Institutional Hokey-Pokey: The Politics of Multispeed Integration in the European Union

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Abstract

Following the Irish “no” vote on the Lisbon Treaty, there have been renewed calls by states desiring deeper integration to pursue a multispeed Europe. This would allow those states to pursue more ambitious projects quicker without being hindered by laggards. At other times, laggards have desired a multispeed approach to integration to avoid implementing policies to which they object. Moreover, these proposals have been at times resisted and at times accepted by both camps. This raises an interesting puzzle. Under what circumstances will laggards propose/object to a multispeed Europe, and under what conditions will federalists propose/object to a multispeed Europe? Using spatial models, we investigate the institutional rules and member state preference configurations that lead either camp to accept or resist multispeed proposals. We determine instances in which each camp are hurt and helped by the existance of multiple options, paying particular attention to how a multispeed approach would affect member state bargaining power after the choice is made. Finally, we present a series of case studies to demonstrate that the preference configurations we examine do, in fact, lead states to pursue the policies with regard to a multispeed Europe that we expect.

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1. Introduction

Following the June 2008 Irish “no” vote on the European Union’s Lisbon Treaty, ardent Euro-federalists, such as Jean-Claude Junker, the long-serving prime minister of Luxembourg, once again issued calls for multispeed Europe.\(^1\) A multispeed approach allows member states desiring deeper integration to pursue ambitious projects quicker without hinderance from laggards.\(^2\) Such calls are not new. In the early 1980s, amid Margaret Thatcher’s threats to veto all EU activity until she secured a budget rebate for the UK, French President François Mitterrand suggested that a multispeed would allow other member states to leave Britain on the sidelines.\(^3\) Again, while negotiating the 1997 Treaty of Amsterdam, the French and Germans pressed for an “enhanced cooperation” clause, which would allow for deeper cooperation among a small group of member states, over protests from the British.\(^4\) Indeed, the Germans and French succeeded in having enhanced cooperation enshrined in the Treaty.

Europhiles are not the only ones to issue calls for a multispeed Europe. At times, laggards have also desired a multispeed approach to integration to avoid implementing policies to which they object. While Europhiles often speak of “enhanced” or “closer” cooperation laggards talk of opt-outs. The British under PM John Major, for example, sought an opt-out from the EU’s social policy contained in the Maastricht Treaty. Following their failure to ratify the Maastricht Treaty, the

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\(^2\) There are many different terms used to describe a pattern of integration in which some member states pursue integration at a faster rate than others. These include among others “multispeed Europe,” “variable geometry,” “Europe à la carte,” and “differentiated integration.” For an explanation of the distinctions between these various terminologies, see Stubb 1996, Ehlermann 1998 and Warleigh 2002.


Danes, along with the UK, demanded an opt-out from economic and monetary union. Despite the difference in language, the result is the same – two groups of member states pursuing integration at different speeds.

Moreover, these multispeed proposals have been at times resisted and at times accepted by both camps. Although, a multispeed approach might allow laggards to avoid swallowing distasteful policies, they at times fear the consequences of being left on the sidelines of integration. Integrationalist states, on the other hand, relish the thought of moving Europe into new policy areas without pesky laggards holding them back, but they worry that such an approach undermines the goal of a united Europe. In addition, they worry that laggards may free-ride by deriving benefits from integration projects without paying any of the costs (Harstad 2006; Kölliker 2006). This raises an interesting puzzle. Under what circumstances will laggards propose or object to a multispeed Europe, and under what conditions will integrationalist states do the same? To investigate these questions, we draw on a variety of literatures, including recent scholarship on the rational design of international organizations (e.g. Koremenos, Lipson and Snidal 2001), European Union decision making (e.g. Tsebelis 1994; Tsebelis and Garrett 2001), and the role of exit and voice in bargaining (e.g. Hirschman 1970).

Using spatial models, we investigate the institutional rules and member state preference configurations that lead both camps to accept or resist multispeed proposals. We determine instances in which integrationalist states and laggards are either hurt or helped by the possible existence of multiple options, paying particular attention to how a multispeed approach would affect member state bargaining power after the choice is made. Our primary insight is that decisions to implement a multispeed approach alter the identity and location of the pivotal decision-maker,
therefore altering policy outcomes. Whether laggards or integrationalists prefer a multispeed approach depends upon who benefits in terms of policy outcomes from multispeed integration following a change in identity and location of the pivotal actor.

2. Multispeed Integration in the European Union and Beyond

Much has been written about the prospects of multispeed integration in the European Union. Some scholars have suggested that multispeed integration has the potential, albeit unlikely, to lead to a breakdown of the European project as member states pick and chose among the menu of rules they wish to enforce (Kelemen 2007). When considering future paths for European integration, Schmitter (1996) has suggested that a Europe with multiple centers and different memberships advancing with integration at various speeds is a suboptimal, yet likely outcome for the EU.\(^5\) Formal theorists examining the incentives of states to create an economic union have found that if the participation of all states in a union functioning under the same rules is desirable, it is best to bring all states into the union at the same time. There is little incentive to bring the laggards into the regime at a later date (Alesina and Grilli 1993).

