Sieps

Swedish Institute for European Policy Studies

2020:4

State Interests and Bargaining Power in the Reform of the Eurozone

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THE EU'S POLITICAL, CONSTITUTIONAL AND ECONOMIC SYSTEM

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– SIEPS 2020:4 –

Report no. 4
August 2020

Published by the Swedish Institute for European Policy Studies

This publication is available at www.sieps.se
The opinions expressed in the publication are those of the authors.

Cover design by LuxLucid
Print by EO Grafiska AB

Stockholm, August 2020

ISSN 1651-8942
ISBN 978-91-86107-90-1

Preface

The euro crisis that followed in the wake of the 2007–8 financial crisis set in motion a reform process with far-reaching consequences for European integration in general and the euro area in particular. The reforms that were agreed upon in the years 2010–2015 can be divided into three categories: the introduction of rescue funds; a reform of the EU's fiscal rules; and, lastly, the establishment of the European banking union (thus far common supervision and resolution of euro area banks). Several other initiatives were also discussed or negotiated at the height of the crisis, for example debt mutualisation (Eurobonds), and a majority of member states signed a Treaty on Stability, Coordination and Governance in the Economic and Monetary Union.

Using unique data from the research project "EMU Choices", the authors of this report examine first, how national interests were shaped with respect to the reform proposals; and, second, the bargaining process that followed between the member states. They find, among other things, that bargaining success was relatively evenly distributed across the member states, while the Commission is shown to have been the most influential actor in the reform process.

The study provides a thorough and valuable analysis of the dynamics of the integration process as such and presents several novel insights of great value to the future study of European integration. The Corona pandemic has provoked a new set of initiatives that centre foremost on economic recovery during and after the new crisis. The study of the 2010–2015 reforms provides valuable lessons and will help us understand the dynamics of the ongoing process.

Göran von Sydow
Director

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Executive summary

The Eurozone reforms from 2010 to 2015 likely constituted the most far-reaching increase in European integration in modern times. Fighting a rear-guard battle against the Euro crisis, European Union (EU) governments within a short time span created joint resources for Eurozone states in crisis (European Financial Stability Facility and European Stability Mechanism), strengthened the Stability and Growth Pact through multiple sets of reforms (Six-Pack and Two-Pack), agreed on a new treaty to force a balancing of government budgets (Fiscal Compact), and adopted measures to establish a banking union (Single Supervisory Mechanism and Single Resolution Mechanism).

This report offers an analysis of the political dynamics behind the reform of the Eurozone. It focuses on two central themes: (1) the formation of national interests in the member states on the reform proposals; and (2) the subsequent bargaining between member states over these proposals at the EU level. The analysis of the report covers the time period 2010-2015 and is based on unique data collected on the Economic and Monetary Union (EMU) within the research project "EMU Choices", involving partners from nine EU member states (see appendix G).

The report presents three principal findings on the formation of national interests regarding Eurozone reform:

- While the future of the Eurozone would have implications for all EU member states, not all states prioritized developing national interests on the core issues of the negotiations. Eurozone members ("euro ins") were more likely to take a stand on these issues than non-members ("euro outs"). In addition, states were more likely to develop preferences if they had a relatively strong parliament and opposition, and if relatively many EU member states attached importance to an issue.
- The main factor determining the national interest of a member state was its economic and financial interests: the greater the vulnerability of a state's financial sector, the more it preferred European-level solutions. In addition, "euro ins" were more prone to promoting integration-oriented solutions than "euro outs", likely reflecting basic differences in their approaches to European monetary cooperation.
- The domestic process of interest formation was often weak in inclusiveness, as preferences were developed by a handful of actors concentrated around prime ministers and ministries of finance. This tendency was particularly notable in "euro outs" as well as in states with large financial sectors and coinciding elections.

Similarly, the report generates three principal findings regarding interstate bargaining in the reform of the Eurozone.

- Contrary to many popular accounts, bargaining success was relatively evenly distributed across the member states. There were no major differences between member states of different economic weights or between "euro ins" and "euro outs" in terms of interest attainment. Whether a state got what it wanted was mainly determined by the position of its interests relative to other countries and the European Commission.
- However, if we consider states' capacities to convince others of their own interests, then other patterns emerge. States that had outlier preferences, were "euro ins", and were attractive as coalition partners in EU bargaining (such as Germany) were more likely to persuade others.
- The Commission exerted more influence over Eurozone reform than any other actor. Some states were more susceptible than others to its influence. States were more prone to yield ground to the Commission if they were less attractive as coalition partners, were more dependent on EU policy solutions, and attached less importance to the issues under negotiation.

These results suggest several important implications for research and policy:

First, domestic democracy is easily short-circuited when member governments respond to crisis-driven demands for policy measures. The rapid and often dramatic unfolding of the Euro crisis put national governments in a position where they had to respond to crisis pressures with limited time to develop domestically well-grounded preferences, with negative implications for inclusiveness and accountability.

Second, any plans for further Eurozone reform will run up against deep-seated constraints. Agreement among states on further monetary integration is likely to be constrained by the varying domestic economic conditions shaping state interests. These structural economic conditions are more stable and stickier than political factors such as public opinion or majoritarian relationships in parliament.

Third, the balanced accommodation of state interests in the negotiated solutions suggests fewer negative consequences of the crisis for the fairness of the Eurozone than often feared. While the economic woes of the crisis were unevenly distributed, the steps taken to resolve the crisis reflected a balancing of gains and concessions that left no states as unequivocal winners or losers.

Fourth, crisis situations present the Commission with opportunities to exert more influence than suggested by recent claims about a new period of "intergovernmentalism" in Europe. While member states struggled to develop preferences under great time pressure, the Commission entered the negotiations with ready-made proposals that allowed it, once again, to influence the course of European integration.

Fifth, Sweden and other "euro outs" faced particular conditions, because they were dependent on the Eurozone's stability but they did not have the same role as the "euro ins" in the negotiations. Compared to other EU member states, Sweden formed preferences on the reform proposals through less societally inclusive processes. Yet, once negotiations were underway, Sweden was relatively successful in attaining its interests, likely because it advocated centrist solutions.

List of abbreviations

ECB	European Central Bank
ECJ	European Court of Justice
EFSF	European Financial Stability Facility
EMU	European Monetary Union
EP	European Parliament
ESM	European Stability Mechanism
EU	European Union
FPÖ	Freiheitliche Partei Österreichs
GDP	Gross domestic product
IA	Intergovernmental agreement
IMF	International Monetary Fund
OLP	Ordinary legislative procedure
SGP	Stability and Growth Pact
SLP	Special legislative procedure
SRM	Single Resolution Mechanism
SSM	Single Supervision Mechanism
UKIP	UK Independence Party

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1 Introduction

Following the outbreak of the Eurozone crisis in 2010, European policy-makers agreed to a string of reforms that together amounted to a profound deepening of fiscal and monetary cooperation in the Eurozone. Fighting a rearguard battle against the crisis, European Union (EU) governments created joint resources for Eurozone states in crisis (European Financial Stability Facility and European Stability Mechanism), strengthened the Stability and Growth Pact through multiple sets of reforms (Six-Pack and Two-Pack), agreed on a new treaty to force a balancing of government budgets (Fiscal Compact), and adopted measures to establish a banking union (Single Supervisory Mechanism and Single Resolution Mechanism).

These reforms did not come lightly. On the contrary, they typically resulted from an intense battle against the raging crisis and arduous negotiations among member states and EU institutions. It is also far from clear that they will be sufficient to deal with fundamental tensions in the construction of the European Monetary Union (EMU). Still, these reforms illustrate how European integration often feeds on crises to take significant new strides.

This report offers an analysis of the political dynamics behind the reform of the Eurozone. While there has been substantial economic analysis of the crisis and its roots (Baldwin et al. 2015), this research has often failed to appreciate the substantial role that politics played in the evolution and resolution of the crisis. The report addresses these political dynamics through an understanding of EU policy development in two stages (Moravcsik 1998). During the first stage, governments develop national interests through a process of domestic preference formation, involving consultations with various political and societal actors. In the second stage, governments seek to secure these interests in interstate bargaining over new EU policy.

Based on this basic two-stage model, the report addresses two central sets of questions. First, how were national interests formed in the member states? What were the considerations that entered into governments' calculations as they developed state preferences, and how inclusive were those processes? Second, what member states were most successful in achieving their national interests, and why? Is it true that Germany dictated the Eurozone reforms, or were other member states and EU institutions influential as well? While acknowledging the role of economic factors in creating the crisis, influencing preferences, and shaping the options, the report thus focuses on the political conflicts involved in the process and the resulting outcomes, which led to some of the most important reforms in the history of the EMU.

The report's answers to these questions have implications for several broader political issues. What do the negotiations from 2010 to 2015 suggest about possibilities and constraints in future efforts to reform the architecture of the Eurozone? Is domestic democracy sacrificed on the altar of crisis decision-making as governments develop preferences and negotiate urgent measures without adequate anchoring in society? Did the reform outcomes exacerbate or reduce legitimacy problems in the Eurozone arising from an unbalanced distribution of costs and benefits? What does this episode of deepened integration suggest about the balance between member states and supranational institutions in contemporary EU politics? How did the status as outsiders affect the preference formation and bargaining power of non-Eurozone states?

1.1 The Eurozone crisis

The crisis from 2010 to 2015 has been the most serious so far in the history of the Eurozone. Today, about ten years after the crisis started and five years since it ended, Europe is still feeling the consequences. Economic recovery has been slow in several of the affected countries, such that gross domestic product (GDP) per capita only recently reached pre-crisis levels in Portugal and had yet to do so in Cyprus, Greece, and Italy when the Coronacrisis hit (Eurostat 2019a). Politically, the crisis has contributed to the rise of populist discontent in several countries, as well as tensions among member states in the Eurozone.

The roots of the crisis were deep, multifaceted, and in several ways related to the construction of the EMU, which involved a single monetary policy but limited coordination of fiscal policy. Analyses of the sources of the crisis typically point to a combination of four factors (Baldwin et al. 2015; Copelovitch et al. 2016): (1) underlying differences in macroeconomic conditions in the Eurozone states, combined with a joint interest rate that was not ideal for any country; (2) lack of fiscal coordination, as governments prefer to maintain national control over fiscal policy, thus making it difficult or impossible to address imbalances within the Eurozone; (3) fragmented financial regulation, allowing banks to exploit gaps in regulation of higher yielding and riskier loans; and (4) lack of a credible no-bailout commitment, producing a problem of moral hazard, as market actors figured states (and the loans they themselves held) would be bailed out if countries in the Eurozone faced bankruptcy and collapse.

The immediate event that set off the crisis was the disclosure in October 2009 that Greece's budget deficit was considerably higher than previously reported, and that the country had entered the Eurozone on false premises. The revelation led to a downgrading of Greece's credit ratings, spiralling spreads on its bonds, austerity measures that failed to resolve the situation, and eventually a request for outside financial assistance, leading to the approval in May 2010 of the first rescue package from the EU and the International Monetary Fund (IMF).

In the years that followed, the crisis both deepened and spread. The first package of financial assistance, in combination with austerity measures and broad economic reforms, turned out to be insufficient to turn around Greece's situation, which instead worsened. In March 2012, Greece received a second rescue package after arduous negotiations, and in July 2015, the government and its international counterparts agreed to a third and final package after a tumultuous summer of liquidity problems, a referendum, and growing domestic and international calls for a Greek exit from the Eurozone.

The crisis spread to other member states, common ingredients being the downgrading of credit rates, soaring borrowing costs, austerity measures, political unrest, and, ultimately, requests for financial assistance. Ireland received financial assistance from the EU and the IMF in November 2010, Portugal in May 2011, Spain in June 2012, and Cyprus in March 2013.

A central turning point in the crisis was the European Central Bank's (ECB's) decision to step up market interventions and commit to saving the Eurozone, even through unconventional monetary measures, epitomized by ECB President Mario Draghi's famous statement in July 2012 to do "whatever it takes to preserve the euro" (ECB 2012). The crisis gradually subsided (except in Greece), allowing Ireland, Spain, and Portugal to exit their respective assistance programs in late 2013 and the first half of 2014.

During the course of the crisis, EU member states adopted a range of measures intended to solve economic emergencies in affected countries, shore up

Table 1 The eurozone crisis 2009-2015: a chronology

October 2009:	Greece discloses corrected fiscal status
May 2010:	Financial assistance to Greece agreed (1st)
May 2010:	EFSF and EFSM are adopted
November 2010:	Financial assistance to Ireland agreed
May 2011:	Financial assistance to Portugal agreed
November 2011:	Six-Pack is adopted
February 2012:	ESM is adopted
March 2012:	Financial assistance to Greece agreed (2nd)
March 2012:	Fiscal Compact is adopted
July 2012:	Financial assistance to Spain agreed
July 2012:	Mario Draghi, "whatever it takes"
March 2013:	Financial assistance to Cyprus agreed
May 2013:	Two-Pack is adopted
October 2013:	Single Supervisory Mechanism is adopted
July 2014:	Single Resolution Mechanism is adopted
July 2015:	Financial assistance to Greece agreed (3rd)

confidence in the Eurozone, and deal with weaknesses in the construction of the EMU. They set up the Greek Loan Facility (GLF) in May 2010 as a way to organize the first financial support program for Greece. They agreed on the European Financial Stability Facility (EFSF) and European Financial Stability Mechanism (EFSM) in May 2010 to assist Eurozone states in financial distress. They signed the treaty establishing the European Stability Mechanism (ESM) in February 2012, with the aim to replace the EFSF and EFSM with a more effective and permanent instrument. They reformed the Stability and Growth Pact of the EMU through decisions on the so-called Six-Pack in November 2011 and Two-Pack in May 2013 intended to introduce stricter macroeconomic surveillance. In March 2012, they agreed to the Fiscal Compact, a treaty requiring governments to balance their budgets over the business cycle. Finally, they adopted measures intended to establish a banking union – the Single Supervisory Mechanism (SSM) in October 2013 and the Single Resolution Mechanism (SRM) in July 2014 – thus requiring banks to operate under a common set of rules (see Table 1 for a chronology).

1.2 Empirical data

The analysis of the report is based on unique data collected during the research project "EMU Choices" (appendix G) for both "euro ins" and "euro outs" (Figure 1). Specifically, we draw on a novel dataset on the formation of national preferences (or "interests") in all EU member states (*EMU Formation*) and another novel dataset on the preferences of all EU member states and institutions in bargaining over 46 contested issues regarding eurozone reform (*EMU Positions*). While the first dataset focuses on how state interests are formed through processes at the domestic level, the second dataset maps expressed preferences in interstate bargaining at the EU level. Both datasets cover the time period 2010 to 2015. We present findings based on these datasets using descriptive and inferential statistics, as well as excerpts from a rich set of interviews. Full statistical results are presented in the referenced articles and papers, as well as the report's appendix.

The *EMU Formation* dataset provides information on the estimated interests and influence scores of 22 types of actors potentially involved in the process of national preference formation in each member state with regard to four issues of Eurozone reform (Kudrna et al. 2018). The four issues are: (1) willingness to support the first Greek rescue package; (2) the financial size of the European Stability Mechanism; (3) the legal form of the debt brake in the Fiscal Compact; and (4) the use of reversed qualified majority voting for blocking sanctions according to the Stability and Growth Pact. These four issues were selected because they represent both fiscal transfer measures (1, 2) and fiscal discipline measures (3, 4), thus reflecting the underlying dimension of political conflict in the Eurozone and the types of measures member states sought to put in place to combat the crisis (see Appendix Table A2).

The actors whose interests and influence scores we estimated consisted of domestic actors in the government, parliament, general public, and business sector, as well as supranational institutions and other states. Together, these six categories were intended to cover the full range of actors that could influence national preference formation (see Appendix Table A3).

Data was collected through 141 expert interviews, using a standardized questionnaire. Three to eight interviews were conducted per member state. Interviewees were selected based on their personal involvement in the relevant decision-making processes, most often their employment in government ministries, but also national parliaments, permanent representations, media or academia. Interviews were conducted by 22 interviewers using a common manual and with quality control by the EMU Choices consortium.

In this report, we use data from the *EMU Formation* dataset for the analyses in Chapter 4, where we evaluate the inclusiveness of these processes of domestic preference formation.

