it is a point of departure for the development of more refined hypotheses. For instance, researchers might examine the comparative efficacy of different monitoring modalities. This leads researchers to compare the asymmetry-reducing efficacy of monitoring agents themselves (*direct monitoring*) or relying on third parties (*indirect monitoring*).⁹ Is one modality more effective than another? Is relative effectiveness context dependent? If so, under what circumstances will principals utilize direct monitoring, indirect monitoring, or a combination thereof?

A second general hypothesis relates to the use of control mechanisms. Principals mitigate agency costs by designing incentive compatible rewards/sanctions intended to align agent actions to principal preferences. The logic is that the greater the cost associated with agent slack, the lower the likelihood that agents will engage in shirking/slippage, and, by extension, the greater the likelihood that agent actions will align with principal preferences.

HYP(2): *The more effective principal control mechanisms, the more likely outcomes will align to principal preferences.*

Again, there are extensions to this general hypothesis. One extension would examine the range of control mechanisms available. What control mechanisms are available to the principal in a given delegation context? Are some more effective than others? Another extension the general

⁹ These correspond to what McCubbins and Schwartz (1984) characterize as "police patrols" and "fire alarms".

hypothesis would address the issue of credibility. Sanctions – positive or negative – reduce the threat of agent slack most effectively when agents expect that they will be applied. But are all mechanisms equally credible? Are some more credible than others?

Address Agent Discretion: PAT's positive heuristic suggests two general sets of hypothesizes that address testable implications of agent discretion. They are, in practice, mirror images of those addressed to the principal's problem – only cast from the agent's perspective. In the interest of space, we will forego a (re)presentation of the logics and limit ourselves to stating the hypotheses. They are:

HYP(3): *The less effectively a principal monitors its agent, the more likely the agent will use discretion to pursue outcomes that align with its preferences.*

HYP(4): *The less effective principal control mechanisms, more likely the agent will use discretion to pursue outcomes that align with its preferences.*

Address Authority Structures: This area of the PAT research program has received relatively less attention. The positive heuristic directs researchers to construct models to explore the contours of existing authority structures and how they serve to constrain or empower principals and/or agents. The most significant of these is the delegation contract that sets out the structural contours of the principal-agent-relationship. A general hypothesis inspired by the positive heuristic and built on the hard core holds that the less "complete" the delegation contract, the more uncertainty there is in behavioral expectations, the greater the likelihood that agents will use discretion in ways that align with their preferences.

HYP(6): *The more incomplete the delegation contract, the more likely agent will use discretion to pursue outcomes that align with its preferences.*

An extension of this general hypothesis would examine how principal-agent interactions unfold over time. Ceteris paribus, the longer the duration of the principal-agent relationship the greater the likelihood that circumstances unanticipated in the delegation contract will arise. When unanticipated circumstances arise, principals are less able to rely on monitoring and control mechanisms, agents are less constrained by contractual boundaries, and as a result, agents are more likely to use discretion to pursue outcomes that align with its preferences.

4. THE DEVELOPMENTAL TRAJECTORY OF THE PAT RESEARCH PROGRAM

Having demonstrated the PAT research program has elements requisite to a Lakatosian scientific research program, the second task of this project is to appraise the conduct of the research undertaken within the research program to determine whether it is progressive or degenerative. It bears recalling that the methodology of scientific research programs directs us to appraise the *developmental trajectory* of a research program. Further, it is conducted with reference both to the track record of empirical findings as well as the vibrancy of theoretical innovation. So, what is the developmental trajectory of the PAT research program?