Other scholars, however, are more sanguine about the prospects for multispeed approaches to integration. Literature on interational organizations, for example, finds that flexibililty often increases the likelihood of cooperation. Downs, Rocke and Barsoom (1998) have argued that, in general, deeper integration is possible if the states preferring more cooperation integrate first, allowing other states to join them later. If laggards are let into the union too soon, they will wield their veto power to block further integration that would have been possible if they had been kept on the sidelines until a later date.

\(^5\) Schmitter refers to this outcome as the *condominio* form of territorial constituency.
The difference in assessments of Alesina and Grilli and Downs, Rocke and Barsoom is due to the type of laggards these authors are referring to. Alesina and Grilli are referring to economic laggards – those member states who may prefer deeper integration, but who do not meet the economic requirements for monetary union. Given their policy positions, these actors would not likely be in a position to veto decisions when allowed into the monetary union. Downs, Rocke and Barsoom are referring to laggards with regard to policy position. These laggards may meet the requirements for monetary but do not wish to join. If they joined, they would be in a position to cast a veto. In our analysis, our definition of laggard follows that of Downs, Rocke and Barsoom, rather than that of Alesina and Grilli. Before exploring our model, we examine the various literatures on EU integration, international organizations, and federalism with respect to their implications for multispeed integration in the EU.

2.1 Multispeed Integration in EU Literature

Research focusing specifically on EU integration has tended to emphasize case studies of individual instances in which a member state opted out or was otherwise excluded from participating in some aspect of European integration. Alternatively, scholars have developed different categories into which each of these cases can be assigned. Only recently has the literature begun to offer stronger theoretical treatment of multispeed integration.

Stubb (1996) offers three categories of multispeed integration: multispeed, variable geometry and à la carte. What Stubb calls multispeed is characterized by a core of member states moving forward on some dimension of integration with the assumption that those that lag behind will eventually join when they are able or
willing to do so. The second category, Stubb defines is variable geometry whereby some permanent division will be established between one set of member states and another. The final category, Stubb calls à la carte. In this category, member states all select which aspects of European integration in which they wish to participate. Our analysis is most concerned with Stubb’s first and third categories. To date, there has been no application of the second category in which a permanent division is established.

Categorizing different multispeed approaches can be useful. It can provide the basis for comparative analysis and provide insights into the complexities of when and why states will opt out of some aspect of European integration. However, categorization as a basis for explanation has serious limitations. Most importantly, we will demonstrate that the category within which a given opt out scenario fits depends on the preferences of governments involved and their relationship to each other. These preferences are necessarily fluid in democracies. For example, a conservative government may wish to opt out of policies that social democratic governments would enthusiastically embrace. Alternatively, structural elements that led a country to opt out, or be excluded, might change. Simply categorizing each situation as it arises cannot lead to an explanation of the governments’ decisions nor to an explanation of under what circumstances a multispeed approach will be adopted.

More recent work has attempted to theorize why member states pursue multispeed integration in some areas, but not in others. Kölliker (2006), for example, argues that multispeed integration is least likely in policy areas that handle public goods where common pool resource problems are likely to arise. When it is difficult to exclude member states outside of the new core from partaking in benefits produced

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6 Harstad (2006) makes a similar argument regarding multispeed integration and public goods, but does not differentiate between different types of policy areas.
by those participating in the core, there is little incentive to form a core in the first place. On the other hand, when it is possible to exclude the outsiders from the benefits of deeper integration, core states desiring deeper integration have a stronger incentive to cooperate. Likewise, member states outside the core will have a stronger incentive to try to eventually join the core if the only way to partake of the benefits is through participation. In other words, they have an incentive to rejoin the core when free-riding is not an option. This work represents a great advance in understanding incentives for creating a multispeed Europe, however, it still overlooks the role of member state preferences and political institutions, such as voting rules, that lie at the heart of our argument.

2.2. Flexibility and Opt-outs in International Organizations

The decision to create a multispeed Europe is, in essence, a decision to create more flexibility in EU decision-making. Recent literature on the rational design of international organizations has argued that flexible institutions, including the presence of escape clauses as well as the ability to renegotiate terms of agreements following a specific period of time, allows for stronger institutional cooperation but also involves costs (Downs and Rocke 1995; Koremenos 2001; Koremenos, Lipson and Snidal 2001; Koremenos 2005; Kucik and Reinhardt 2008; Rosendorff and Milner 2001; Rosendorff 2005). Some have even suggested that increased legalization may backfire, leading to less cooperation (at least in the form of trade liberalization) because states will refuse to participate in highly legalized regimes that go too far (Goldstein and Martin 2000), or that states actively consider the “domestic political trade-off between treaty compliance and policy discretion” (McCall Smith 2000: 138).
Certainly, the ability to renegotiate treaties after a given period of time, or the ability to temporarily suspend treaty commitments, allows member states to handle unforeseen events that may otherwise increase their costs associated with membership to a point where membership no longer makes sense. Without these safety valves, states may not join organizations to begin with, fearing that they will lock themselves into a commitment that may harm them in the future. Or they may seek to pull out of an organization because short-term costs of membership are too high.