The *EMU Positions* dataset provides information on the preferences of all member states and key EU institutions on 46 contested issues negotiated during the process to reform the Eurozone (Wasserfallen et al. 2019). This dataset builds on

Figure 1 Eurozone members and non-members

a so-called “spatial model of politics”, in which policy preferences are understood to be located along one central dimension of political conflict on a given issue. The preferences of all actors were coded on this central dimension of conflict for each issue. The dataset covers all policy proposals that were subject to formal negotiations during the attempts to reform the Eurozone. The construction of the dataset was inspired by the ambitious Decision-Making in the European Union I and II datasets (Thomson et al. 2006; Thomson et al. 2012).

The dataset was composed in three steps. First, we identified the most important policy proposals officially negotiated during the Eurozone crisis. This resulted in ten proposals related to the initial support for Greece, the EFSF, the ESM, the Six Pack, the Two Pack, the Fiscal Compact, the Banking Union, Eurobonds, and the Five Presidents Report. Second, we identified the most contested policy issues within these ten proposals, based on a qualitative analysis of newspaper material and expert interviews with national and EU officials. This inventory resulted in the 46 selected issues (see Appendix Table A1). Third, we coded the preferences of all 28 member states and six EU institutions on all 46 issues, as well as the importance (salience) attached by these actors to these issues (see Appendix Table A4). The preferences were coded on a scale from 0 to 100, representing the political space of contestation. To identify actors’ preferences, we coded their positions on an issue after the specific proposal had been put forward, but before negotiations had begun in earnest. It is plausible to assume that the positions expressed at this stage adequately reflect actor preferences, since the EU is an information-rich environment and that makes tactical exaggerations difficult (Moravcsik 1998: 61; Wasserfallen et al. 2019). Moreover, measuring preferences at this early stage in the process avoids the risk of conflating preferences with compromise positions resulting from bargaining.

In this report, we use data from the *EMU Positions* dataset for analyses in Chapters 2, 3, 5, 6, and 7. Depending on data availability, each chapter draws on a somewhat smaller number of issues than the 46 covered in the full dataset (see Appendix Table A1).

In the report, we use different types of quantitative analysis, underpinned with our qualitative interview evidence. We illustrate the main findings of our analyses graphically, for example, when showing how bargaining success differs among Eurozone members and non-members, and explore relationships between various economic, political, and social factors. All results illustrated graphically emerge from a series of regression analyses that we report in detail in the appendix. The regression tables include estimates about how confident we are that we observe independent effects of several explanatory factors on one dependent variable, for example, regarding the determinants of bargaining success.

1.3 Outline of the report

The organization of the report reflects the two stages in the reform of the Eurozone that we analyse.

Part I of the report consists of three chapters focused on the domestic process of preference formation. In Chapter 2, we examine whether or not states had preferences on the issues of negotiation, and what determined if they did or did not. In Chapter 3, we explore what domestic economic and political factors shaped the preferences that member states formed on the proposed reforms. In Chapter 4, we evaluate the inclusiveness of the process of preference formation, mapping and explaining the number of domestic actors consulted in this process.

Part II of the report consists of three chapters centred on the dynamics of interstate bargaining. In Chapter 5, we investigate variations in bargaining success, seeking to identify which member states managed to attain negotiated outcomes close to their national interest and why. In Chapter 6, we present findings on bargaining influence, which helps us understand which states managed to move other states closer to their interests. In Chapter 7, we shift the focus to the European Commission, examining its role and influence in these negotiations.

Part I: Preference formation

2 Which states had preferences?

The process of Eurozone reform was fast-moving, as states and institutions sought to save the euro and bring the European economies back on their feet. Given the pressing problems, it is striking that not all states developed preferences on Eurozone reform proposals. Did states not have the time to form preferences on all issues, or was Eurozone reform of varying importance to states? Why did some states form preferences on a larger number of reform issues than others? This chapter addresses these questions by first examining which states had preferences while others did not and then by investigating the factors that may help to explain this puzzle.

2.1 Did states have preferences?

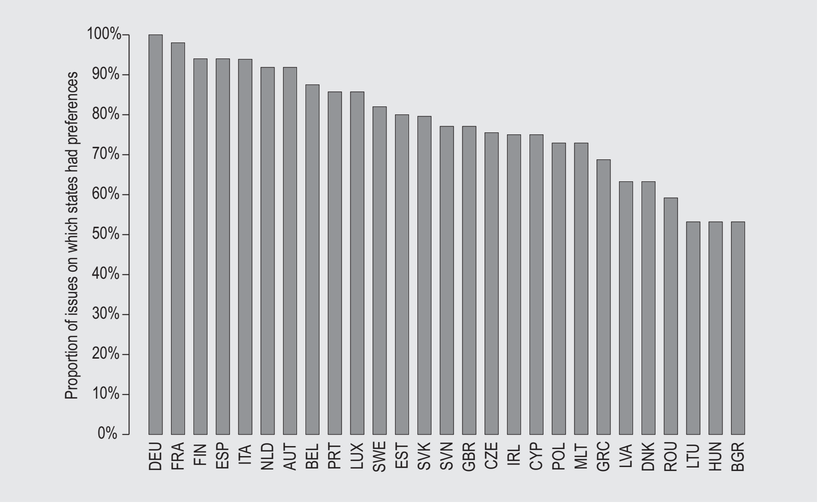
To examine whether states formed preferences or not, we use the *EMU Positions* dataset containing information on whether or not each of the member states had a preference on each of the 46 policy issues on Eurozone reforms from 2010 to 2015. If the coders could not identify any position for a specific member state on a specific reform issue, or found information about the disinterest of the member state on that issue, then no position was recorded (see Wasserfallen et al. 2019 for more information). A key finding is that about a quarter of the member states did not indicate any measurable interest in each of these policy issues, which might crucially impair the ability of these states to influence Eurozone reform negotiations.

Figure 2 shows the percentage of positions adopted in relation to all discussed Eurozone reform issues[1]. Only Germany had a preference in all cases (100 per cent), but several other countries frequently formed preferences as well. This group consists of the six original EU member states and two Southern states profoundly affected by the crisis – all "euro ins": France (98 per cent), Italy, Finland, and Spain (94 per cent), Austria and the Netherlands (92 per cent), Belgium (88 per cent), and Portugal and Luxembourg (86 per cent).

A second group had preferences in about 70 to 80 per cent of all cases. Interestingly, Greece is at the lowest end of this group with 69 per cent, and Sweden – a "euro out" – is at the top (82 per cent). It is a common characteristic of this group that several smaller "euro ins" included are extremely vulnerable to financial sector exposure to the Eurozone and have relatively high public debt in

[1] Croatia, which entered the EU during the time span of the dataset, is dropped from the analysis for this reason. This measure and all remaining measures introduced in this report are detailed in Appendix Table B1.

Figure 2 Proportion of issues on which states had preferences regarding all Eurozone policy issues, by EU member state



the post-crisis years, such as Malta, Cyprus, Slovakia, and Slovenia[2]. However, the group also contains several "euro outs" whose economies crucially depend on Eurozone stability: the Czech Republic, Poland, Sweden, and the UK.

A final group of states formed preferences in about 50 to 60 per cent of all cases. At the lowest end of this group are Bulgaria, Hungary, and Lithuania (about 54 per cent), while Denmark, Latvia, and Romania (around 60 per cent) are at the highest end. Typical of this group is the high presence of "euro outs" and Eastern European states that joined the EU during the consecutive enlargement rounds after 2004.

In sum, Figure 2 suggests that older states and "euro ins" tended to form preferences more often than Eastern states outside the Eurozone. In other words, the length of EU membership and Eurozone membership appears to matter for preference formation and hence the ability to influence negotiations.

2.2 Why did states form a preference or not?

Our analysis suggests that three main categories of factors shaped *why* states formed a preference or not: economic, institutional, and political factors. Our method is statistical regression analysis that takes into account more than one explanatory factor (see Appendix B with details on variable descriptions, data sources, and statistical results). In the following discussion, we highlight the factors that we found to matter for preference formation.

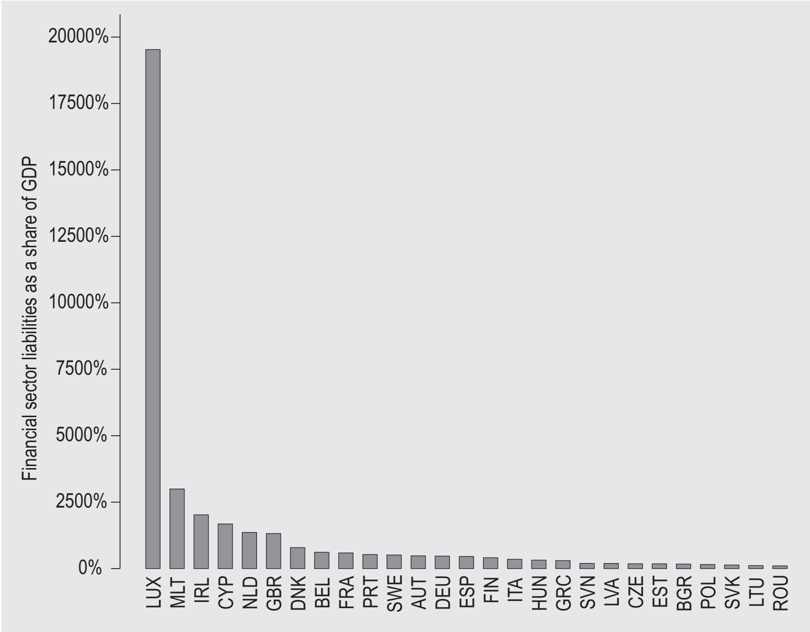
[2] Data from Eurostat (2019b) on the ratio of public debt to GDP for the period 2008–2015.

The first group of factors consists of two measures of economic conditions capturing exposure to the debt crisis. In Târlea et al. (2019), we theorize in-depth why we include these factors. In brief, we expect the exposure of a country's financial sector – irrespective of its status as creditor or debtor – to influence its government's preferences on EMU reform. The more exposed a country's financial sector, the greater the vulnerabilities to external shocks. We know from the 2008 crisis that governments and financial markets repeatedly failed to factor in the extreme risk-taking by banks. Consider Ireland at the end of 2008, which had a public sector debt among the lowest in the Eurozone, while its total financial sector liabilities had grown to approximately 1000 percent of GDP, posing a striking risk for the financial sector and for the government, which might have to bail out banks in the case of insolvency (Pepino 2013). Governments with more exposed financial sectors should therefore be more interested in joint European solutions to the crisis that mitigate the risk for nationalizing financial sector liabilities than countries with lower financial exposure. The financial sector liabilities as a share of the GDP metric captures currency and deposits, debt securities, loans, equity and investment fund shares/units, insurance, pensions and standardized guarantee schemes, financial derivatives, and employee stock options (Eurostat 2019b).

Moreover, we expect crisis impacts on financial sectors to matter for preference formation. Previous literature uses the interest rates for long-term government bonds as a market measure of how the crisis varied across Eurozone countries. There is evidence that there is a correlation between trade deficits and the depth of the economic crisis: the worse the current account balance of a country, the more the long-term interest rates increased in the crisis years (Târlea et al. 2019). Thus, our second measure here captures the difference in long-term interest rates (or yields) between German bonds and other countries' bonds. German bonds are commonly used as the yardstick for risk-free assets, and the spread between German bonds and other countries' bonds seen to capture market participants' beliefs in the performance of fiscal policy-making.

Results suggest that both types of economic conditions, i.e., financial sector exposure and long-term interest rates, mattered for preference formation. This indicates that more vulnerable states were *less* likely to have a preference. Figure 3 illustrates this finding for financial sector exposure. The states with the highest financial sector liabilities relative to GDP (Luxembourg, Malta, Ireland, and Cyprus) were also states that had a relatively low proportion of preference formation relative to all negotiated issues (Figure 2). By contrast, those states with the highest proportion of formed preferences (Germany, France, Finland, and Spain) were also states that had moderate financial sector liabilities. One reason for this pattern may be that those states with the highest financial sector liabilities also tend to be small states that may have a relatively high GDP per capita (r=0.732; N=449) but that at the same time may have relatively limited administrative capacity to develop preferences.

Figure 3 Financial sector liabilities (non-consolidated) as a share of GDP, by EU member state



This result for economic factors is particularly interesting against the background of our previous research (Târlea et al. 2019) suggesting that the financially vulnerable states are more likely to be cooperation-oriented rather than favouring national-level solutions for Eurozone reforms (see also Chapter 3). It is precisely those states that also tended to have less capacity to form preferences on all Eurozone reform issues in the fast-moving reform process. The challenges that states faced given the speed and technical nature of the reform process also became apparent in our interviews from a variety of different countries, such as Greece[3].

Second, institutional factors matter. For Eurozone members, the odds of having a preference are almost seven times higher than the odds for a non-member. This is in line with the findings in the previous section that led us to suspect that Eurozone membership matters for preference formation. On average, "euro ins" had a preference on 86 per cent of the negotiated issues, whereas "euro

[3] Interviews, Senior Official, Greek Ministry of Finance, 14 November 2016; Senior Official, Hungarian Ministry of Finance, 5 January 2017; Senior Official, 8 December 2016; and Senior Official, Swedish Ministry of Finance, 25 October 2016.

outs" only had a preference on 62 per cent of the issues (Figure 4). An example among the "euro outs" is Lithuania, where the government did not see the need to develop preferences on all issues and was largely preoccupied with efforts to cope with the economic crisis[4].

It may be argued that it makes less sense for "euro outs" to have preferences on Eurozone reform, since they are not members of the club. However, this objection would overlook the fact that the reform of the Eurozone would have implications for members and non-members alike, and that "euro outs" actually sat at the decision table and had voting rights for the vast majority of the reform issues: 37 out of 46 reform issues were decided in the Council of Ministers or the European Council (see Appendix Table B3). Out of the 46 issues, only nine related to the EFSF, the ESM, and debt relief in the second Greek package were decided in the Eurogroup, in which "euro outs" did not participate. However, even on those nine issues, "euro outs" could have an influence due to informal linkages between the European Council, Council of Ministers, and the Eurogroup (Puetter 2006).

Moreover, we found that states with more powerful cabinets and weaker parliaments were more likely to have a preference. However, the effect of cabinet power on preference formation is only found among "euro ins". "Cabinet power" is measured by way of an index that ranges from 0–3 (one point if the prime minister has the right to appoint ministers, one point if the prime minister as the right to dismiss ministers, and one point if ministers are accountable to parliament only through the prime minister). In "euro outs", government-opposition dynamics did not appear to play a role in the likelihood of these states forming a preference or not. Our overall result about cabinet power shaping preference formation suggests that assembling, processing, and matching information on each and every Eurozone reform issue may have been too costly for some states with weaker cabinets.