4.1 Identifying a Starting Point – The Standard Model

To guide our assessment of the developmental trajectory of the PAT research program it is useful to identify a starting point that can be used as a reference point against which to measure developments.¹⁰ Mark Pollack's (1997, 2003) seminal contributions to the application of PAT to EU studies serve this role – and can usefully be cast as “the standard model”.¹¹ Pollack responds to the positive heuristic that directs researchers to focus on *how principals address the threat of agent slack*. Specifically, he trains his attention on the structural contours particular to the relationship member states and the European Commission. Pollack's representation casts member governments as a single principal who delegate authority to a single actor (the European Commission) who, acting as agent, is tasked with performing an array of functions. Both member government principals and the Commission agent are portrayed as unitary, intendedly rational, forward-looking actors. Pollack demonstrates that member governments – mindful that Commission preferences might not align with theirs and that information asymmetries threaten to give rise to agent slack – employ an array of monitoring and control mechanism designed to promote incentive alignment, reduce the risk of slack, and, in so doing, solve “the Principal's problem”.

Other examples of the standard model as applied to the principal problem can be identified. For instance, studies have applied the standard model to explore relations between member governments and other “supranational” EU institutions, including the European Court of Justice (Pollack 2003) and the European Central Bank (Elgie 2002). There have also been applications of the standard model to an intergovernmental context. A prominent example is Tallberg's (2003) examination of agency and the structures of control in relations between EU governments (principal) and the Council Presidency (agent).

¹⁰ Identifying a “starting point” is not required of Lakatosian metatheory for the appraisal of a research program. Just the same, we think it is useful way to begin building a developmental map. That, and it allows those unfamiliar with the research program to identify a point of departure.

¹¹ Pollack was not the first to apply principal-agent analytics to EU studies (see, for example, Majone 1996). However, his works represents the first focused, sustained effort to explore the explanatory value of the approach.

Applications of the standard model can be found in research inspired by the positive heuristic's call to take an agent-focused approach to the scope and use of discretion. Delreux and Kerremans (2010) is illustrative.¹² The authors begin as Pollack does – treating the Commission as agent of member government principals. In this case, member governments delegate authority to the Commission to negotiate on their behalf in external venues. But instead of focusing analytically on member government efforts to address the principal's problem, they address how the Commission exercises its discretion. The work highlights the “tools” of “agency power” available to Commission negotiators; how the tools serve to reduce “the range of behavioral options available to the principals”; and how, in using these tools, the Commission can weaken member government incentives to exercise control.

4.2 Empirical Anomalies/Theoretical Puzzles in the PAT Research Program

The standard model has not always proved satisfactory – theoretically or empirically. As the PA research program has generated more scholarship, a number of empirical anomalies and theoretical puzzles have appeared. The anomalies/puzzles represent challenges to the research program. How the research program addresses these challenges is the measure of its progressiveness. Space (and time) prevents a comprehensive examination of the challenges raised and how the PAT research program has responded. We touch briefly on three.

Empirical Anomaly #1 (The Principal-Agent Dyad): The first anomaly arises from how actors are modeled. A central feature of the standard model is that principal-agent relations are dyadic – involving *one* principal and *one* agent. In the above noted examples of the standard model, member governments and the Commission are, for modeling purposes, treated as single/unitary actors. Research has, however, pointed to empirical contexts where the unitary actor assumption is not just descriptively inaccurate (which is, in itself, not problematic) but analytically misleading (which is).

Take, for instance, Da Conceicao-Heldt's (2010, 2011) examination of external trade policy. She argues that, contrary to PAT applications that treat the Council of Ministers as a unitary actor possessing a coherent, consistent set of preferences, member states in the Council often find it difficult to speak as one. Further, and significantly, this preference heterogeneity has significant implications for how the Commission exercises its delegated function as external negotiator. Differences in member state preferences serve to endow Commission negotiators with “room to maneuver” (2010, 1122) and a “higher level of discretion” (2010, 416) to pursue preferred strategies than the standard model would suggest.

¹² Other examples of research in this vein include Delreux (2009) and Dur and Elsig (2011).

Larsen (2007) points to a related issue. Larsen's study also examines the role of Commission as external trade negotiator. But Larsen's critique of the standard model is not that the Council is mis-modeled as a unitary entity, but that the Commission is mis-modeled as an agent to only one principal. She argues (and provides evidence to suggest) that Commission negotiators are, in fact, agents both to member governments and to *trade-policy relevant DGs within the Commission itself* (e.g., DG Trade, DG Enterprise, DG Agriculture). Thus, to portray Council-Commission relations as a dyadic interaction between two unitary actors provides a theoretically misleading and empirically incomplete picture of factors that demonstrably impact Commission behavior.