The creation of both renegotiation and provisionsal treaty suspension clauses involve real costs. Renegotiating treaties is costly as it involves not only coming to new agreements with negotiating partners, but may also involve putting together new domestic political coalitions, whose support may be necessary for ratification (Koremenos 2005). Creating escape clauses may be very costly in the presence of incomplete information. If it is difficult to know when a partner state is reneging on obligations because domestic politics makes it absolutely necessary or whether they are simply trying to avoid costs of compliance, states may use escape clauses in a way that undermines the entire treaty (Rosendorff 2005).

This literature suggests that creating a multispeed Europe may be a double-edged sword. On the one hand, as the EU diversifies by adding more states, a multispeed approach may offer flexibility so that all member states can choose a policy option sufficiently close to their ideal. On the other hand, it may increase bargaining costs and limit the degree to which states integrate by offering them an opt-out that would not otherwise exist.

2.3. Exit, Voice and Federal Bargaining
While the literature on flexibility and cooperation in international organizations suggests that multispeed Europe may lead to more cooperation by offering laggards and Europhiles options within the same organization, another body of literature offers insights into how multispeed integration is likely to effect bargaining among member states.

Bargaining literature based upon Hirschman’s (1970) influential exit, voice and loyalty framework (e.g. Bednar 2007; Dowding et. al. 2000; Dowding and John 2008; Gelbach 2006; and Slapin 2009) offers insights into how the creation of a multispeed Europe is likely to affect bargaining power among member states. When facing a proposal on integration with which they do not agree, member states have the option to voice their discontent, perhaps through to vetoing policy change, or to opt out of the given policy, akin to partial exit from the EU. Which of these strategies states choose to use (and, indeed, which strategy is even available to states) depends upon the costs associated with allowing the laggard to opt out for both integrationalists and the laggards (Slapin 2009). If integrationalist states sincerely desire the participation of laggards in unified political union, and laggards do not fear being left on the sidelines, laggards can threaten to veto legislation unless their demands for slower and shallower political unification are met.\footnote{\textsuperscript{7} Just as John Major’s government did until they were allowed to opt out of the social policy aspects of the Maastricht Treaty.} Integrationalists prefer that laggards block change in a union that encompasses all member states over the creation of a multispeed union where laggards cannot block change and are instead left behind on certain contentious issues.

On the other hand, if laggards pay a high price for being left behind by integrationalists on a particular issue and integrationalists are more concerned about deeper cooperation among a select few than shallower cooperation among all states,
laggards will not be able to exercise their veto. If laggards did exercise their veto, integrationalists may opt to create a multispeed Europe that leaves them on the sidelines. Fearing this, they choose to go along with the policy of deeper integration. Generally, this literature suggests that both laggards and integrationalists must weigh the costs and benefits of deeper integration against the costs and benefits of pursuing integration in smaller groups.

3. Legal Foundations of a Multispeed Europe

There are many ways legal avenues for a multispeed process. Integrationalist states could pursue deeper integration outside of the framework of the EU. This was the case with the Schengen agreement regulating border controls among European countries. This agreement was only brought within the treaty framework of the EU after existing outside the EU framework for many years. Alternatively, member states can pursue different levels of cooperation within the legal framework of the EU.

There are at least two primary legal mechanisms for pursuing a multispeed approach within the treaty framework. The first is Art. 100a(4) TEC, which allows member states, under some very strict conditions, to apply national rules after they have been outvoted by a qualified majority in the Council (see Ehlermann 1998). This clause means that, in certain circumstances, laggards can opt out after a vote has been taken. Of course, knowing this, integrationalists may not push for a vote that they know laggard states will find difficult to comply with. To the extent that integrationalists value having all states on board, they will avoid pursuing policies that push laggards not to comply.

The second mechanism, and more interesting from our perspective, is the provision for closer cooperation found in Art. 43 (ex. Art. K15) of the Treaty of
Amsterdam. This allows a majority of member states to pursue deeper integration as a last resort when there is no other way to pursue integration within the EU framework. This clause provides a mechanism for leaving laggards on the sidelines if they are being obstructionist. Of course, this raises the question of how decisions will be taken if not all member states participate in the decision-making process. Art. 44 (ex. K16) states that:

“the relevant institutional provisions of this Treaty and of the Treaty establishing the European Community shall apply. However, while all members of the Council shall be able to take part in the deliberations, only those representing participating Member States shall take part in the adoption of decisions. The qualified majority shall be defined as the same proportion of the weighted votes of the members of the Council concerned as laid down in Article 205(2) of the Treaty establishing the European Community. Unanimity shall be constituted by only those Council members concerned.”