Third, some political factors played a role in preference formation. Indeed, the odds for having a preference were about twice as high for states in which the most important opposition party gained influence on cabinets during the 2010–2015 period (such as Finland, Poland, and Sweden), compared to states in which governments were not challenged through rising popular support for a large opposition party (such as Greece, Luxembourg, and Latvia), and states in which opposition party influence on cabinets became weaker (such as Ireland, Romania, and Slovakia; see Figure 5). Moreover, the more important an issue was perceived to be among member states, the more likely it was that individual member states would form a preference. Every additional member state that

4 Interview, Senior Official, Lithuanian Ministry of Finance, 15 September 2016.

Figure 4 Proportion of issues on which states had preferences regarding all Eurozone policy issues, by Eurozone membership

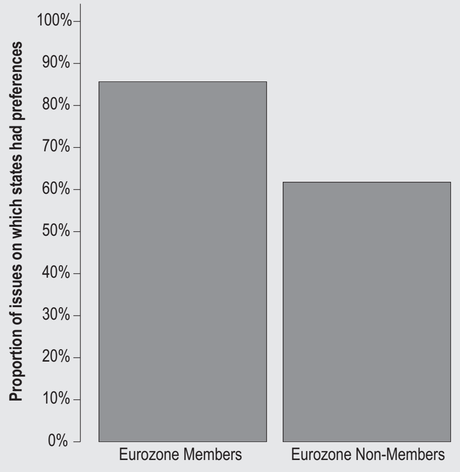
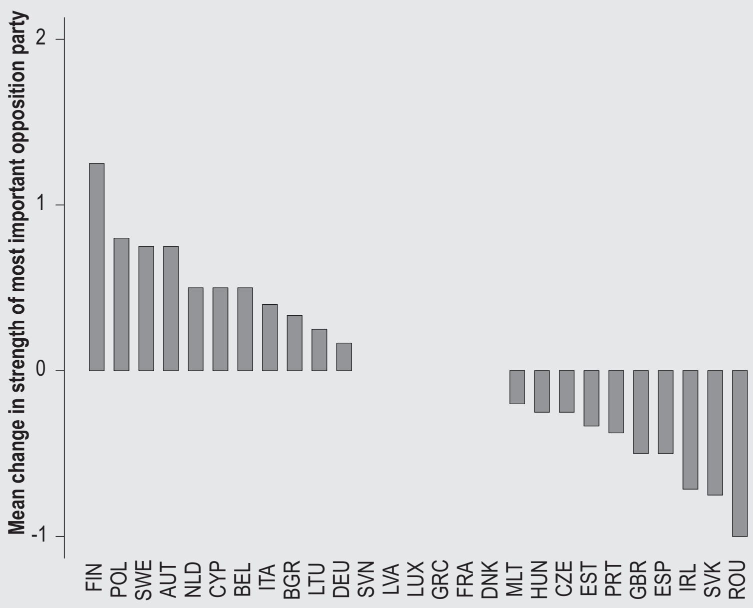


Figure 5 Change in impact of the most important opposition party on the cabinet, by country



Notes: Mean scores for different issues on a scale from stronger (1) to weaker (-1) or the same (0), across the policy issues.

considered an issue important increased the odds of adopting a position. Perceived issue importance varied both within and between reform packages. For example, while only six member states considered the purpose of the Fiscal Compact important, all 28 member states deemed the role of the European Court of Justice (ECJ) in the Fiscal Compact important.

Our interview evidence confirms these findings. For example, in Austria, the Freiheitliche Partei Österreichs (FPÖ) was mentioned as being able to capitalize on the financial crisis because they could take strong opposite positions without having been involved in EU-level negotiations where they would have had to compromise[5]. Similar observations were made regarding the British UK Independence Party (UKIP), especially after the party's success in the 2014 European Parliamentary Elections[6]. By contrast, some states where opposition party influence on cabinets became weaker during the 2010–2015 period, such as the Czech Republic, were characterized by cross-party consensus on Eurozone reforms[7].

2.3 Conclusion

Our analysis suggests that economic, institutional, and political factors, all else being equal, combined to influence whether states formed a preference on a particular reform issue or not. Three main results stand out. We present these results separately for each category of factors.

1. Among the economic factors, financial sector exposure made states less likely to have preferences, likely because it is associated with more limited state capacity, as in Cyprus, Ireland, and Malta. By contrast, states with the highest proportion of formed preferences, such as Germany, France, and Finland, were also states that had moderate financial sector liabilities.
2. Among the institutional factors, the findings suggest that Eurozone members and states with relatively strong cabinets, such as Germany, France, and Hungary, and weaker parliaments, such as Belgium, Cyprus, and Luxembourg, were more likely to form preferences.
3. Regarding the political factors, states in which the most important opposition party became stronger in influencing the national government in EU affairs from 2010 to 2015, such as Austria, Finland, and Sweden, were more likely to have a preference. Moreover, if issues were perceived to be important by a relatively large number of member states, this increased the likelihood that individual states formed interests. For example, the purpose of the Fiscal Compact or the participation of non-Eurozone members at the Euro Summit in

5 Interview, Representative, Employer Association, 10 November 2016.
6 Interview, British Member of Parliament, 18 June 2017.
7 Interview, Senior Official, Prime Minister's Office, 19 September 2016.

2012 were considered important by less than 10 member states, while the Six Pack and Two Pack issues of independence of macro-economic forecasts and pre-approval of budgets by the Commission were viewed as important by all 28 member states.

These results are important because preference formation may have profound implications for states' ability to influence Eurozone reforms. Having a preference is a pre-requisite for influencing negotiations. This may be especially important for those states that do not enjoy strong institutional prerogatives, such as the "euro outs" and member states with weaker voting power. This insight is interesting in light of Chapter 6, where we show that smaller states, such as the Czech Republic, Finland, and the Netherlands, were relatively able to impact reform outcomes, compared to several large states, such as Italy, Poland, and Spain. Without any preferences, states become mere observers of negotiation processes about Eurozone reforms.

These findings also point to important broader implications for the roles of state capacity and domestic political pressure. To begin with, states with more limited administrative apparatuses appear to have confronted greater constraints in developing interests in the reform issues. This may have introduced a bias in the reform outcomes to the detriment of smaller states – an issue to which we return in Chapters 5 and 6. Furthermore, states in which governments experienced more political pressure from large opposition parties were more likely to form preferences, indicating that preference formation is partially a matter of domestic political dynamics.

If we consider the case of Sweden specifically, several observations are merited. Sweden is one of the countries that had explicit preferences on almost all reform issues, even though it is a "euro out". This likely reflects the great dependence of the Swedish economy on Eurozone stability and a practice in Swedish EU policy to develop official preferences on most or all issues of negotiation, rather than to prioritize a more limited number (Tallberg and von Sydow 2018). Although Eurozone membership was a non-issue in Swedish public debate during this period, and although Sweden was economically much less affected by the crisis than most "euro ins", the Eurozone reforms were regarded as important by the Swedish government[8]. As shown in the ensuing chapters, this was a crucial precondition for Sweden to have an impact on reform decision-making in Brussels.

[8] Interview, senior official, Swedish Prime Minister's Office, 25 October 2016.

3 What factors shaped state preferences?

The preceding chapter established that some states held preferences on Eurozone reform issues more often than others, which begs questions about the content of state preferences. *What* preferences did states have, and why? Answering these questions will help in understanding what the driving concerns are for states in European monetary integration and why some states were able to get what they wanted during the Eurozone reform negotiations while others did not. However, in line with a two-stage understanding of EU policy-making, we need to first understand the preferences held by states and the domestic and European processes shaping these preferences.

3.1 What preferences did states have?

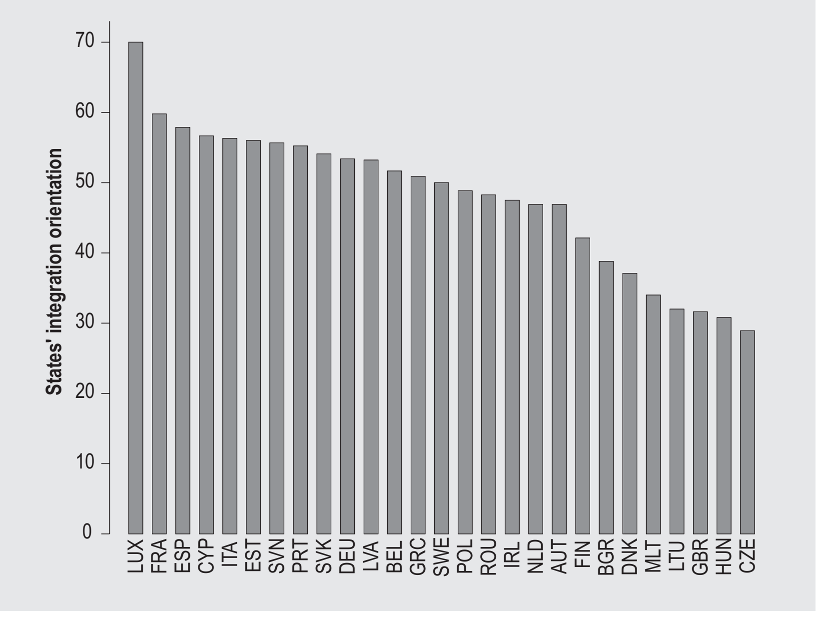
We begin by examining the effect of member-state preferences on Eurozone reforms. To this end, we use an indicator coded from 0 to 100, where 0 captures less integration-oriented positions and 100 more integration-oriented positions. For this purpose, we use original data on the positions of each EU member state on 46 issues from the EMU Positions dataset. There are 40 issues in this dataset that can be described on a continuum between less and more integration, as the alternative solutions on these issues to varying degrees implied greater redistribution and stricter monitoring of fiscal policies at the European level. In other words, to create this measure, we linked preferences measured in *EMU Positions* regarding a certain size or scope of a redistributive measure, or the degree to which supranational EU institutions should gain control over national economic policies, to the scale capturing degrees of integration-orientation (Târlea et al. 2019).

The scale from 0 to 100 is constructed to capture the least and most integrationist positions. To illustrate, when the European Council debated setting up a permanent crisis mechanism (ESM) in 2012, some states, such as Estonia, insisted on it being financed only through paid-in capital and guarantees from Eurozone members (0 on the integrationist scale). Other countries, such as France, Greece, and the UK, suggested incorporating additional financial sources, expanding the size of the ESM (100). A related issue concerned the size of the ESM. While some member states preferred to match the effective lending capacity of the temporary EFSF, which was about 500 billion Euros (0 on the integrationist scale), others argued in favour of a substantively larger lending capacity of 1000 billion Euros or more (100). A final example concerns the discussions on whether governments should be allowed the flexibility to increase bank capital buffers above the EU requirement. The Commission and most member states favoured a harmonization approach, effectively capping capital requirements (100 on the integrationist scale), while Germany, France, Portugal, and the ECB preferred national regulators to retain some discretion on capital buffers (0).

On average, EU member states score 49 on this scale from less to more integration-oriented preferences. Analysing states separately reveals striking variations (Figure 6). Among the states at the lower end (less integration-oriented preferences) are "euro outs" such as the Czech Republic (a score of 29 on average), the UK (32), and Eastern European member states, such as Croatia (40), Romania (48), and Poland (49). This group also includes small or medium-sized Eurozone member states, such as Finland (42) and the Netherlands (47).

The more integration-oriented group consists of smaller states that were relatively vulnerable to the Eurozone crisis, such as Estonia (56) and Cyprus (57). This group also includes five out of the six original EU member states (excluding the Netherlands), with Luxembourg (70) being the most integrationist country and Belgium (52) the least. Interesting cases in this group are Sweden (50) and Greece (51). While Greece was profoundly affected by the crisis, Sweden was less affected and not a member of the Eurozone.

Figure 6 States' integration orientation



Notes: Scale runs from 0 (less integration-oriented positions) to 100 (more integration-oriented positions).

3.2 Why did states have these preferences?

To understand why states had these preferences on the integrationist scale, we investigated economic, institutional, and political factors in a recent study (Târlea et al. 2019).

To start with, it is reasonable to expect that economic factors mattered for state interests. The Eurozone crisis was an economic crisis at its core, with varying implications for member states depending on national economic conditions (e.g., Frieden and Walter 2017). First, we examine whether financial sector liabilities, which we introduced in the previous chapter, shaped preferences (see Târlea et al. 2019 for a detailed discussion of the explanatory factors). As we have seen in Figure 3, countries registering relatively high financial sector liabilities as a share of GDP were Cyprus, Ireland, Luxemburg, Malta, Spain, and the UK. Romania and Slovakia had the lowest scores in terms of financial sector liabilities.

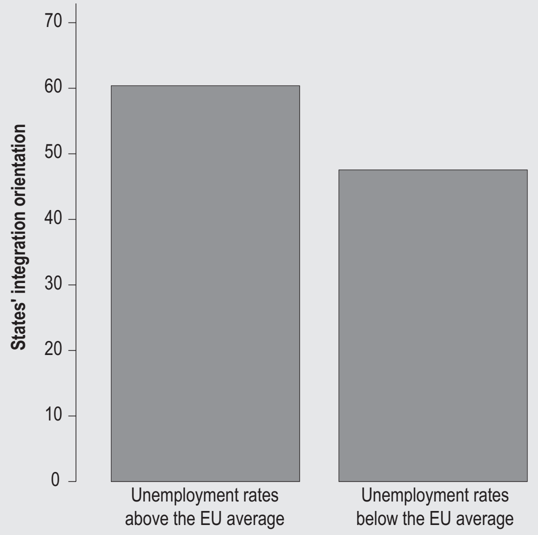
Indeed, the findings strongly suggest that financial sector liabilities mattered. Seeking to minimize the risk of costly bailouts, countries with highly exposed financial sectors, such as Luxembourg, Malta and Ireland, were more likely to support solutions involving high degrees of European integration. If a financial sector is several times larger than the entire GDP of the country, this might have been perceived as too great a risk to be dealt with only at the domestic level, implying that states would prefer more integration-oriented reform solutions. For example, Malta is one of the countries with the highest financial sector liabilities in relation to the size of its economy (Figure 3), and it had strongly integration-oriented preferences throughout the crisis and its aftermath. Malta consistently emphasized the necessity to support Greece, as evidenced in early 2010 when Greece was nearing a sovereign default, or in 2012 when the need for the second Greek bailout triggered calls for a debt restructuring that would force the creditors of Greece to share some losses.[9]

Secondly, we examine whether states with greater domestic macroeconomic problems were more inclined to support more ambitious reform solutions at the European level. There is partial support for this expectation. Figure 7 illustrates how states with unemployment rates below and above the EU average differ on average in terms of scores on the integrationist scale. This evidence suggests that there may be an effect, as average scores are lower in the category of states with below-average unemployment rates, and average scores are higher in the category of states with above-average unemployment rates.

Turning to institutional factors, there is some evidence that Eurozone membership mattered for the type of preferences states held (Figure 8). We find that countries inside the Eurozone score on average 52 on the scale from 0 to 100, whereas

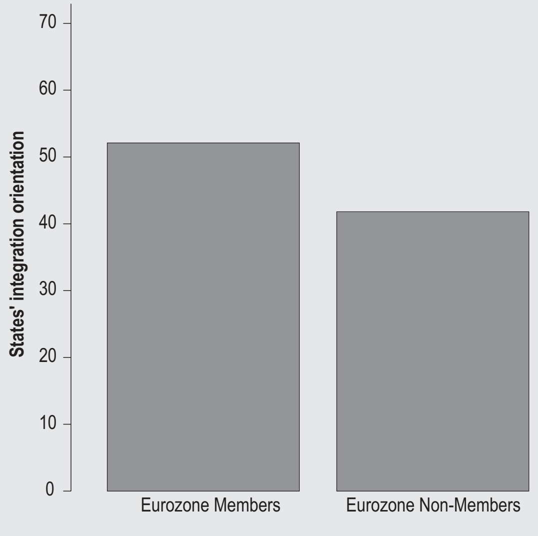
[9] Interviews, Maltese Senior Government Representatives, 17 January 2017 and 7 February 2017.

Figure 7 States' integration orientation, by unemployment rates



Notes: Scale runs from 0 (less integration-oriented positions) to 100 (more integration-oriented positions).

Figure 8 States' integration orientation, by Eurozone membership



Notes: Scale runs from 0 (less integration-oriented positions) to 100 (more integration-oriented positions).

countries outside the Eurozone score on average 42. While this difference is much less pronounced than in the case of having a preference in the first place or not (Chapter 2, Figure 2), it still suggests that states in the Eurozone tended to prefer more integration-oriented solutions than states outside the Eurozone, which in many respects in unsurprising.

Interestingly, the analysis in Târlea et al. (2019) did not yield measurable effects of political factors, such as trust in domestic government, public support for specific EU reform measures, or the left-right orientation of the governments, on the integration-orientation of state preferences.[10] The degree of partisan political conflict on the Eurozone reforms appears to have been relatively limited and not systematically related to the traditional left-right dimension. In Finland, for instance, partisan political conflict was absent and issues related to the Eurozone reforms entered the political debate rather late, sometimes even after these issues had been decided at the EU level[11]. Another example is the issue of the Stability and Growth Pact (SGP) sanctions in Austria, which was perceived to be too technical to allow for a broad debate between the government and its opposition[12]. In Germany, the two largest parties, the Christian Democrats and the Social Democrats, were in a governing coalition from 2013 onwards and therefore had strong incentives to find consensus on reforms rather than publicly debate the issue (Degner and Leuffen 2019).