The anomalies highlighted by Da Conceicao-Heldt, Larsen, and others present a challenge to the PAT research program. They suggest the research program must be revised to account for empirical contexts that depart from the canonical one principal-one agent model. The challenge is beginning to be met. It is being addressed in two ways. The first involves theorizing the notion of *collective principals* (Lyne, Nielson & Tierney 2006). The notion is to recast the principal as a corporate entity; one comprised of several actors who together act as one. Although still treated as a "single" actor for the purposes of modeling the principal-agent dyad, treating the principal as a collective directs researchers to integrate preference heterogeneity and internal decision-making dynamics as part of the modeling environment.

An exemplar is the Council of Ministers. Modeling the Council as a collective principal would acknowledge that member states hold different (and sometimes quite divergent) preferences and that this preference heterogeneity has empirical implications for how the institution acts. To treat the Council of Ministers as a collective principal would provide a way to address the impact Council decision-making structures have on the institution's capacity to effectively monitor agent behaviors and/or employ control mechanisms. The still-unresolved theoretical puzzle is how to modify the standard model to capture internal variables without violating the research program's hard core – though one can find hints at how this might be done using spatial modeling techniques (Garrett and Tsebelis 1996; Tsebelis and Garrett 2001).

A second potentially fruitful path is to incorporate *multiple principals* into PAT. Multiple principal models would capture circumstances where the delegated authority exercised by an agent originated from more than one organizationally-distinct principal. Dehousse (2008) argues forcefully that such models are required to capture the polycentric distribution of power in the EU. But this, too, poses a theoretical puzzle that requires care in handling if it is to be resolved with the PAT research program.

Empirical Anomaly #2 (Delegation Chains): The second set of anomalies that have emerged concern the existence of *delegation chains*. A delegation chain exists where an actor exists

simultaneously as agent and principal. Looking at the Commission and its role in EU regulatory processes, Cohen and Thatcher (2008) argue that the institutions can be viewed as both principal *and* agent, depending on the analytical perspective one takes. Framed in terms of “upward” and “downward” delegation, the authors argue that Commission authorities are appropriately understood both as an agent of national regulators and as a principal vis-à-vis European regulatory networks. Others echo the call to look more closely at the existence and impact of delegation chains (Reichert and Jungblut 2007, Dur and Elsig 2011). If true, that is, if delegation chains prove to be a meaningful independent analytical feature of principal-agent relations, and if the effect cannot be explained adequately within PATs existing theoretical framework, then the protective belt of the PAT research program will need to be modified.

Empirical Anomaly/Theoretical Puzzle #3 (Agent v Trustee): In an influential article, Majone (2001) raises an empirical point about delegation – one he argues the PAT research program is ill-equipped to address. He argues there exists a “type” of institutional relationship for which PAT offers no compelling explanation. He describes these as “fiduciary relations”. A fiduciary relationship exists where the putative principal does not simply delegate a measure of authority to agent to act on its behalf in a particular domain, it surrenders all rights to act in that domain (Majone 2001, 113). The result is the creation, not of a principal-agent relationship, but of a “trusteeship”. In fiduciary relationships information asymmetries and the associated problems of hidden information and hidden action have not analytical relevance. No control mechanisms are required. This is because there is no “principal’s problem” to solve. The trustee is *expected* to behave in a manner that deviates from principal preferences (albeit guided by considerations established by the “principal” at the time authority is transferred). It is precisely this autonomy from principal control that gives a trustee its value.