This means that leaving the laggards on the sidelines will effectively change the pivotal member of the Council. This change has very interesting consequences under qualified majority voting that we explore below.

4. The Model

To better understand when and why member states support and oppose proposals that would create a multispeed Europe, we examine a series of unidimensional spatial models to understand the decision making processes outlined in Art 44 quoted above. We begin our model with several assumptions. First, we construct a model with a 7 member council. This is a standard assumption in the literature and we make it
because the decision-making rule in the Council most closely approximates a 5/7 requirement (Tsebelis and Yataganas 2001).

Second, we assume that member states face a positive non-policy related cost, \( C \), associated with opting out of decision-making in a particular policy area. This cost may vary across member states. For simplicity, we first assume that those states that do not opt out do not pay a price when other states leave the decision-making process. However, we will alter this assumption later so that all states pay a cost. In addition, we assume that each policy decision within this policy area takes place on an ideological scale ranging from 0 to 1, where 0 represents low integration and 1 represents high integration. We assume the status quo is located at 0.

Because the pivotal member state does not pay a price associated with a laggard member state leaving the decision-making process, any new policy proposal, \( X_p \), must make the pivot at least as well off as he would be under the status-quo policy. In other words, the new policy proposal must lie within the winset of the status quo. Moreover, we assume that the new policy proposal will lie either on or to the right of the pivot’s preference. This would true if there exists an agenda-setter preferring deeper integration than the pivot with the ability to make a take-it-or-leave-it offer, perhaps a supranational actor.\(^8\) It also would be true if the laggards are shut out of the bargaining process and bargaining occurs between the pivot any actor or group of actors with a preference to the right of the pivot. After a new policy proposal is reached, the laggard must compare his cost associated with leaving the decision-

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\(^8\) This is a common assumption in formal models of EU legislative politics, where the Commission is the formal agenda-setter (Tsebelis 1994, Tsebelis and Garrett 2001). It also may be the case when deciding interest rates for the Euro-zone. The ECB’s Executive Board usually makes a proposal to the ECB’s Governing Council, which consists of member states’ central bank governors as well as the Executive Board (Hix 2005: 331-32). The case of the EMU and ECB decision-making are examined in greater depth later.
making process, $C$, with the ideological loss that he would suffer if he remained in the decision-making process and became bound by the new proposal, $|X_L-X_P|$. This ideological loss must be non-zero because the laggard prefers less integration than the pivot. When $|X_L-X_P| > C$ the laggard will opt out of policy making in this issue area.

Once the laggard opts out of the decision-making in this issue area, he will not participate in future policy-making in the issue area. The next time new legislation reaches the Council in this area, there will be a new laggard (Member State 2 in Figure 1 assuming member state preferences remain generally the same across similar issues within the same policy area) and a new pivot (Member State 4 in Figure 1), but the same calculus applies. The new laggard government will compare its cost of exit from the policy area against the ideological loss associated with the new proposed policy on this new issue. Because the new pivot prefers deeper integration compared with the previous pivot, the new policy proposal may produce deeper integration than would have been possible had the first laggard still been part of the decision-making process.\footnote{Of course it is not always that a new policy proposal represents deeper integration than would have been possible with the previous pivot. It is, however, the case that winset will shift to the right, making it possible to select policy options that represent deeper integration. Although it will not necessarily occur, deeper integration is possible.} This means that while the new laggard may have preferred to remain part of the decision-making process when the first laggard was involved, the ideological losses associated with the new proposal may be greater than the costs of remaining part of the process. When this is the case, the new laggard will also opt out, and an opt-out cascade arises. New laggards will not opt out, and the cascade will stop, when the cost of opting out, $C$, is greater than the ideological loss the laggard will experience by remaining part of the decision-making process.
What would happen if the integrationalist agenda-setter pays a positive non-policy cost associated with the laggard’s exit as well? Relaxing the simplifying assumption we made earlier, if the agenda-setter also pays a non-policy cost, she would need to consider whether her policy proposal leads the laggard to opt out. She would also need to consider what policy proposal would be required to ensure that laggard is better off remaining part of the decision-making process compared with leaving. The agenda-setter would then decide whether she is willing to make these policy concessions to keep the laggard part of the decision-making process by comparing the policy losses with her costs associated with the laggard leaving. If the agenda-setter’s costs associated with the laggard leaving are high enough, she will make policy concessions to keep to laggard in the regime and no cascade will occur. But assuming her costs are sufficiently low, the results above hold.

Cascades are also unlikely to occur when preferences are clumped rather than evenly spaced. Figure 2 presents a dimension where there are two groups of states – those who prefer greater change and those who are close to the status quo.
Under this preference configuration with no opt outs, MS3 is again the pivot. Any change to the legislation must make MS3 better off than the status quo. Again, the outcome of the legislative process will lie within the winset demarcated by the gray box. Given this configuration of preferences, the laggard states (MS1 and MS2) have little incentive to opt out. Their preferences will be taken into consideration when negotiating legislation because they share a position with the pivot, MS3.