3.3 Conclusion

This chapter examined what preferences states had on Eurozone reform and why. Our analysis indicates that the group of states with less integration-oriented preferences on Eurozone reforms included several "euro outs", such as the UK and several large Eastern European member states, but also smaller "euro ins", such as Finland and the Netherlands. The group of states with more integration-oriented preferences comprises five out of the six original EU member states, as well as several smaller member states, such as Cyprus and Estonia.

Sweden falls into the category of states that were neither very integration-oriented nor very nationalist in their preferences. For example, Sweden had pro-integrationist preferences with regard to the EFSF, where the main issues debated were related to the preparedness to issue loan guarantees, IMF involvement, and the enhancement of the EFSF's effective capacity. By contrast, Sweden's preferences were more mixed regarding the ESM: Sweden tended to

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10 The exact coding of these measures is described in Târlea et al. (2019). For details about the measurement of public trust in government, see Appendix Table C1. Public support for EU reforms was coded for specific issues on the basis of Eurobarometer surveys. The measure of the ideological left-right orientation of governments is derived from Döring and Manow (2019).

11 Interview, Representative of the Central Organisation of Finnish Trade Unions, 23 October 2016; representative of the Confederation of Finnish Industries, 1 November 2016.

12 Interviews, Senior Official at the Austrian Prime Minister's Office, 11 October 2016; Austrian Member of Parliament, 4 January 2017.

oppose changing EU treaties but was in favour of expanding the size of the ESM. Examples of relatively centrist Swedish preferences are the first and second Greek support programs. While Sweden was for IMF involvement in the first program, it adopted a centrist position on the question of debt relief in the second program. Given the importance of centrist positions for bargaining success in Brussels, and the compromise culture of the EU, this may be good news for the ability of Sweden to get the outcomes it desires – an issue to which we will return in Part 2 of this report.

Our analysis suggests that states' integrationist orientation was mainly shaped by economic factors in the sense of countries' financial and economic interests. The more exposed a country's financial sector, the greater the vulnerability to external shocks, including a potential worsening of the Eurozone crisis. This finding holds among both debtor countries, such as Cyprus and Ireland, and creditor countries, such as France and the Netherlands, and thus challenges a widespread belief that it mattered most for a state's preference whether that state was a creditor or debtor (cf. Târlea et al. 2019). Rather, what mattered mainly was the degree to which the country was financially exposed to other EU countries by registering high claims or liabilities. In terms of institutional factors, there is some evidence suggesting that Eurozone membership mattered, as "euro ins" tended to favour European-level solutions to a greater extent than "euro outs". By contrast, we did not find support for political factors, such as the left-right orientation of the government.

Our main finding ties in well with existing political economy theories of states' preferences (Frieden 1991; Hall and Soskice 2001) and the roles of leading economic sectors and macroeconomic conditions (Moravcsik 1998; Wasserfallen 2014), which have predictive power in explaining Eurozone reforms. In the words of Copelovitch et al. (2016: 825), "policy-makers in the Eurozone confront a number of [economic] trade-offs, which strongly affect the incentives they face as they weigh their options." The logic also corresponds to theories of European integration. Both liberal intergovernmentalists and supranationalists have stressed the importance of interdependence or transnational exchanges in order to explain integration preferences. In particular, more interdependence should lead to rising support for European integration.

The absence of a measurable effect of public opinion and party politics on states' preferences, together with the finding that preferences were largely shaped by states' economic interests, point to an influence of structural factors. Although public attention increased rapidly throughout the EU after the outbreak of the Eurozone crisis in 2010 (Degner 2019), Eurozone reforms were not highly politicized nationally (Kassim et al. 2017; Fontan and Saurugger 2019). This suggests that state preferences are largely determined by structural factors that are harder to change than political factors that can be more volatile in the short run.

4 How inclusive was the process?

The previous chapters established that not all states formed preferences on all reform issues and that financially more vulnerable states tended to favour more integration-oriented solutions. But how inclusive was the domestic preference formation process? Which governments took the time and demonstrated the willingness to consult other societal and political actors? Which factors shaped the inclusiveness of these processes of domestic preference formation?

4.1 Was the domestic process inclusive?

Although the Euro crisis and the political and economic strains it caused were palpable for many European citizens, the process of Eurozone reform proceeded mostly beneath the public radar (Degner 2019; Fontan and Saurugger 2019). To shed light on the inclusiveness of the preference formation process, we examined the number of actors involved in this process on four select reform issues. These four issues are selected because they illustrate well the underlying conflict dimension in the reform of the Eurozone between fiscal transfers and fiscal discipline (Kudrna et al. 2018; Lehner and Wasserfallen 2019). The first and third issues represent the fiscal transfer dimension, while the second and fourth issues represent the fiscal discipline dimension.

1. The first issue was the initial willingness to support Greece in early 2010 ("Bailout I"). Greece was nearing a sovereign default. As the EU searched for solutions, some member states expressed preparedness to support Greece, while others resisted such proposals. The Euro Group agreed on 15 March 2010 to make support available, if requested. Greek authorities made the request on 2 May 2010. In the end, almost all Eurozone countries contributed to the first bailout package.
2. The second issue relates to the blocking of SGP sanctions by reversed qualified majority. The triggering mechanism for SGP sanctions became a contested issue. Some member states supported the existing arrangement in which the Commission recommended sanctions and the Council approved them by a qualified majority. Others argued in favour of sanctions imposed by the Commission, unless the Council blocked them by a qualified majority. The final compromise in 2011 introduced the principle of reversed qualified majority voting.
3. The third issue deals with the size of the ESM. After the European Council agreed to this permanent fiscal crisis mechanism for the Eurozone, there was a debate about its size. While some member states preferred to match the effective lending capacity of the temporary

EFSF, others argued in favour of a substantively larger lending capacity. The final agreement in 2012 only matched the EFSF size.

4. Regarding the fourth issue, the legal form of the debt brake, there was a debate about the legal nature of the commitment to fiscal discipline in the Fiscal Compact. Some member states rejected the Fiscal Compact, while others insisted on a constitutional type of commitment, and yet others were reluctant to accept such a hard provision. The early drafts proposed "national binding provisions of a constitutional or equivalent nature", whereas the adopted text in 2012 refers to "provisions of binding force and permanent character, preferably constitutional" (see Appendix Table A2 for more information on these four issues).

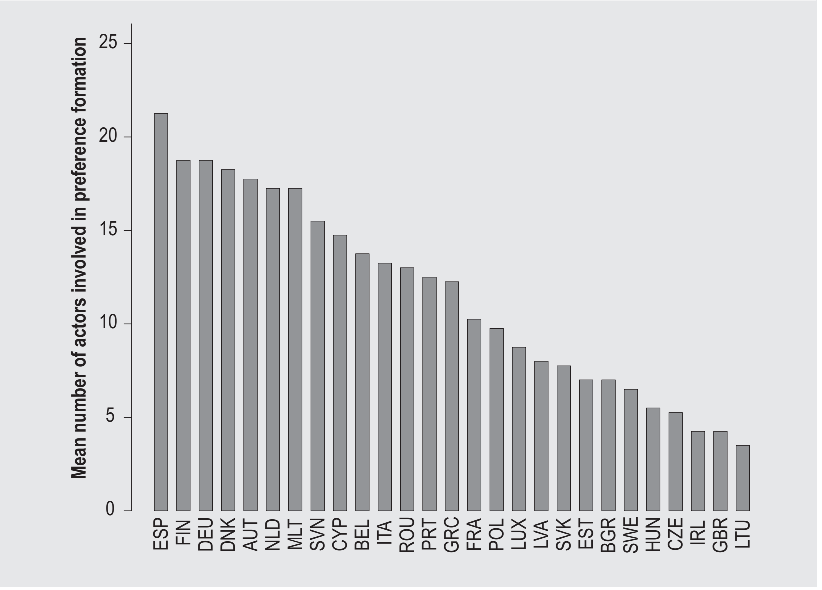
To be able to examine how many actors were consulted in shaping state preferences on these four issues, we conducted a large number of interviews with experts in the member states and EU institutions (see Chapter 1). We asked interviewees to identify the principal political, societal, and economic actors that were involved and influential in the formation of the national position, including opposition parties, social partners, central banks, and different media outlets (see Appendix Table A3). One way of involvement includes direct political negotiations in political institutions such as the parliament. Another is to engage in the public debate through media and public statements. Yet another is through informal influence channels lobbying the central government.

Using these data, we created an indicator of inclusiveness that captures the number of actors involved in domestic preference formation. This measure ranges from 0 to 22 involved actors, with a mean of 12 actors. It is a straightforward way to capture inclusiveness across a broad range of societal, economic, and political actors. But it is also a simplification, as it assumes that all actors, whether societal or political, are equally important to include in the interest formation process. It does not take into account that some actors may be considered more important to have involved, such as a democratically elected parliament or political parties, when compared to other political or societal actors.

Figure 9 shows that the preference formation process in many countries was far from inclusive. Our interviews suggest that the negotiated issues were considered technical in nature and that reforms therefore were negotiated mostly by experts from the ministries of finance, rather than subjected to broad consultation and debate (Kassim et al. 2017).

The process of preference formation was least inclusive in Lithuania, Ireland, Hungary, and the UK and most inclusive in Denmark, Finland, Germany, and Spain (Figure 9). The ordering of countries suggests that three factors may have played a role in inclusiveness. The first is Eurozone membership. Among the countries at the lower end are mostly those outside the Eurozone (with the exception of Ireland and Lithuania), while most countries at the higher are in the

Figure 9 Inclusiveness of preference formation process, by EU member state



Eurozone (with the exception of Denmark). The second is geographical location. Among the ten countries with the least inclusive process were several Eastern member states, whereas the ten countries with the most inclusive processes were mostly Western and Southern member states (with the exception of Slovenia). The third factor is the style of economic policy-making. The most inclusive countries are also those that rely on long-established coordination among the government, parliament, and social partners in economic policy-making, such as Austria, Denmark, Germany, Finland, and the Netherlands (see also Kudrna et al. 2018).

4.2 Why was the process more or less inclusive?

To deepen our understanding of the sources of inclusiveness, we conducted a systematic explanatory analysis of the importance of economic, institutional, and political factors (see Appendix C for details on variable descriptions, data sources, and statistical results). The key finding is that inclusiveness is shaped by economic factors and Eurozone membership. In this sense, the results are similar to those in the previous chapter where we demonstrated that economic factors and Eurozone membership were the main factors shaping whether states were more or less integration-oriented.

Regarding the economic factors, we find that financial sector exposure shaped inclusiveness. Greater stakes for a country's financial stability made governments more likely to form preferences beneath the public radar. Figure 10 illustrates

Figure 10 Inclusiveness of preference formation process, by financial sector liabilities

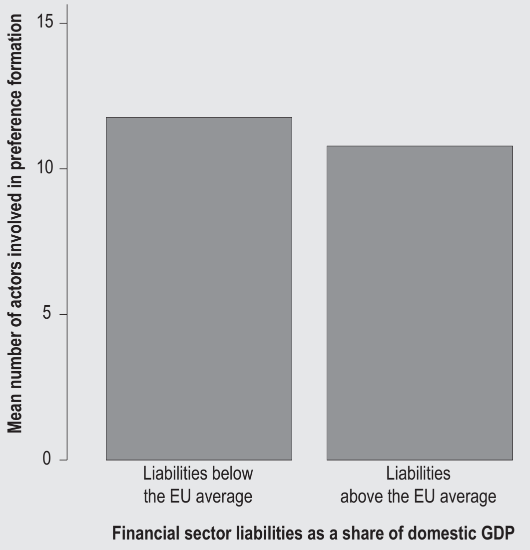
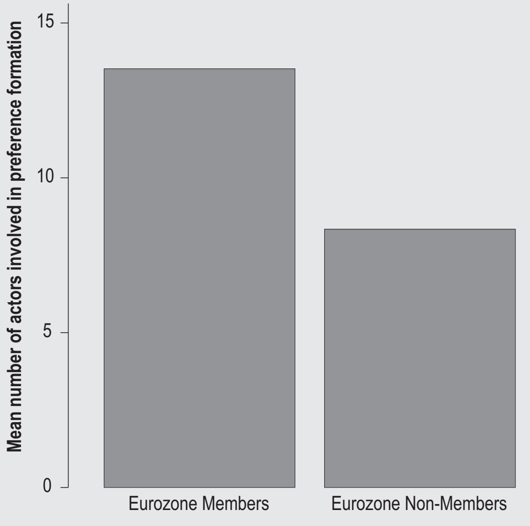


Figure 11 Inclusiveness of preference formation process, by Eurozone membership



this pattern. Among states with financial sector liabilities above the EU average, preference formation was less inclusive than among states with financial sector liabilities below the EU average. In other words, more vulnerable states were characterized by less inclusive preference formation processes. This may be due to the fact that some states with relatively high liabilities, such as Germany, were more responsive to shifts in public opinion than to a multitude of domestic actors (Degner and Leuffen 2019). Alternatively, it may be due to the government in the financially exposed countries paying particular attention to the vulnerable financial sector at the expense of other political and societal actors, as evidenced in Malta, for example[13].

In addition, we find that Eurozone members had more inclusive preference formation processes. Compared to "euro outs", "euro ins" had significantly higher odds of including more actors in the process of preference formation. These results tie in well with previous research showing that preference formation processes on Eurozone reform issues were less inclusive in "euro outs" (Kudrna et al. 2018).

We illustrate these findings in Figure 11. In the Eurozone, the average number of actors involved is 14, while in countries outside the Eurozone, it is only 9. This suggests that Eurozone membership, which ensures the increased public salience of Eurozone reforms, might push states toward more inclusive preference formation processes (Degner and Leuffen 2019). The public salience of Eurozone reforms in "euro outs" is likely to be lower. For example, in Sweden, which is not a member of the Eurozone, the general public perception was that the crisis was rather mild, since most people did not experience rising prices or unemployment in their everyday lives. As a consequence, preference formation was very concentrated in the Ministry of Finance and the Prime Minister's Office[14].

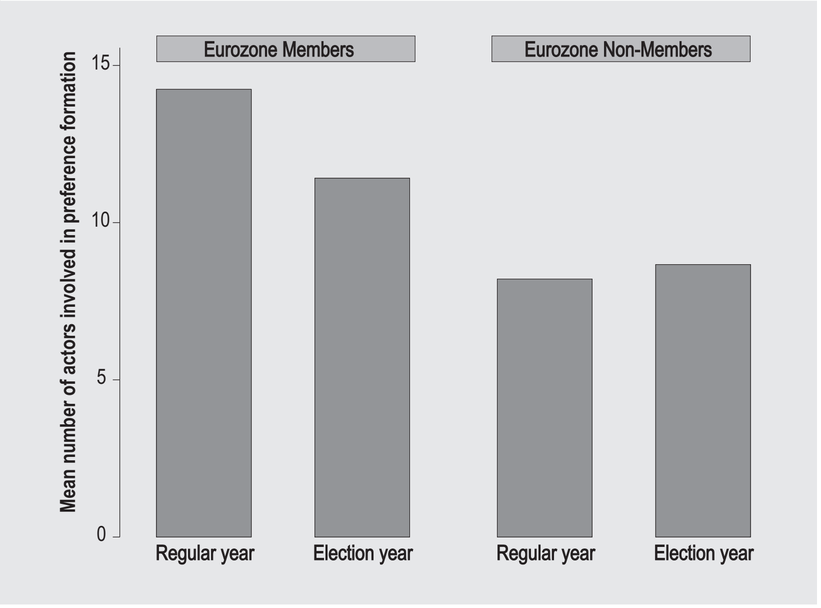
Finally, we found that domestic preference formation was less inclusive in "euro ins" during the years when general elections took place (Figure 12). During election years, domestic political issues that were perceived to be more important might have crowded out EU issues, leading the government to consult fewer actors on EU issues and those actors to devote their scarce resources to other issues.

Some of the factors for which we did not find any support include our second measure of economic vulnerability (spread of interest rates over German bonds), public trust, and public opinion.

[13] Interview, Senior Official, Maltese Ministry of Finance, 7 February 2017.

[14] Interview, senior official, Swedish Prime Minister's Office, 25 October 2016.