Majone’s argument is an interesting one. If substantiated empirically, the existence of trustee-type fiduciary relationships would seem to raise questions about the central analytical focus of the PAT research program – the impact of information asymmetries and the efficacy of control. But there are two reasons to treat Majone’s claim with care. First, it is unclear whether trusteeships of the sort Majone describes actually exist within the EU. Pollack (2007, 10) argues forcefully that Majone’s conception of a trustee – as “one to whom political principal has ceded a complete and irrevocable transfer of political property rights” – reflects “a theoretical limiting condition...which is rarely if ever realized in practice”. The question is, at its heart, an empirical one. The second reason to treat Majone’s argument with care is that he could be well be right both theoretically and empirically, but in the end be irrelevant to our assessment of the PAT research program. This is because the reconstruction of the PAT research program offered here positions the decision to

delegate/transfer authority outside the explanatory domain of the research program. Trustee-type fiduciary relationships, were they demonstrated to exist, would simply be a separate category of empirical phenomena that require an explanatory framework of their own.

5. CONCLUSION: THE PAT RESEARCH PROGRAM – A LAKATOSIAN APPRAISAL

In the introduction we note that this project was guided by two questions. The first is whether the application of PAT in EU studies can be considered a scientific research program within the meaning set out in Lakatosian metatheory.. The second question is to establish whether the developmental trajectory of the PAT research program satisfies the scientific standard of progress stipulated in that approach. Now that our appraisal is (tentatively) complete, how does the PAT research program fare?

With regard to the first question, the analysis leads us to conclude that “yes” the PAT research in EU studies can be considered constitutive of a scientific research program. The PAT research program has an identifiable *hard core*. It has a *negative heuristic* that signals what type of theorizing is off limits. It also has a *positive heuristic* that has inspired and guided the creation of the *protective belt* of auxiliary hypotheses.

Our conclusion on the question of whether the PAT research program is progressive is more measured. There *is* underway an active, centered, coherent research enterprise. Empirical work *has been* conducted on the basis of hypotheses and heuristic insights inspired by the PAT research program’s positive heuristic. The framework has been applied productively across an array of institutional environments and issue domains. But even as research has found empirical support for core PAT claims, it has also identified a number of empirical anomalies and theoretical puzzles not explained adequately by the standard model. These anomalies should – and do – point the research program toward revision. But such work remains at a relatively early stage. Problemshifts are not yet concretized. And empirical work is just beginning. Thus, in its current state of development, it is premature to draw strong conclusions about the theoretical or empirical progressiveness (or, for that matter, the degenerativeness) of PAT’s developmental trajectory.

We would suggest, however, a narrower claim does withstand scrutiny. Theoretical and empirical developments demonstrate that the PAT research program shows *heuristic power*. Consistent with Lakatosian criteria, the PAT research program is developing from its core idea, and is doing so in a way consistent with its positive heuristic. The auxiliary belt of hypotheses is beginning to address empirical anomalies by consider ways to incorporate such phenomena as collective/multiple principals and delegation chains. These are welcome developments. Further, and significantly, the there remains general agreement among those working in the research

program that the analytical framework provides insights into aspect of EU politics and policy-making that no other framework currently provides.

As we conclude, we recall Kassim and Menon's 2003 verdict that the "promise" of PAT is "unfulfilled". We now ask whether, almost fifteen years on, this remains so? That is not an easy question to answer. To a very real degree, the answer to the question depends on what one holds as a theory's "promise". If the promise of a theory is found in its ability to add value to our understanding of the world – then the answer is "yes". The PAT research program asks important questions and offers unique answers. The research program has added both nuance and sophistication to our understanding of EU governance, politics and policy-making. But if a theory's promise is to generate a progressive research program grounded in sound scientific principles – as Lakatosian metatheory suggests it should be – then the answer is less clear. The signs, however, are hopeful. Theoretical development is underway. And empirical testing is ongoing. But to fully realize PAT's promise, those working within the research program must remain mindful of two things. First, take care that problemshifts are guided by the research program's positive heuristic. And second, avoid *ad hoc* "fixes". They may be useful in addressing inconvenient anomalies, but they risk leading PAT down a degenerative path. In as much as researchers heed this advice, *the full promise of PAT might yet be realized.*

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