States preferring deeper integration (MS4-7) may or may not press for a multispeed approach given this configuration of preferences. They are unlikely to press for a multispeed Europe if the costs of a fractured union are higher to them than the policy losses of making laws subject to MS3’s veto. To the extent that they value a unified EU and are willing to accept some policy loss, they will not press for a multispeed approach. However, as the preferences of these two groups diverge, assuming a sufficient number of states in each group, there may be mutual consensus for a multispeed approach in both camps. This will occur whenever the policy loss of participating with the laggards (for those preferring integration) or integrationalists (for the laggards) is greater than the costs associated with pursuing policy alone without the other group.
The final preference configuration worth considering is where there are two groups of member states, but the pivot is located in the group preferring deeper integration. This scenario is depicted in figure 3 below.

![Figure 3](image_url)

Under this preference configuration, MS1 and MS2 are likely to demand a multispeed approach because the member states in favor of integration do not need to account for their preferences at all. If a multispeed approach is taken, the pivotal actor will change, but this will have no bearing on the policy output because the new pivot has a preference identical to the old pivot. This also means that there no cascade will occur.

The integrationalist member states may oppose a multispeed approach on the basis that they prefer a unified EU operating under a single set of rules. On the other hand, given that there is little chance of a cascade, the costs of taking a multispeed approach are lower than they would be when member states have preferences spread across the range of the ideological space.

These models give rise to several testable hypotheses. First, when member state preferences are evenly spaced across a dimension, and a laggard prefers to opt-out, the changing identity (and location) of the pivotal member of the Council means that there may be cascading demands for opt-outs. In this instance, laggards may desire an opt-out, but integrationalists should be reluctant to grant one. Second, when member state preferences are clumped and the pivot prefers the status quo, laggards
are unlikely to demand an opt-out, but integrationalist states may be frustrated by the laggards’ ability to block their proposals. Depending upon how much they desire the laggards’ participation, integrationalist states may push for a multispeed approach. Finally, when preferences are clumped, and the pivot is prefers deeper integration, the laggards are likely to demand a multispeed approach because the integrationalist states can push policy on them against their will. The integrationalists have little incentive to support a multispeed approach because the laggards cannot block change. The next section examines these hypotheses through a series of case studies examining monetary union, the Schengen agreement, foreign policy, the Social Charter.

5. Case Studies

5.1. Opt Out Cascades: Swedish Opt Out from Monetary Union

We hypothesized that when the preferences of all the member states are evenly spaced along the relevant issue dimension, an opt-out cascade is possible. The most Euro-skeptic state will opt out first, followed by less skeptical states who may have been willing to pursue the original policy had the first state decided not to opt out. When such a cascade takes place, we should observe a state opting out because other states have already opted out. When Sweden joined the EU a strict interpretation of the Treaty required that they also participate in Monetary Union (EMU). However, Sweden opted out. A key reason for the Swedish decision to opt out of the EMU, cited by a report by an advisory committee led by Lars Calmfors, was that the UK and Denmark had already opted out (Novack 1999: 7). The Swedish Riksdag voted to opt out in 1997. Although Sweden was not an EU member state at the time that Denmark
and the UK opted out of the EMU, we argue that had Denmark and the UK decided to participate in the EMU, Sweden would have been much more likely to join. Key to Sweden’s decision was the position of the pivotal actor in the decision-making process. Had the UK and Denmark participated, the location and identity of the pivotal actor would have been different.

Our cascade story requires a particular preference ordering of states. States that opt out second or third should be less Euro-skeptic on the dimension in question than the state that opts out first. As the dimension in question here is monetary integration, we first look at average interest rates from 1990 to 2000 to give a rough idea of what interest rates fiscal authorities in the various member states would have preferred. We ranked these averages from lowest to highest. We chose to use the interest rates as the dimension along which to place the member states because the European Central Bank’s (ECB) most important policy decision is the setting of interest rate targets for the Euro-zone countries. We further assume that member states’ central bank representatives will prefer that the ECB set interest rate targets that would require the least amount of policy adjustment from the member state governments.

With regards to EMU policy decisions, there is a supranational agenda setter in the form of the ECB’s Executive Board. The Governing Council is the main decision making body of the ECB. It is made up of the six member Executive Board plus the representatives of the central banks of the countries participating in the common currency. The Executive Board’s membership, which includes the President of the ECB who presides over Executive Board and Governing Council meetings, is appointed by the member state governments of the Euro-zone in much the same way that the President of the Commission is appointed. The ECB Governing Council votes by simple majority. Simon Hix (2005: 331-332) argues that it is reasonable to
assume that the six votes from the Executive Board will support higher interest rates as a means to avoid inflation. In terms of Figure 1, the supranational agenda-setter will propose a policy to the right of the pivot.

When all 15 pre-enlargement member states are included, the winning coalition consists of the Executive Board plus the representatives of the central banks from the five member states with the highest interest rate preferences. When only 13 or 12 of the pre-enlargement member states are included, the winning coalition consists of the Executive Board and the representatives of the central banks from the four member states with the highest interest rate preferences.