Figure 12 Inclusiveness of preference formation process, by election year and Eurozone membership



4.3 Conclusion

Our analysis of the inclusiveness of the preference formation process suggests considerable variations among countries, with Austria, Denmark, Finland, Germany, and Spain being most inclusive, and the Czech Republic, Hungary, Ireland, Lithuania, and the UK being least inclusive.

The results suggest that inclusiveness is crucially shaped by a state's financial sector liabilities. Governments in states with more vulnerable financial sectors are more likely to develop preferences through processes that occur beneath the public radar. Conversely, membership likely increased the public salience of the reforms and incentivized the domestic government to consult a larger number of societal and political actors. Finally, domestic political events such as general elections appear to matter for the inclusiveness of preference formation processes. During years in which general elections take place, domestic issues are in the limelight, leading to less inclusive preference formation processes about Eurozone issues.

These results have implications for the role of democracy in Eurozone reforms. It appears that democratic anchoring of national preferences took a back seat to executive action in many states because the euro crisis demanded quick measures. This pattern was particularly acute in countries with large financial sectors and/

or those outside the Eurozone where governments' incentives to consult broadly likely were weaker. This observation also applies to Sweden. Sweden stands out as one of the countries where preference formation on Eurozone reforms was least inclusive. This likely reflects the broader public's disinterest in Eurozone reform issues, while the government still deemed it important to form preferences on a relatively large number (about 80 per cent) of reform issues, given Sweden's dependence on the stability of the Eurozone.

Part II: Interstate bargaining

5 Did states get what they wanted?

The conventional account of the Eurozone reform negotiations is that the most powerful states – in particular, Germany – dictated the outcome and that many other states had to accept what they must. Is this account supported by the data? In this chapter, we investigate the bargaining success of member states. We first present and discuss data on the comparative success of member states and then investigate factors that may help explain variation in success across states and negotiations.

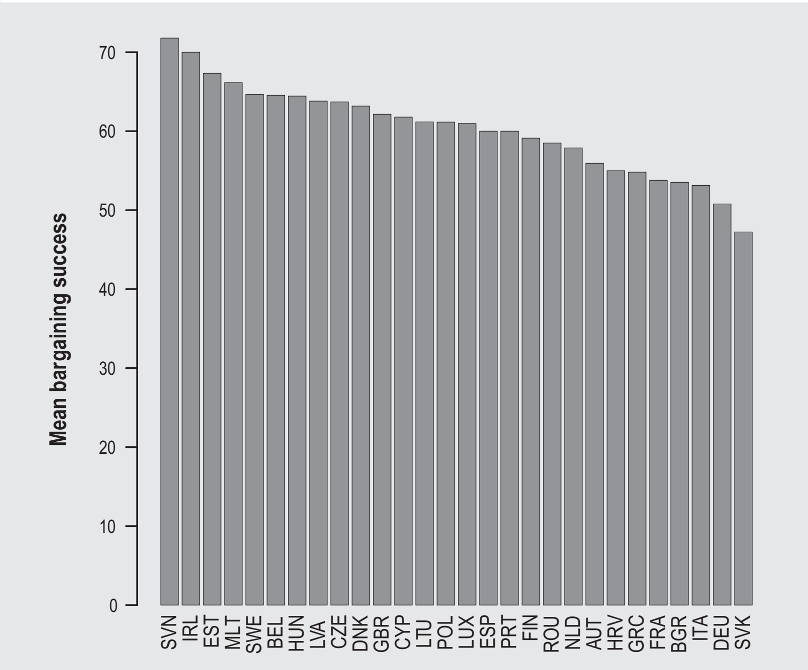
5.1 How successful were states in attaining their preferences?

To examine bargaining success and influence in the reform of the Eurozone, we rely on the *EMU Positions* dataset (Wasserfallen et al. 2019)[15]. We measure bargaining *success* based on the distance between a member's expressed preference and the negotiated outcome. The measure ranges from 0 to 100. In a given negotiation, a country that achieved exactly the outcome it preferred, out of all possible alternatives, is awarded a success score of 100. A country that not only failed to achieve its preference but in the end agreed to the policy option most different from its preference receives a score of 0. Countries that achieved neither their ideal policy nor the most different policy receive scores between 0 and 100, with higher scores indicating a higher degree of satisfaction in a given negotiation. For example, if a country's preference was a policy outcome represented by 50 but the collective agreement was a policy represented by a policy score of 100, its success is 50. For a state that preferred the agreed outcome, the success score is 100.

In Figure 8, we present the average success attained by individual member states across the 39 negotiations covered in our sample. The score thus gives an indication of how well actors fared not in any individual negotiation but over the entire course of formal negotiations over Eurozone reforms. Higher scores correspond to a smaller distance between initial preferences and outcomes and thus indicate a higher degree of bargaining success; lower scores correspond to a lower degree of bargaining success.

[15] The results presented in this and the following two chapters are based on quantitative and qualitative analysis of 39 out of 46 issues in the "EMU Positions" dataset. We exclude issues that did not result in collective agreement, such as suggestions for debt mutualization (Eurobonds; EB1) or the forward-looking Five Presidents' Report (PR1-4). Because they lack an agreed outcome, these issues prohibit the calculation of the extent to which actors were more successful or had varying degrees of influence.

Figure 13 Mean bargaining success, by member state



Three key patterns emerge from the data in Figure 13. First, average bargaining success is remarkably evenly distributed. Member states are concentrated in the span between 55 and 75, with an average of 60.8. While member states suffered distinct losses – or achieved gains – on particular issues, there were no clear "winners" and "losers" in these negotiations viewed as a larger process extending over six years. This suggests that the Eurozone reform negotiations did not repeatedly and systematically short-change certain member states. Rather, the relatively symmetrical distribution of gains and losses suggests that the Eurozone reforms followed patterns seen in other EU negotiation processes. Previous research has found that states do not differ markedly from each other in their bargaining success if a high number of issues are considered together (e.g., Arregui and Thomson 2011).

Second, within the relative symmetry, there is variation between different categories of states. Members categorized as old (above the median EU membership length) and large (above EU median population size), Eurozone members, and Southern members fared less well than members who are new, small, remain outside the Eurozone, and are located in the North or the East. This pattern is epitomized by the comparatively low bargaining success attained by the three large countries in the Eurozone – Germany (51), France (54), and Italy (53) – which all rank among the five least successful countries. As we will see in the following chapters, it does not mean that they did not exercise significant influence in these negotiations, merely that they did not get what they wanted, within the available options, as often as some other countries.

Third, we note that the main recipients of EU aid packages are distributed across the entire range of bargaining success scores. Greece (55) and Romania (59) fall on the lower side of the scale, Cyprus (62), Portugal (60), and Spain (60) in the middle, and Ireland (70) on the higher side. The finding that the states that would appear to hold the weakest hand in these negotiations – on account of their dependence on European-level solutions to address their particular vulnerabilities – are distributed in this manner reinforces the impression that these negotiations did not proceed in a one-sided fashion. Adding to this impression, we note that several of the countries that were most successful in attaining their national interest are smaller economies, including Slovenia (72) and Estonia (67).

An important caveat should be kept in mind when interpreting these data. The success measure, as defined above, is not necessarily informative about *how* a country arrived at a particular score. It may be that it managed to extract concessions from other countries, leading these other states to accept a policy design that they did not prefer. It may be that it skilfully coordinated different blocs of member states, leading them to agree on a compromise solution overlapping with its preference. Or it may be that it was simply lucky and that negotiations within the EU collective, for one reason or another, converged on the particular solution that it liked the most. When aggregated over many negotiations, however, the luck aspect should cancel out, and we can attain a measure of different countries' relative gains and losses in these negotiations.

It is also important to note that because countries frequently shared preferences in these negotiations, it is quite typical that several countries share the same bargaining success score in a given negotiation. Also, across the negotiations, most countries received 0 or 100 at least a few times and many success scores in between these two end points.

5.2 Why were some states more successful than others?

The Eurozone reform negotiations appear to have produced a fairly balanced distribution of gains and losses across the participating countries. This aggregate picture does not mean that individual negotiations were characterized by harmony and fairness. For each issue negotiated in these reforms, there were winners and losers, with some states getting what they wanted and others having to settle for less. How can we explain what factors shaped variation in negotiation success at the level of individual negotiations?

In a recently published statistical analysis (Lundgren et al. 2019a), we identified the factors that favoured greater gains, tended to lead to greater losses, or did

Figure 14 Mean bargaining success, by Eurozone membership status

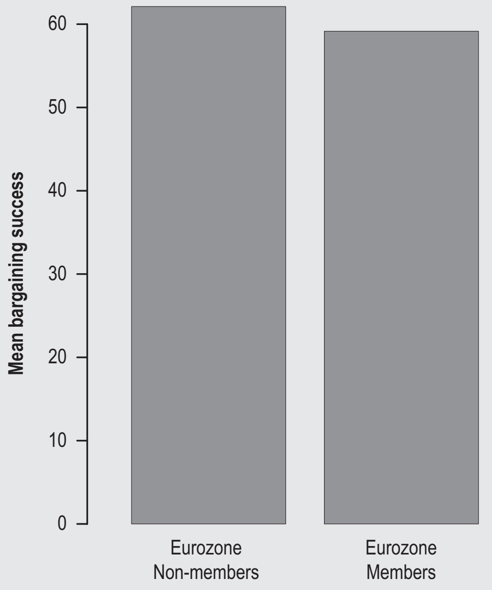
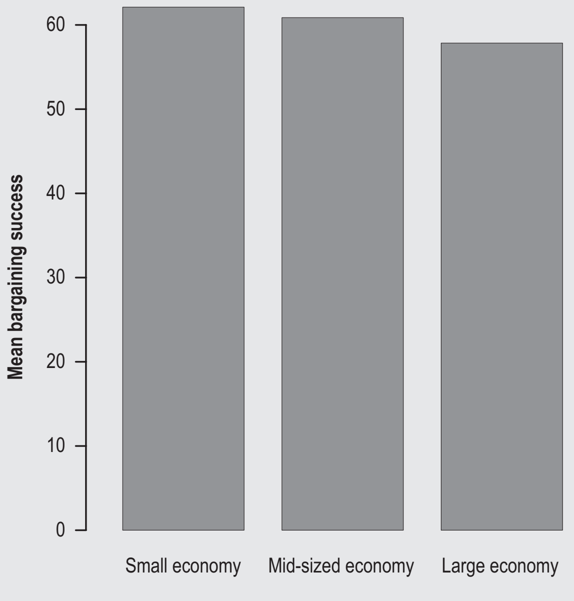


Figure 15 Mean bargaining success, by size of economy



not have a systematic impact either way. The analysis was framed within a rational choice institutionalist framework and evaluated explanatory variables relating to institutions, preferences, power, and domestic politics (Appendix Table D2). Our findings suggest that success was not dependent on membership in the Eurozone or on economic size. Rather, success was chiefly determined by how countries positioned themselves in relation to each other and to the Commission. Countries that preferred centrist policy solutions and that aligned with the Commission were more likely to get what they wanted. We summarize these findings in Figures 14 through 17.

As shown in Figure 14, whether or not a country was a member of the Eurozone did not significantly alter its average negotiation success. Countries that were EMU members attained a slightly lower success score (59) than that of non-members (62), but this difference is not statistically significant. This indicates that the Eurozone reform process was not only open to input from non-members, but they also had a significant degree of ability to shape outcomes in their favour. This adds additional nuance to the discussion in Chapters 2 and 4 about "euro ins" and "euro outs". While Eurozone members and non-members may have differed significantly with regard to the nature of their domestic preference formation processes, these differences mattered less once the countries reached the negotiation table and started the process towards reaching a collective solution.

Contrary to the preponderant narrative, the outcome of the Eurozone reform negotiations was not determined by the bloc's economic powerhouses. Already in Figure 13, we found that larger countries such as Germany or France did not perform particularly well on the current metric of success. As can be seen in Figure 15, this pattern holds for other states as well. If we break down the EU member states into three categories depending on the size of the state's economy, defined based on its GDP, we find only small differences between the categories[16]. If anything, the economically more powerful countries were less successful in securing their preferred policies than their less powerful peers.

While it may appear counter-intuitive that the larger economies of the EU did not manage to leverage their size to achieve greater success, there are several possible reasons. A plausible explanation is that the larger economies were constrained by their deep commitment to the euro (cf. Dyson 2015). Not only are Germany and other larger countries perceived as guardians of European integration, but they are also, on account of their deep financial integration, particularly vulnerable to the Euro's disintegration. Angela Merkel's 2011 statement that "if

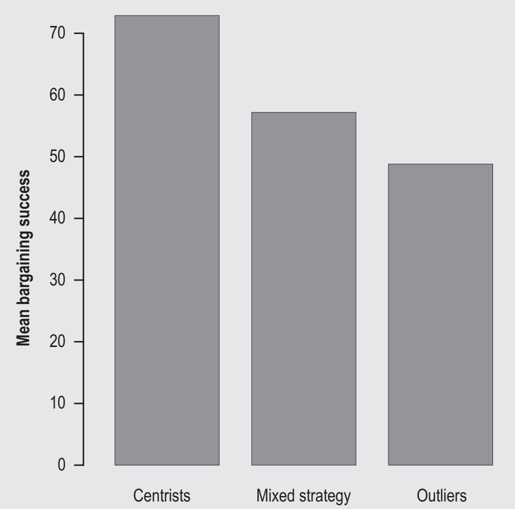
[16] In this categorization, small economies have a GDP lower than 74.2 billion USD; mid-sized economies have a GDP between 74.2 and 330 billion USD; and large economies have a GDP exceeding 330 billion USD. The groups are of equal size.

the euro fails, Europe fails" is suggestive of this commitment and dependency (BBC 2011). Another possible explanation is that powerful countries exerted influence by keeping certain items off the agenda. For example, an analysis by Degner and Leuffen (2019) suggests that Germany was instrumental in keeping the proposal of issuing Eurobonds, government bonds denominated in euros enabling indebted states to borrow more cheaply, out of the negotiations because this idea was anathema to German interests.

It is also important to note that the powerful countries may not have managed to get exactly what they wanted – understood as preference attainment – but as our analysis in the next chapter will show, they were highly successful in extracting concessions from other countries.

If Eurozone membership or economic size did not explain why certain countries were more successful than others, what did? Our research points to two key factors. First, there is a significant difference in success between countries that favoured outlier policies and those that preferred solutions closer to the EU mainstream. In Figure 16, we distinguish three equally sized groups of member states and plot their respective levels of bargaining success. "Outliers" are countries that tended to have preferences far from the mainstream (defined as the average preference). "Centrists" are countries that most often found themselves at or close to the average position of the EU mainstream. In between outliers and centrists, we find countries pursuing a "mixed strategy", taking outlier views on some issues but centrist views on others.

Figure 16 Mean bargaining success, by orientation of policy preferences

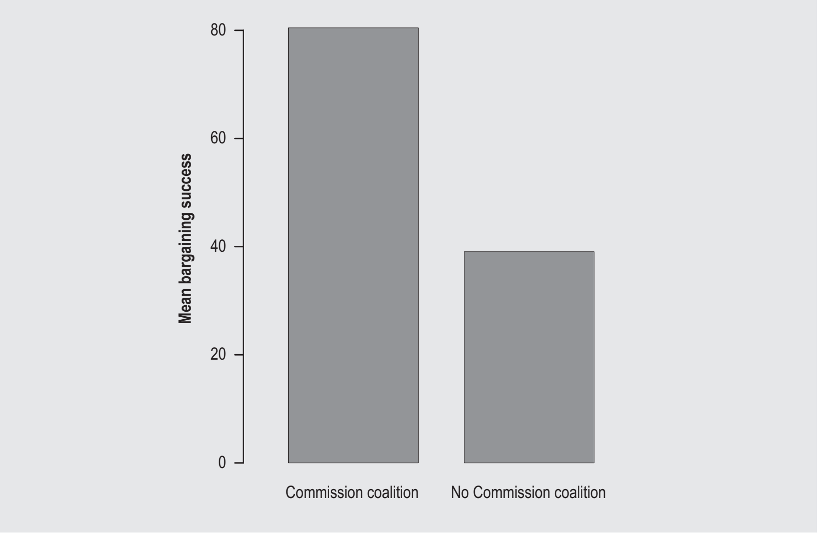


Countries with centrist preferences were considerably more likely to get what they wanted than countries in the other two groups. Their mean success was 73, compared with 57 and 49 for the other two groups, respectively. The greater success of centrist countries does not necessarily indicate that they possess greater negotiation acumen. More likely, the benefits of centrism flow from the fact that bargaining in the EU is characterized by compromise and reciprocity, whereby two sides gradually converge on a solution in the middle (cf. Lewis 2000). In such a negotiation dynamic, countries whose preference is in the middle of the bargaining range will benefit the most. The *EMU Positions* data, which indicate a considerable amount of compromise and reciprocity, is consistent with this account.