When we match the voting rules with the rankings of the 10 year interest rate averages, we find that if all 15 member states had participated in the common currency, the UK would be the pivotal state with Sweden solidly inside the range of the winning coalition. However with Denmark and the UK outside the EMU, Sweden’s position within the winning coalition would have been tenuous. In this situation, Finland’s central bank becomes the pivotal vote and Sweden’s position shifts closer to the boundary between the winning and losing coalitions.

Using average interest rates over the 1990s, Sweden’s interest rates were very close to the boundary between the winners and losers on ECB governing council votes. While not quite pivotal on this dimension, to the extent that the Swedish government was uncertain about their future positions on interest rates, being so close to the threshold between being part of the winning and losing coalitions could have given them pause. Had the UK and Denmark not opted out at Maastricht, Sweden’s position within the winning coalition would have been secure. If the Swedish government had much uncertainty about its own interest rate preferences relative to those of the other member states, opting out probably looked like the safest option.
This would not have been the case had Sweden been able to rely on the cooperation of the British and Danish representatives on the ECB governing council.

Sweden’s reluctance to take chances with being in the losing coalition may also be related to the low level of popular support for monetary union in Sweden. According to the data reported in the published English version of the Calmfors report, the net support for monetary union among Swedish voters was at -23 (Calmfors et al 1997: 259). The low popular support for participation likely made the Swedish government particularly sensitive to their weakened institutional position knowing the British and Danish governments were not on board.

We do not mean to suggest that institutional rules and ideological position are the only factors at work. Finland was also close to the pivot point and had an even lower net popular support for monetary union, -27 (Calmfors et al 1997: 259). However, Novack (1999) argued that the Finish government was motivated by the difficult economic adjustments that country was forced to make with the collapse of the Soviet Union. This can be thought of as Finland’s government perceiving higher costs for exit than did the Swedish government. In the wake of the 2008 financial crisis there has been significant discussion of a number of the newer member states desiring to accelerate their adoption of the Euro. There has even been talk of Iceland reversing its longstanding reluctance to join the EU because of that country’s severe currency crisis. Economic crises seem to be associated with increased government interest in joining the common currency. Sweden was not undergoing the same type of economic strain in the mid 1990s.

\[10\] Net support is the percentage of supporters of monetary union minus the percentage of people opposed to it. Negative numbers indicate that the opposition outnumbers the support.
It is also worth noting that when the UK and Denmark opted out it may also have reduced the costs of other states opting out after them. Indeed, under some interpretations of its terms, Sweden’s opt out was a technical violation of its accession treaty. But the heaviest sanctions for violating the treaty can only be imposed through Article 7 of the TEU which allows for the suspension of voting rights for a wayward member state but only if there is a unanimous vote of the other member states. When the UK and Denmark opted out it may have made it impossible for the Council to impose this sanction on any member state that wants to opt out even if its accession treaty requires participation. This may suggest that cascades are a function only of a previous country’s opting out. However, this would lead to the conclusion that opt outs can always lead to cascades. Our argument is that cascades are function both of the distribution of preferences, the costs and benefits of participation versus the costs and benefits of exit, and voting rules.

Our examination of the interest rate rankings supports the conclusions from Novack (1999) that the Swedish government decided to opt out in part because the British and Danish government had already opted out. Both findings are consistent with our own hypothesis that under the right circumstances opt out cascades are possible.

5.2. When Integrationalists Want Multispeed Integration: The Schengen Agreement and Foreign Policy

One of the most prominent examples of a multispeed approach being adopted because of the desire of integrationalist governments to move forward without laggards is the Schengen Agreement on a European immigration policy. Although initially not formally part of the EU framework, the Schengen Agreement was deeply
intertwined with EU policies from its beginning. The free movement of peoples caused complications for immigration policies for the EU member states. In 1985, France, Germany and the Benelux countries adopted the Schengen Accord outside the normal framework of EU decision-making. By initiating the integration of migration policy outside the EU, these five member states were able to move forward on a dimension of integration without being forced to compromise with laggard governments as well as laggard elements within their own judiciaries (Guiraudon 2000).

Indeed, the need to compromise with laggards remained when attempts were first made to incorporate the Schengen Agreement into the EU framework by inclusion in the Single European Act (SEA). Denmark, Ireland, and the UK opposed the application of free movement of peoples to citizens of non-EU member states. At the same time, the Schengen signatories were reluctant to open their borders to the Mediterranean member states, which had only just joined the EU (Hix 2005: 348-349; Dinan 2005: 562-565). This shows that in its early stages of development the Schengen Agreement was a case in which those governments that sought the most integration also chose a multispeed approach. However, does the Schengen experience support our hypothesis that integrationalist governments will push for a multispeed approach when the pivotal member state is a laggard and is clustered with other laggards?

In 1985 there were 12 member states. When the SEA was being negotiated, three of those member states, Denmark, Ireland and the UK, went on record as opposing the full incorporation of Schengen into the amended Treaty. At the same time, Belgium, France, Germany, Luxembourg and the Netherlands were on record as opposing the opening of their borders completely to Greece, Italy, Portugal and Spain.
The argument presented in the negotiations was that Mediterranean countries were incapable of enforcing their border regulations (Dinan 1999: 441). In both the original 1985 Schengen Agreement and the SEA negotiations in 1986, the integrationalist bloc of governments chose to exclude member states whether or not the excluded governments wanted to participate.

The multispeed approach to the Schengen protocols evolved over time. Governments preferring deeper integration sought to exclude laggards, first by initiating the protocol outside the formal framework of the EU and later by singling out the Mediterranean member states during the SEA negotiations. In this first stage, the integrationalists sought a multispeed approach because they would not have been able to form a winning coalition around their preferred migration policy within the normal framework of the EU.

However, the situation changed in the 1990s when the Schengen protocols were incorporated in the Amsterdam Treaty. By that time, a qualified majority of governments were ready to participate in the common migration policy and the laggards, the UK, Ireland and to a lesser extent Denmark sought opt outs (Hix 2005: 349).

Foreign policy is another area in which the integrationalists have been the source of demands for a multispeed approach. There have been calls for a common foreign and security policy for the EU for many years. The 2003 invasion of Iraq by the United States and its allies and the 2006 invasion of Lebanon by Israel have served to increase these calls. The fact that a number of EU member states joined the United States in deploying military forces to Iraq in 2003 has led integrationalists who want the CFSP to counter US foreign policy to argue that a multispeed approach to a CFSP is the only way to achieve that.
Before using the call for CFSP as an example of when integrationalists would want a multispeed approach to integration we must consider two caveats. First, recent research has suggested that differences between national parties rather than unified governments drove the debate over what rules and institutional relationships would guide the CFSP (Jensen, Slapin and König 2007). Because of this, which states want to move forward with a common foreign policy action and which member states want to opt out may change from one action to another as governments change.

Second, the CFSP has two aspects that resemble a multispeed approach. The most obvious is calls from prominent integrationalists for a multispeed approach overall. In this framework, a small number of member states would move forward with a fully integrated foreign and defense policy. This has not been implemented. The second is the option of member state governments to abstain from participating in joint actions without preventing those governments that are willing to go forward with the action. Under the constructive abstention rule a joint action could move forward so long as a qualified majority voted in favor and no member state exercised a veto. When combined with the concept of “constructive abstention,” the second approach to CFSP joint actions allows a few member states that would otherwise block a decision to abstain without preventing the others from moving forward. Constructive abstention allows a joint action to move forward so long as less than one third of the weighted votes abstain. However, if any member state votes against the action it fails (Dinan 2005: 594).

The constructive abstention rule is a way for the laggard states to avoid being forced to participation in an action of which they disapprove. The constructive abstention rule is flexible enough to allow different states to opt out of different types of actions. At the same time, if a member state feels that a joint action will have a
negative influence on its foreign policy it can block it. The result is a compromise from the point of view of a multispeed foreign policy.

There have been numerous attempts to move forward on a common EU foreign policy with a smaller group of member states. Often, the issue of a “core Europe” has been raised frequently. In 1994, Wolfgang Schäuble, the parliamentary party chair of the German CDU (then leading the government), argued for the creation of a “core Europe” of five member states: Belgium, France, Germany, Luxembourg and the Netherlands.11 A decade later, in the context of his public opposition to the US invasion of Iraq, German Social Democratic Chancellor Gerhard Schröder declared that the emergence of a “core Europe” was “inevitable.” Furthermore, he asserted that a multispeed approach to foreign policy questions such as globalization and terrorism was necessary for Europe “to fulfill our strategic dimension”.12 French leaders have also pushed the idea of a “core Europe” with regard to European foreign policy. At an EU summit in March of 2003, French President Jacques Chirac condemned the US invasion of Iraq while, at the same time, calling for a common defense policy in a “core Europe” including France, Germany and Belgium - all member states opposed to the US invasion of Iraq. Observers at the summit, said tensions between the British and French delegations were the worst they had seen.13

Laggard governments in Britain are known for their opposition to a multispeed approach to a CFSP, especially with regard to military matters. A move to a common EU foreign policy would be a dramatic move away from Britain’s famously Atlanticist position and it’s “special relationship” with the United States. That both French and German governments advocate a multispeed approach in this area is an

11 Deutsche Presse-Agentur September 1, 1994.
example of when the integralists want to move on alone. However, was the distribution of preferences consistent with our hypothesis? Were the integralists facing a laggard pivot government that was clustered with other laggards? That is, were the other member states in the EU that have a close relationship with the United States as a centerpiece of their foreign policy pivotal?

While the preferences for CSFP reform in the Treaty were clearly driven by partisan rather than national interests (Jensen, Slapin and König 2007), it is reasonable in this case to point to the widespread support among the member states governments for the US invasion of Iraq. We contend that this is valid because the calls for a “core Europe” with regard to foreign policy were so closely linked to opposition to the war in Iraq and the US “War on Terror.”