The finding that centrism is beneficial helps elucidate why Eurozone non-members and smaller economies were unusually likely to get what they wanted. It turns out that these groups of countries tended to have preferences closer to the EU mainstream. Across the 39 negotiations, Eurozone non-members were approximately 3 points closer to the mean preference, likely making it easier to achieve their desired policies. In the same vein, the larger economies of the EU were 6 points farther away from the mean preference than were smaller economies. In a negotiation environment that favoured centrism, their tendency to support outlier policies made it more difficult for them to get what they wanted.

Second, countries sharing a preference with the Commission enjoyed higher negotiation success. As shown in Figure 17, countries that were in an interest

Figure 17 Mean bargaining success, by whether or not a country shared a position with the Commission



coalition – by strategic choice or by coincidence – with the Commission had considerably greater chances of attaining their policy preferences than countries that did not. On average, countries aligned with the Commission ended up 38 points closer to their preference than comparable countries that did not. We interpret this as a manifestation of the considerable formal and informal powers available to the Commission that allow it to shape negotiations in the EU, a topic that is the focus of Chapter 7.

The analysis thus far has not considered decision-making procedures. As is well known, depending on the political and institutional context, the EU employs different decision-making protocols. When decisions are taken through the Ordinary Legislative Procedure (OLP), the Commission enjoys exclusive formal agenda-setting privileges, while the European Parliament (EP) functions as co-legislator next to the Council, which makes decisions based on the principle of qualified majority voting. In case of the Special Legislative Procedure (SLP), the Commission still functions as the formal agenda-setter, but the EP only has a right to be consulted, and the final decision is made by the Council through unanimity. Finally, some decisions in EU politics (and on the reform of the Eurozone) are made through procedures that are exclusively intergovernmental in nature. In these cases, the supranational institutions enjoy no formal privileges, and decisions are made through unanimity among the member states.

Since the Eurozone reform policies were negotiated (and adopted) under different decision-making procedures, we were able to test how they moderated the effect of the aforementioned factors. Our study (Lundgren et al. 2019a) shows that the impacts of both centrism and sharing a position with the Commission were accentuated under the OLP, compared with the SLP or intergovernmental negotiations. This makes sense. Under the OLP, decisions are made on the basis of qualitative majority voting, making it easier to exclude countries with outlier preferences, and favouring those positioned in the middle. Likewise, siding with the Commission under the OLP enables members to draw on the greater formal privileges that the Commission enjoys within this decision-making procedure.

Our quantitative research turns up several factors that, contrary to some expectations, do not systematically affect bargaining success. For example, the member state holding the Presidency of the European Council, which rotates every six months, is commonly thought to have an advantage in European negotiations. Countries holding the Presidency can draw on considerable informational advantages and agenda setting powers to shape negotiations in their favour (Tallberg 2004; Häge 2017). In the EMU reform negotiations, however, this did not seem to be the case, as the countries holding the Presidency did not fare better than other countries. It is possible that there is too little variation to systematically examine the issue in our data – not that many countries held the Presidency during these negotiations – but the pattern corresponds to that of some other quantitative studies (Arregui and Thomson 2009).

5.3 Conclusion

Our research demonstrates that bargaining success, defined in terms of preference attainment over the entire course of Eurozone reforms, was relatively evenly distributed across member states. There were no major differences between Eurozone members and non-members or between countries with different economic weights. This pattern may be due to the EU's well-developed system of concessions and compromises or vulnerabilities emerging from the deep commitments some larger countries had made to the project of European financial integration.

Our research suggests that whether or not a country got what it wanted in these negotiations was determined by the position of its preference relative to other countries and to the Commission. Holding a preference far from the mainstream was more likely to lead to failure; sharing the Commission's preference and holding a more centrist preference predicted success. These dynamics were reinforced during the OLP when a qualified majority allows for the isolation of outliers and the Commission enjoys greater formal privileges.

Sweden's bargaining success, which ranks as the fifth highest based on our measures, fits fairly well with these explanations. Sweden occasionally adopted minority positions in opposition to the Commission's view – for example, when supporting IMF involvement in the EFSF – but it frequently held positions that were close to the EU mainstream, which is a strong predictor of success. Sweden also aligned with the Commission on about half of the negotiated issues.

A key implication of these findings relates to concerns about legitimacy in the reform of the Eurozone. A consistently asymmetrical distribution of gains and burdens would challenge the normative principle of fairness and could undermine public confidence in the EU as a political system serving the collective interest. For many, the Eurozone reforms have been seen as the epitome of an unfair process and outcome, in which self-interested creditors called the shots and suffering debtors were forced to accept what they could get. While the next chapter will show that countries certainly exerted varying power in these negotiations, our findings with regard to whether or not states got what they wanted should assuage some fears of poor legitimacy.

6 Which states yielded the most and the least ground?

The previous chapter focused on bargaining success, understood as whether or not states got what they wanted. An alternative perspective on these negotiations can be uncovered by looking at whether a state yielded ground. Even if a state did not get what it wanted, it may have been influential, convincing others to make concessions and getting closer to its preferred policy. Conversely, some states may have gotten what they wanted out of pure luck, without actually influencing other states. In this chapter, we present systematic evidence on which states were more or less influential and consider explanations for this variation.

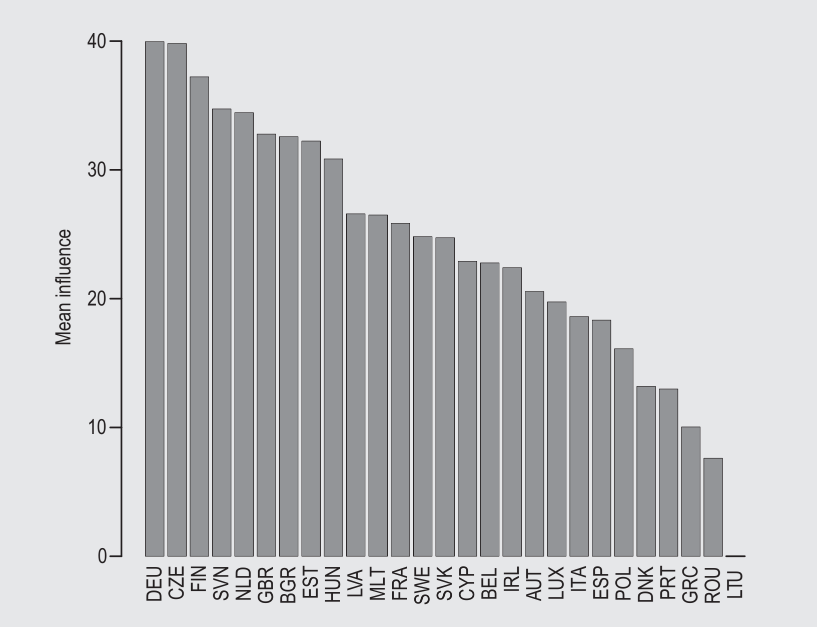
6.1 How influential were states in convincing others?

We define the bargaining *influence* of a member state as its ability to shift the outcome toward its own preferences and away from the outcome expected under intergovernmental compromise bargaining. For any individual negotiation, the measure ranges between -100 and 100, with higher values indicating a greater influence. The measure is calculated by comparing a country's preference and the actual agreement to an expected outcome, calculated on the basis of the most commonly used forecasting models used in the study of European Union negotiations (Achen 2006; Banfield 1961; Van den Bos 1991). Actors who manage to pull the actual outcome closer to their preference, in relation to the counterfactual outcome (represented by the forecast), are viewed as possessing high bargaining influence, and vice versa. Defined this way, bargaining influence summarizes the impact of informal interventions, whereas the formal and institutional aspects of intergovernmental decision-making are factored into the expected outcome.

The measure is distinct from the operationalization of bargaining success employed in the previous chapter. Whereas bargaining success is defined in terms of preference attainment – whether a state gets what it wants, regardless of how other states fare – the measure of bargaining influence reflects the ability to shift other states away from their preferences. As such, it provides an alternative perspective on these negotiations, emphasizing how member states shift or remain steadfast, viewed from the perspective of a multilateral interaction as a whole.

In a recent article (Lundgren et al. 2019a), we presented a systematic analysis of bargaining influence in the EMU reform negotiations. Figure 18 exhibits the bargaining influence of each member state as an average across the 39 separate

Figure 18 Mean influence, by member state (in relation to the least influential member state)



negotiations included in our sample, in relation to the least influential member state. The higher a country's value, the higher its average influence. We note that there are considerable differences across member states and that Germany was the most influential of all actors.

The influence distribution contrasts with the fairly even distribution of success scores discussed in Chapter 5, underlining that the two measures capture different things. The distribution reflects the presence in the data of negotiations where a small coalition of member states – sometimes, a single member state – managed to pull all other member states to an outcome that not only diverged from what would be expected based on formal powers, but was the polar opposite of the preference of the losing coalition. That Germany is the most influential of all member states, by this measure, reflects the fact that it more frequently than any other country participated in these small coalitions and that it was unusually successful in extracting concessions from the opposing side.

6.2 Why were some states more influential than others?

The quantitative investigation presented in Lundgren et al. (2019a) examined explanatory factors related to institutions, preferences, power and domestic politics (Appendix Table E1). It found that there are three main factors explaining why some countries exerted more influence than others. One factor

Figure 19 Mean influence of Eurozone members and non-members

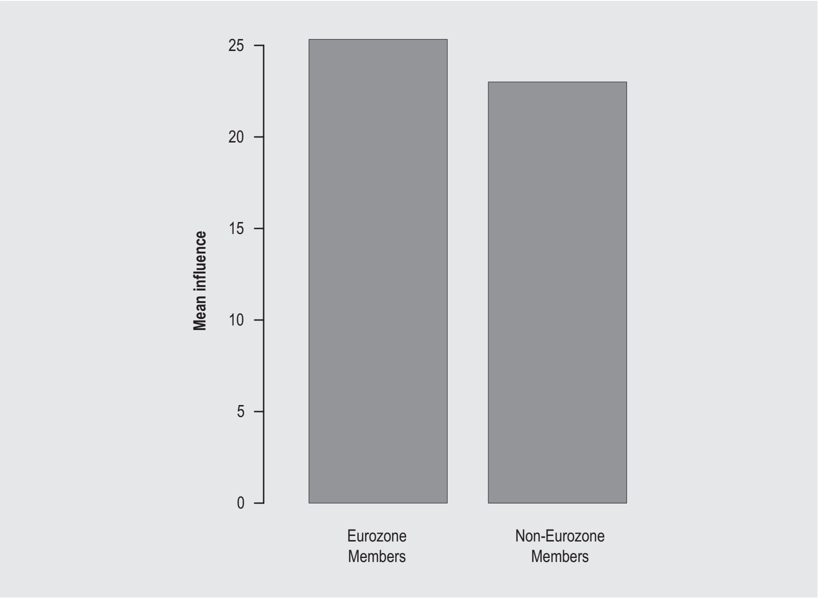
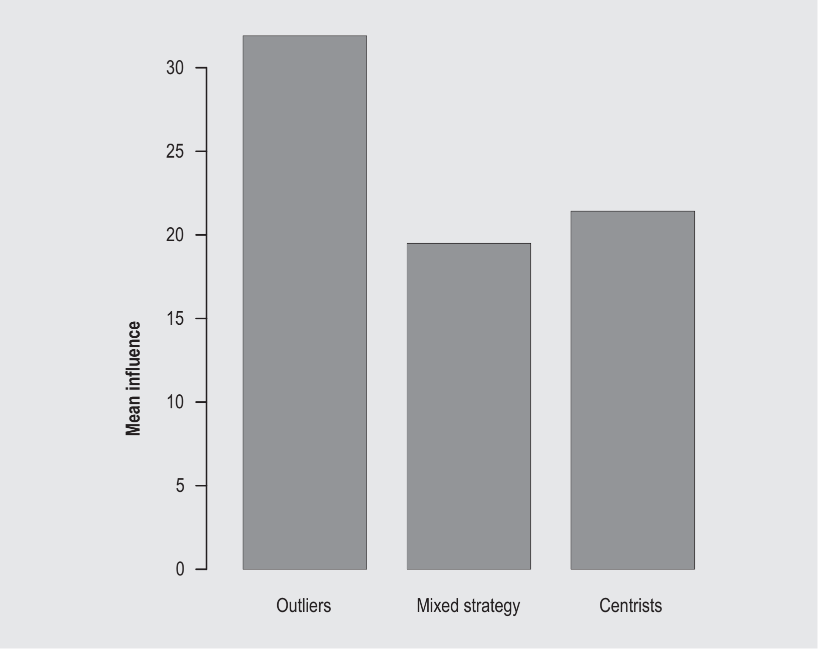


Figure 20 Mean influence, by orientation of policy preferences



is Eurozone membership: as can be seen in Figure 19, Eurozone members have a higher mean bargaining influence than non-members. In relation to the least influential member state (0), Eurozone members had a mean influence of 25.3 per negotiation, compared with 23 for non-members[17].

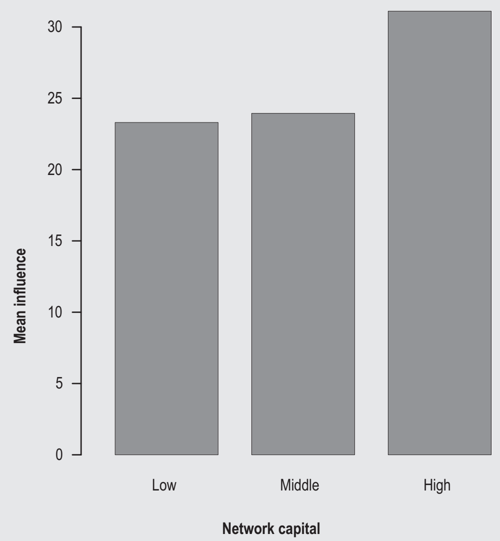
A second factor that accounts for member states' varying bargaining influence is the position of their preference (Figure 20). In contrast to how this factor shaped bargaining success, we now observe that centrists are disadvantaged compared with countries that more consistently expressed policy preferences that diverged from the EU mainstream ("outliers"). The latter group had significantly higher bargaining influence, a clear testament to the influence that can flow from anchoring a position far from the centre. The fact that this group includes several of the countries that preferred fiscally conservative solutions, such as Germany, Finland, and the Netherlands, indicates that they managed to pull other members in the direction of fiscal restraint, although their lower success scores (Figure 13 above) indicate that they rarely managed to get exactly what they wanted.

An example that illustrates how outliers managed to extract concessions from other member states can be found in the negotiation of the Six Pack, which defines the fiscal rules for the surveillance of national budgets. One of the legislative proposals negotiated as part of the Six Pack focused on whether certain spending should be excluded in the calculation of national deficits and debts (issue SP5 in Appendix Table A1). On this issue, a clear majority of 16 member states advocated for a flexible option with exemptions for certain debts, whereas a smaller group of eight countries, including Germany, Austria, the Netherlands, and Slovenia, argued that there should be no such exemptions. Based on the distribution of formal power, the expected outcome was the preference of the larger coalition, which could theoretically impose their will on the minority. However, the minority managed to persuade the majority to join them in a negotiated agreement that included no exemptions, a manifestation of their considerable bargaining influence on this issue.

Another example that illustrates how outlier positions can generate influence focuses on the negotiations about the legal basis of the Fiscal Compact (issue FC2 in Appendix Table A1). While 18 states (next to the ECB and the EP) supported the integration of the Fiscal Compact into the existing EU treaties, there was a small group of states – and most notably, the UK – arguing that it should be adopted in the form of a separate intergovernmental agreement, if at all. In the end, the latter group's resistance and the UK's blocking tactic led the day, as the Fiscal Compact was adopted as an intergovernmental treaty outside of the EU legal framework.