When the US invaded Iraq in 2003, 15 of the 27 current or pending EU member states contributed troops at least for the initial stages of the war. Six of 15 pre-enlargement member states in 2003, including the heavily weighted votes of UK, Italy and Spain, sent troops in support of the US invasion. When one considers that an additional 9 out of the 12 members that joined the EU in 2004 and 2007, then one must consider that the UK was part of a cluster of laggards that included the pivotal vote even under the loosest interpretation of the constructive abstention rule. That is the distribution of preferences would prevent a joint action in opposition to the US. In this situation, the integrationalist governments in Belgium, France and Germany would be on the losing side of the pivot unless they succeeded in establishing a multispeed approach in which they were allowed to move forward on their own. This mirrors the preference found in Figure 2. We argue that calls for a “core Europe” in this context, support our hypothesis.
The fact that the integrationalists have not succeeded in establishing a multi-speed CFSP beyond the constructive abstention rule may result from two factors. First, a large number of member states prefer the status quo and can prevent a multi-speed approach being adopted in an intergovernmental conference. Second, Germany and France may see little value in adopting a common foreign policy without three of the largest military powers in Europe, the United Kingdom, Italy and Spain. The first factor does not undermine our argument. The second factor is very much in line with our argument about the value integrationalists may place on the inclusion of all the member states.

5.3. When Laggards Want to Opt Out: The Social Charter

We hypothesized that when a laggard state is far from the integrationalist bloc of the member states and the pivotal member state is not far from the integrationalist bloc of member states, the laggard state will seek a multispeed approach. That is, laggard states with isolated positions will prefer to opt out of a move towards integration rather than joining a policy area in which they disagree with the other participants. British opposition to the Social Charter led to this situation. John Major’s Conservative government opted out of the Social Charter because the UK would have been on the losing end of the decisions made to implement it.

The British government under John Major was opposed to including the Social Charter in the Maastricht Treaty. The British government threatened to block the new treaty unless the UK was exempted from the Social Protocol sections. This supports our hypothesis that laggard governments will want to opt out when the pivotal member state is not clustered with other laggard governments. In the debates about the inclusion of the Social Charter in the Treaty, only the Conservative government in
the UK opposed the basic premise of a common European social policy (Dinan 1999: 420). Given that the Social Charter was going to allow for social policy to be passed by qualified majority vote, the UK’s unique opposition to a European Social policy would have placed that government on the losing side of the pivotal member state in most if not all social policy votes in the Council of Ministers. The Major government knew that the UK would not be able to block proposals and it feared that the pivot preferred substantially more integration than the UK. This led the UK to seek an opt-out on this issue. Later, under the Blair government, which held a more integrationist position with regard to EU social policy, the decision to opt out was reversed. This supports our hypothesis that laggard states that are far more Euro-skeptic than the pivot will pursue an opt-out, and this will be supported.

As with the Schengen case, the situation with the Social Charter evolved. When the Major government opted out, it expected that the UK would continue to opt out of the Social Charter indefinitely, if not forever. However, the defeat of the Tories by Tony Blair’s Labour party led to a shift in government position with regard to social policy. With the new government occupying Whitehall, the category of multispeed approach to which the Social Charter opt out belongs shifted from one in which the opting out state is not expected to join to one in which participation in the future was an option.

6. Conclusion

This paper explains when and why member states of the European Union pursue a multispeed approach to European integration. We argue for an institutional explanation that examines the decision-making rules under which policy would be decided if member states decide to opt. Member states compare policy outcomes that
would occur following opt-outs with those that would occur if the all states remain part of the decision-making process. They also weigh the relative benefits of these policy outcomes against the costs of exiting. Our crucial insight is that a decision to opt out by one member state affects the identity and location of the pivotal member state in Council decision-making. This, in turn, affects policy outcomes and may potentially affect other states’ preferences with regard to opting out of EU decision-making within a particular policy area.

We have presented a theoretical model to understand when and why member states support opt-outs. In some instances, laggard states are most likely to call for a multispeed approach; in other instances states desiring deeper integration will call for a multispeed approach; and in some cases, cascading calls for opt outs are possible. States that prefer a unified approach on a particular policy will start to call for a multispeed approach only after other, more Euroskeptic states opt out first.

We explore these scenarios through a series of case studies, demonstrating that the logic of our model holds for wide array of different decisions regarding the creation of a multispeed approach to integration. These case studies highlight scenarios that demonstrate each of the various predictions the model makes depending upon the preference configurations of member states. In doing so, we have gone beyond the descriptive literature on the various types of multispeed integration within the EU. We have also added to studies of constitutional design in international organizations by taking account of member state preferences and decision-making rules across a variety of dimensions. We demonstrate the importance of issue context when trying to understand who pushes for multispeed integration, and who succeeds in securing it.
Bibliography