[17] The difference is significant at the 90 percent confidence level.

Figure 21 Mean influence, by category of network capital



A third factor that systematically predicts the extent of a country's bargaining influence is its centrality in the diplomatic network of member states. States with greater access to information and possessing higher authority, skill, and expertise in the issues under negotiation tend to be viewed as attractive coalitional partners (Naurin 2007; Huhe et al. 2017). In our data, states that rank high on such "network capital" often were among the most influential. As can be seen in Figure 21, the tertile of countries with "high" network capital were less likely to yield ground[18]. By contrast, countries in the lowest tertile, which are least attractive as coalitional partners, also tended to have lower influence. These findings corroborate the conclusion from earlier research, that coalitional dynamics are a central aspect of EU bargaining (Thomson et al. 2006). States that have the resources to play a central role in the creation of coalitions – here measured by their network capital – can use this to their advantage, making other states move closer to their preferences.

It is important to note that network capital is not simply a function of formal power. While many of the EU's larger countries have high network capital, some smaller states outrank their larger peers in terms of network capital. For instance, medium-sized states like Sweden and the Netherlands rank higher than Italy and Spain in terms of network capital (Naurin and Lindahl 2010).

[18] Countries in the "low" tertile have network capital scores below 1.47; those in the "middle" tertile scores between 1.47 and 2.49; and the "high" tertile contains countries with network capital exceeding 2.49. The mean network capital in our sample is 1.52. See Appendix Table E2.

In addition to the factors highlighted here, the results show that countries sharing a position with the Commission were more influential, likely because they benefitted from the Commission's influence, a topic examined in greater depth in Chapter 7. By contrast, we did not find any systematic evidence that bargaining influence was favoured by economic power, holding the Council Presidency, or whether or not a country was a recipient of financial support from the European Stability Mechanism or the IMF.

6.3 Conclusion

Taken as a whole, our research shows that countries had varying success in their efforts at convincing other countries to abandon their positions and join in support of their preferred alternatives. We find that countries that held outlier positions, were members of the Eurozone, and had high network capital were more likely to be influential than countries that tended to hold centrist preferences, were Eurozone non-members, or were less attractive as coalitional partners.

Many of the findings on bargaining influence contrast with the findings in Chapter 5, where we looked at bargaining success defined as preference attainment. This is because the two measures provide insights about two different things: whether a state got the policy it preferred, irrespective of how other states performed in the negotiation (success); or whether a state was able to pull other countries closer to its position, irrespective of whether it was able to attain its preferred policy (influence). The two measures complement each other. By placing the two measures – and their attendant results – side by side can we reach a well-rounded perspective on how these negotiations evolved, which states won out, and in which way.

Sweden's influence in these negotiations (24.8) was on par with the average member state (24.0). Since Sweden generally held a fairly centrist view and stands outside the Eurozone, the main source of its influence in these negotiations is likely to have been its network capital. In a clear testament to Sweden's ability to build diplomatic partnerships in the EU, the country ranks fourth on this variable (Appendix Table E2). Among the examined issues, Sweden exerted the most influence in the negotiations regarding tax coordination within the Fiscal Compact and regarding the involvement of the IMF in the EFSF and the Greek bailout program. In the latter two cases, Sweden was part of coalitions that managed to negotiate their preferred outcomes, despite being outnumbered by larger coalitions with opposing preferences, which is an indication of influence as it is defined here.

7 How influential was the Commission?

The analysis thus far has focused on the interaction between member states. In this chapter, we expand the analysis to include the most important supranational actor, the European Commission, the EU's supranational executive, vested with significant formal powers of agenda-setting, implementation, and enforcement. Did the Commission exert an independent influence on the design of the policies put in place in response to the Eurozone crisis, and if so, what made member states susceptible to its influence?

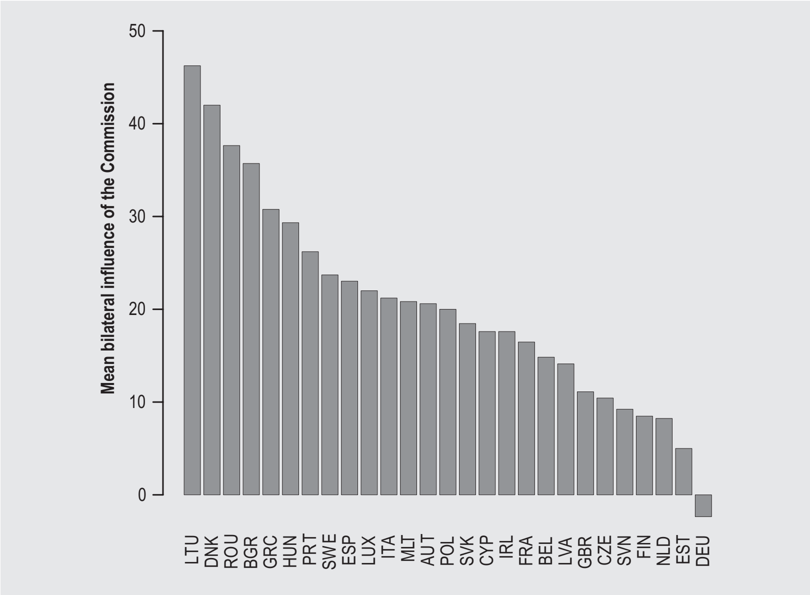
7.1 How influential was the Commission in convincing states?

In the previous chapter, we defined *bargaining influence* of an actor on a given issue as its ability to pull the outcome closer to its ideal policy, relative to the outcome expected on the basis of an intergovernmental compromise model, which considers the distribution of preferences among member states and their relative voting power. In this chapter, we make two amendments to this definition. First, we focus on *supranational bargaining influence* exerted by the Commission. The Commission is viewed as having high influence when it manages to pull the outcome closer to its ideal, compared with the outcome forecasted in an intergovernmental bargaining model (Achen 2006; Banfield 1961; Van den Bos 1991). Second, we extend the influence measure to allow for an investigation of influence on a bilateral basis. Calculated as the net bargaining influence between two actors on a given issue, bilateral influence is high for actors that extract concessions and low for those that yield ground when others are influential.

Our approach contrasts with existing approaches to measuring the Commission's influence in three ways (cf. Moravcsik 1998; Tallberg 2002; Pollack 2003; Kreppel and Oztas 2017). First, while accounting for the Commission's formal privileges, it emphasizes informal influence flowing from, for example, its ability to construct focal points for bargaining (Pollack 1997). Second, while earlier research has treated supranational influence as a question of the Commission versus the collective of member states, we assess the Commission's bilateral influence vis-à-vis individual member states. Third, while earlier research has tended to stress Commission influence in the agenda-setting phase of EU policy-making, where it is considered to be largest (Pollack 2003; Nugent and Rhinard 2019), we focus on the Commission's chances of getting its way in the final phase of decision-making.

Calculations presented in detail in Lundgren et al. (2019b) show that the Commission was the most influential of all in these negotiations, exceeding all member states and other supranational institutions, such as the European

Figure 22 Mean influence of the Commission vis-à-vis individual member states



Central Bank or the European Parliament. This suggests that the Eurozone reforms were not merely a battle between debtor and creditor countries, as the conventional narrative holds, but that the EU's supranational actors, and especially the Commission, played a central role in how these reforms were designed and decided.

Another key finding in our research is that the Commission's ability to exert bilateral influence varies across member states. As can be seen in Figure 22, which reports the average bilateral influence of the Commission vis-à-vis each member state, the differences are quite marked. Among the states that were least receptive to Commission influence, we find Estonia (5), the Netherlands (8), Finland (8), and Slovenia (9). We also see that the Commission tended to be more influential vis-à-vis the largest debtor states – Greece (26), Portugal (23), Spain (18), Italy (18), and Ireland (14), compared to the largest creditor states – Germany (-3), the Netherlands (8), Finland (8), France (16), and Austria (21) – in the Eurozone. Only one member state, Germany, has a negative bilateral influence score, indicating that it was the only state that managed to move the Commission closer to its own preferred outcomes on average.

7.2 Why was the Commission influential?

Our analysis points to one key condition that influences the scope and direction of the Commission's overall supranational influence. Figure 23 presents the average

Figure 23 Mean influence of the Commission, by decision-making procedure

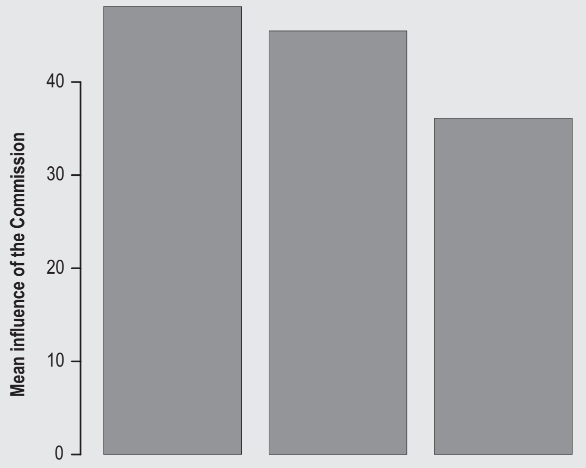
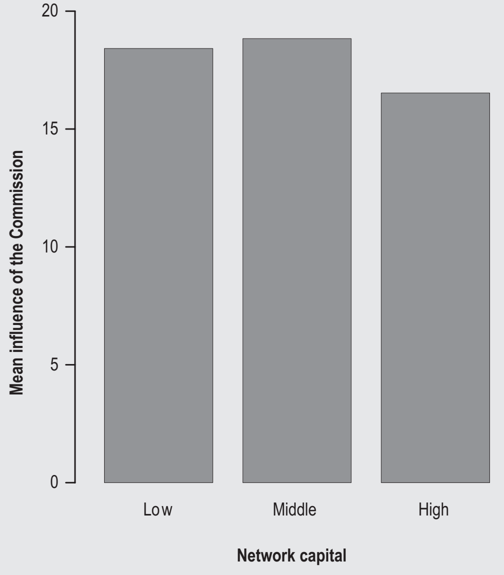


Figure 24 The Commission's bilateral influence vis-à-vis member states, by category of network capital



influence of the Commission across different decision-making procedures. We find that the Commission has a higher influence on decisions reached via procedures that award it a larger formal role. The Commission's influence is the highest on issues adopted via the OLP, is somewhat lower for the SLP, and is lowest for Intergovernmental Agreement (IA), where the Commission has considerably weaker formal prerogatives.

As a next step, we examine why member states were varyingly susceptible to the influence of the Commission, seeking to identify the countries that made disproportionate concessions to let the Commission emerge as the most influential actor overall. Within a multivariate framework, we examine a range of explanations (Appendix Table F1), identifying three factors that help us understand which member states yield ground when the Commission is influential in EU decision-making.

The first factor that emerges as important in our research is network capital. Already in Chapter 6, we noted that states that had high network capital and were viewed as attractive coalition partners by other states were more influential in the Eurozone reform negotiations. It appears that network capital also makes states more resistant to the Commission's informal influence. As shown in Figure 24, where we divide states into three same-sized groups depending on their network capital, there is an association between network capital and the Commission's influence. The Commission's influence over states in the tertile with "high" network capital is somewhat lower than on those in the "low" tertile. One interpretation of these data is that states with fewer potential cooperating partners are less able to gain information and build negotiation coalitions, making them more dependent on the expertise and support provided by the Commission.

A second factor that emerges as important in shaping the Commission's bilateral influence is a state's dependence on European-level solutions and assistance. We created a *policy vulnerability* index, which views a country's economic and financial exposure as a proxy for its dependence on joint EU solutions[19]. Figure 25 illustrates how states that rank highly on this index are more susceptible to the Commission's influence than other states, likely on account of their greater dependence on the European-level solutions. This is in line with conventional negotiation theory: states that have fewer secure, no-deal options tend to bargain from a position of weakness, making them more likely to accept deals even though they do not match their preferences because the consequences of a no-deal outcome are worse.

[19] The measure is described in detail in Lundgren et al. (2019b). It assumes that countries with a large banking sector (measured as financial sector liabilities per GDP) are more exposed to EU financial regulations; that countries with higher debts (measured as debt per GDP) are more exposed to fiscal discipline measures; and that recipients of fiscal transfers from the ESM and the EFSM are more dependent on the design of transfer policies.

Figure 25 The Commission's bilateral influence vis-à-vis member states, by category of policy vulnerability

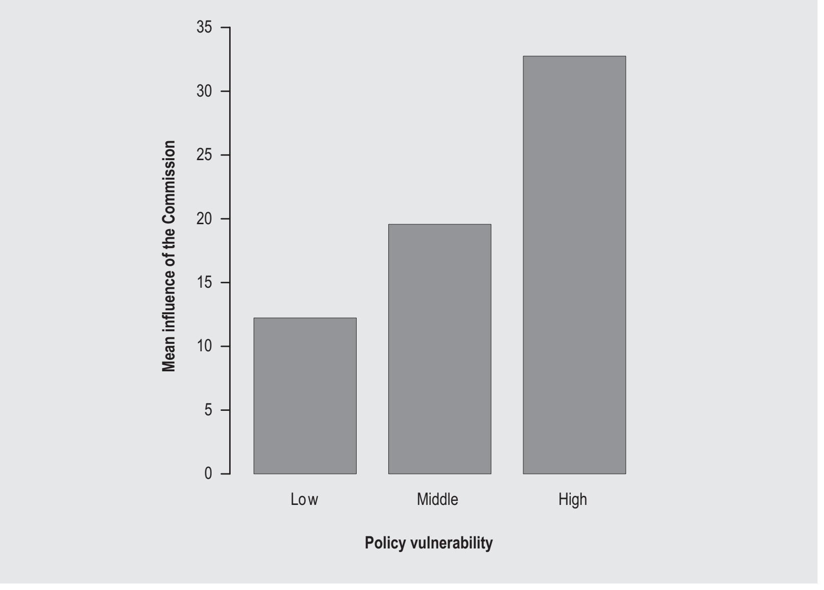
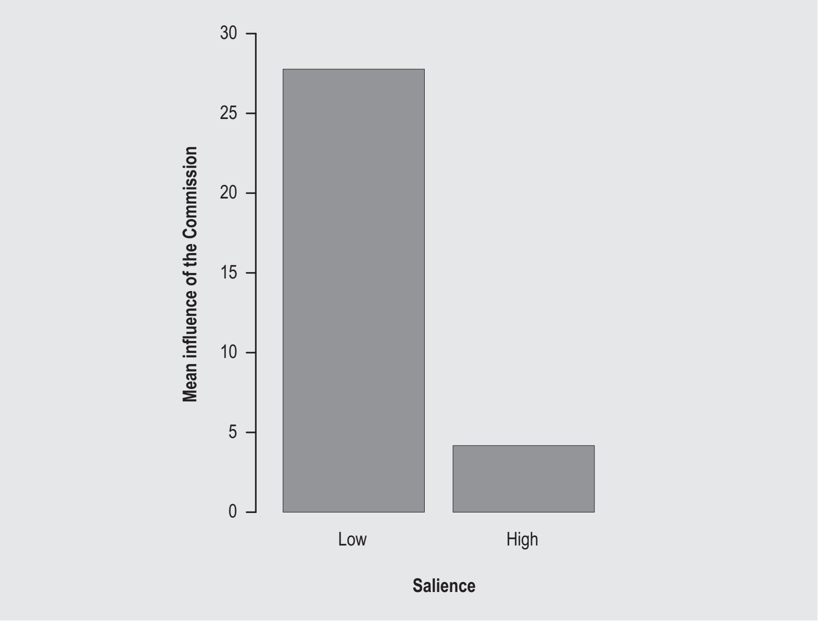


Figure 26 The Commission's bilateral influence vis-à-vis member states, by salience of preference



Finally, a third factor that determines the extent of the Commission's bilateral influence is how deeply a state cares about a given policy outcome. The researchers collecting the *EMU Positions* data asked experts to assign the *salience* of each member state's preferences on each issue on a scale from 0 to 10, with higher scores indicating that it attached a higher weight and political importance to the issue. Combining these data with our measure of the Commission's influence, Figure 26 illustrates the influence of the Commission across two salience categories. The first category ("low") contains member state preferences that were coded as less salient; the second contains preferences that were more salient ("high"). A comparison of the influence scores across these categories indicates that the Commission exerted greater influence over countries on the issues where they had less salient preferences. This finding is consistent with the literature: all else being equal, actors tend to be more reluctant to make concessions on issues that are highly salient to them (Arregui and Thomson 2011). In our specific context, the difference observed between the two groups suggests that for issues on which they have less salient preferences, countries are less likely to devote political resources, making them more likely to rely on information from the Commission and therefore less able (or interested) to push back against its proposals.

7.3 Conclusion

Our examination of the Commission's influence yields three key findings:

1. The Commission was highly influential in the reform of the Eurozone. The supranational executive exerted more influence over the negotiated reforms than any other actor, member state or institution.
2. While all member states yielded ground as the Commission pursued its own preferences, some states compromised more than others. Specifically, the Commission exerted the most bilateral influence in relation to Lithuania, Denmark, and Romania, and the least bilateral influence vis-à-vis Germany, Estonia, and the Netherlands.
3. Some conditions systematically make member states more or less susceptible to supranational influence. When states are more attractive as coalition partners, are less dependent on European-level solutions, and attach more importance to the issues under negotiation, they yield less ground to the Commission.

These findings indicate that the Commission has opportunities to exert considerable influence. While analyses show that these opportunities are not exclusive to crises (Lundgren et al. 2019b), they may be particularly pronounced in such situations. This conclusion contrasts with conventional accounts of the Commission as an honest broker assisting negotiations between governments. They underline how the Commission's policy expertise enabled it to promote its particular interests in a time of crisis that left many member states struggling to develop well-prepared policy preferences.

Sweden ranks among the countries that were comparatively more susceptible to the Commission's influence, as measured here. Given that Sweden has high network capital and was not particularly dependent on a European-level solution (its policy vulnerability is below average), the key explanation likely lies in salience. As a Eurozone non-member, Sweden attached less importance to these negotiations than the average member state, which may have made it more likely to agree to Commission proposals even though it had advocated a different solution at the outset.

8 Conclusion

The reform of the Eurozone over the years 2010 to 2015 likely constituted the most far-reaching increase in European integration in modern times. In this report, we have explored two central themes related to this development: preference formation and interstate bargaining. These themes may be conceived of as two sequential stages in the development of EU policy on any given reform issue. During the first stage, states develop national interests, taking into consideration the concerns of domestic governmental and societal actors. In the second stage, states bargain to defend these interests in negotiations with other parties, leading to agreements on new policies. Together, these two stages capture well the political dynamics that helped to produce the deepening of EU economic and monetary cooperation over this period.

8.1 Summary of findings

The report presents three principal findings on the formation of state preferences regarding the reform of the Eurozone:

1. Member states varied extensively in the extent to which they formed preferences on the issues under negotiation. While countries such as Austria, Germany, France, Finland, Italy, and the Netherlands had preferences on all or almost all issues, countries such as Bulgaria, Denmark, Hungary, Latvia, Lithuania, and Romania only had preferences on slightly more than half of all issues. Preference formation was shaped by a combination of economic, institutional, and political factors. States with more vulnerable financial sectors were less likely to form preferences, as were states with weaker cabinets and stronger parliaments. Moreover, membership in the Eurozone mattered: "euro ins" were more likely to take a stand on these issues than "euro outs", for which these issues likely were perceived as less existential and less legitimate to have an opinion about. States in which the domestic political opposition became stronger during the course of the crisis were also more likely to form preferences, indicating the impact of domestic political pressure.
2. Member state preferences on the proposals for dealing with the crisis varied along the spectrum from more to less integration-oriented solutions. The countries that most often advocated solutions implying further integration were Luxembourg, France, Spain, Cyprus, Italy, and Estonia, while the Czech Republic, Hungary, the UK, Lithuania, Malta, and Denmark most often preferred solutions implying little or no further integration. The main factors explaining whether a member state advocated more or less integration-oriented solutions were its economic interests and Eurozone membership. The more exposed

a state's financial sector, the greater the vulnerabilities to external shocks, and the more it preferred integration-oriented solutions. In addition, Eurozone members were more prone to promoting integration-oriented solutions than non-Eurozone members, likely reflecting differences in interests in European monetary cooperation among these countries.

3. Not all member states had an inclusive preference formation process. In some states, notably Austria, Denmark, Finland, Germany, Spain, and the Netherlands, the process was highly inclusive, involving a broad range of state and societal actors next to the government. In other states, such as Ireland, the Czech Republic, Hungary, Lithuania, Sweden, and the UK, this process was considerably more centralized, only involving a handful of actors and often centred in the Ministry of Finance or the Prime Minister's Office. Inclusive processes were more common among less financially exposed countries, in the Eurozone, and in countries with strong coordinating traditions.

Taken together, these findings suggest that the process of preference formation during the crisis played out very differently in "euro ins" and "euro outs". Eurozone states were more likely to develop preferences on the issues of negotiation, to advocate solutions involving further European integration, and to arrive at these preferences through domestically inclusive processes. In contrast, non-Eurozone states were more likely not to form preferences on the reform proposals, to argue against further integration when they had preferences, and to arrive at these preferences through domestically exclusive processes with limited consultation with other actors. In addition, the basic organization of the economy (e.g., the size of the financial sector) and political system (e.g., the quality of parliamentary oversight) had important consequences for the formation of state preferences on Eurozone reforms.

Similarly, the report generates three principal findings regarding interstate bargaining in the reform of the Eurozone.

1. Bargaining success, defined as a state's attainment of its preferences, was relatively evenly distributed across the member countries. There were no major differences between Eurozone members and non-members or between countries with different economic weights. This pattern may be due to the EU's well-developed system of compromises in the course of negotiations, or to vulnerabilities emerging from the deep commitments some larger countries had made to the project of European monetary integration. Whether or not a country got what it wanted in these negotiations was mainly determined by the position of its preference relative to other countries and the Commission. States that held a preference far from the mainstream and the Commission

were more likely to experience failure, while states whose preferences were positioned at the centre and close to the Commission were more successful in attaining their goals. These dynamics were reinforced during the ordinary legislative procedure when qualified majority voting allowed for the isolation of outliers and the Commission enjoyed greater formal privileges.

2. In contrast, bargaining influence, defined as a state's ability to pull others toward its own preferences, varied considerably across the member countries. States that were especially successful in convincing others – or in resisting persuasion – were the Czech Republic, Germany, Finland, the Netherlands, and Slovenia, while the states that yielded most ground were Denmark, Greece, Lithuania, Portugal, Poland, and Romania. This pattern is due to several factors. States that had outlier preferences, were members of the Eurozone, and were attractive as coalition partners at the EU bargaining level were more likely to be influential than countries that had centrist preferences, were Eurozone non-members, and were less attractive as coalitional partners.
3. The Commission was highly influential in the Eurozone reform process. It exerted more influence over the negotiated reforms than any other actor – whether member state or institution. While all member states except for Germany yielded ground to the Commission, some states compromised more than others. Specifically, the Commission exerted the most bilateral influence in relation to Denmark, Lithuania, and Romania, and the least bilateral influence vis-à-vis Estonia, Germany, and the Netherlands. Certain conditions made member states systematically more or less susceptible to supranational influence. When states were more attractive as coalition partners, were less dependent on European-level solutions, and attached more importance to the issues under negotiation, they tended to yield less ground to the Commission.

Altogether, these findings indicate that interstate negotiations in the reform of the Eurozone produced outcomes with fairly evenly distributed bargaining success. However, the process to get there involved greater compromise on the part of states with more extreme preferences, which had to concede more ground in order to get agreements, and on the part of states with less central preferences in EU level networks, which had fewer partners with which to build coalitions. In addition, these negotiations showed the Commission to be very influential in relation to member states – more so than conventionally assumed in research about interstate bargaining in the EU and the EMU in particular.

8.2 Broader implications

Our findings suggest several important implications for research and policy on EU politics in general, and Eurozone politics in particular.

First, our results indicate that democracy easily becomes short-circuited as member states respond to crisis-driven demands for policy measures. The rapid and often dramatic unfolding of the Eurozone crisis put national governments in a position where they had to respond to crisis pressures with limited time to develop domestically well-grounded national preferences. It was not an ideal environment for inclusiveness and accountability. The development of state preferences was often concentrated in the Ministry of Finance and the Prime Minister's Office, while broad consultation of societal interests, public deliberation over policy alternatives, partisan conflict, and even debates in national parliaments were the exception. In a surprisingly high number of cases, member states did not have or take the time to develop explicit national preferences on these crucial reform issues. The sense of economic necessity in this process not only affected the format of domestic preference formation but possibly also the interests that eventually obtained a hearing. While public opinion appears to have mattered little, the fate of the financial sector factored heavily into state interests (Târlea et al. 2019). Finally, at the European level, the non-majoritarian Commission and the ECB played a central role in resolving the crisis, while democratically elected governments and parliaments, to varying degrees, were less influential.

Second, our findings suggest that plans for further Eurozone reform, such as proposals for a Eurozone budget, a Eurozone finance minister, and a European Monetary Fund, will run up against deep-seated constraints. Agreement among states on further monetary integration is likely to be constrained by the varying domestic economic conditions shaping state interests, such as financial sector exposure and creditor/debtor status (Jones et al. 2016; Târlea et al. 2019). These structural economic conditions are more stable and stickier than political factors such as public opinion or majoritarian relationships in parliament. Differences across member states in economic conditions are therefore likely to have durable constraining effects on future reform. Analyses of patterns of political conflict among member states suggest a further constraint: on issues of Eurozone reform, the member states tend to align along a single continuum from fiscal transfer to fiscal discipline, which reduces the scope for compromise compared to a situation in which there would have been multiple cross-cutting conflict dimensions (Lehner and Wasserfallen 2019). It therefore appears likely that Eurozone reform will continue by way of "failing forward" – only deepening Eurozone governance once the limitations of the existing arrangements have become abundantly clear in a new crisis (Jones et al. 2016).

Third, our results speak to issues of fairness in the construction of the Eurozone. Our findings suggest that these negotiated reform agreements were more evenly balanced across member states than popular accounts typically suggest. While Germany and some other creditor states pulled other states toward their own preferences to a greater extent than others, because they bargained from a position of strength, not even these influential states got what they wanted in the negotiations, since they typically started from outlier positions. In the end, member states enjoyed surprisingly even bargaining success. This pattern is similar in other EU negotiations, indicating that power does not dictate success at the bargaining table in the EU (Arregui and Thomson 2011; Cross 2013). These findings should assuage some fears of a profound lack of fairness in the construction of the Eurozone: while the economic woes of the crisis were certainly unevenly distributed, the steps taken to resolve the crisis reflected a balancing of gains and concessions that left no states as unequivocal winners or losers.

Fourth, our findings show how crisis situations present the Commission with opportunities to exert more influence than typically acknowledged. It has been a common claim in scholarship over recent years that the EU has entered into a period of "new intergovernmentalism", in which member states have re-asserted control over European integration, at the expense of the EU's supranational institutions (Puetter 2014; Bickerton et al. 2015). Moreover, the negotiations to reform the Eurozone are conventionally presented as a battle between debtor and creditor states, with limited attention to the EU's supranational institutions (Brunnermeier et al. 2016; Frieden and Walter 2017). In contrast, we establish that no actor was more influential in this reform process than the Commission, which successfully exploited the crisis to secure support for its own preferred solutions. While member states struggled to develop positions on reform under great time pressure, the Commission entered the negotiations with ready-made proposals for further economic and monetary integration. Its proposals answered to a demand for solutions and presented member states with focal points around which agreements could be constructed. In this respect, the process to reform the Eurozone illustrates how crises present windows of opportunity for the Commission that allow it to influence the course of European integration.

Fifth, our results suggest that Sweden as a non-Eurozone member states faced very particular conditions and consequences. The process to reform the Eurozone involved considerable stakes for Sweden and other "euro outs" as well. Sweden's economy is intimately entwined with the Eurozone and thus affected by its well-being; in addition, Sweden preferred certain institutional solutions to the crisis, typically those that would not involve new financial and regulatory constraints on its part but would still give it a seat at the table and keep the door open to future membership. Yet, the process for arriving at these positions was even less inclusive for Sweden and other "euro outs" than in the Eurozone states, possibly reflecting a sense that these issues were not as politically relevant and salient. Occupying an awkward position both inside and outside the reform negotiations, the Swedish government typically developed policy preferences in-house, without broader political or societal consultations. Its record of success in the actual negotiations was mixed. On the one hand, Sweden was relatively successful in attaining its interests: oftentimes, negotiated outcomes ended up close to what the Swedish government preferred. On the other hand, it was less successful than the Eurozone members in actively convincing others of its positions. This pattern suggests an element of luck on the part of Sweden, which was fortunate to see negotiations end in solutions it preferred, without having played a major part in producing those outcomes.

8.3 Lessons for the future

The Euro crisis from 2010 to 2015 may not be the Eurozone's last. Therefore, what are the lessons from this reform process for preference formation and interstate bargaining in the future? Bracketing the numerous economic lessons from the Euro crisis, the analysis suggests five key political take-aways for EU member states:

- Develop a preference on the key reform issues, for the sake of domestic democracy and state influence. Not presenting a preference amounts to a political walk-over, leaving domestic electorates unheard and state concerns neglected in EU negotiations.
- Create the space for inclusive domestic policy debates. While Eurozone issues may appear technical, they are of profound economic and political importance, and thus require societal consultation, public deliberation, and partisan debate.
- Build coalitions with like-minded states. In Eurozone reform, as in other EU negotiations, bargaining power is best achieved in cooperation with others, while lone outliers easily get isolated and are forced into disproportional concessions.
- Work with the Commission to develop proposals for reform. As the single most influential actor, the Commission is an indispensable ally if on your side, but a tough counterpart if it is on the other side.
- Do not wait for a crisis to initiate Eurozone reforms considered necessary. The anchoring of state interests in structural economic conditions means agreement will always be difficult to achieve. Start in time to achieve reforms that not only make economic sense, but also are politically feasible.

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Appendix A: Data description

Appendix Table A1 Issues included in "EMU Positions" dataset

Issue number	Issue code	Year adopted	Package description	Package name
1	BU1	2013	EU cap on bank bonuses: legal v. shareholder-approved	Banking Union
2	BU2	2013	Capital buffers: centralization vs. flexibility	Banking Union
3	BU3	2013	Scope of the SSM: all banks vs. some banks	Banking Union
4	BU4	2013	Double majority for EBA's decisions	Banking Union
5*	BU5	2013	Institutional responsibility for SSM at the ECB	Banking Union
6	BU6	2013	SSM deadlines: speed versus quality	Banking Union
7	BU7	2014	SRM: decision-making powers	Banking Union
8	BU8	2014	SRF build-up and mutualization	Fiscal Transfers
9	BU9	2014	SRF fiscal backstop	Banking Union
10*	EB1	2011	The idea of a mutualization of Eurozone debt	Future Policies
11	EFSF1	2010	Preparedness to issue loan guarantees	Fiscal Transfers
12	EFSF2	2010	IMF involvement	Austerity
13	EFSF3	2010	Enhancement of the EFSF's effective capacity	EU financial governance (integration)
14	EFSF4	2011	Allowing the EFSF to use additional instruments	EU financial governance (integration)
15	ESM1	2012	Changing EU treaties	EU financial governance (integration)
16	ESM2	2012	Size of the ESM	EU financial governance (integration)

Issue number	Issue code	Year adopted	Package description	Package name
17	ESM3	2012	Conditionality	EU financial governance (integration)
18*	ESM4	2012	Private sector involvement	EU financial governance (integration)
19	ESM5	2012	Support instruments of the ESM/EFSF	EU financial governance (integration)
20	ESM6	2012	Financing of the ESM	EU financial governance (integration)
21	ESM7	2012	Role of supranational institutions in the ESM	Institutional Change of the EU
22	FC1	2012	Adoption of the fiscal compact	Institutional Change of the EU
23	FC2	2012	Fiscal compact adopted by treaty change	Institutional Change of the EU
24*	FC3	2012	The legal form of the debt brake	Institutional Change of the EU
25	FC4	2012	The role of the ECJ in the fiscal compact	Institutional Change of the EU
26	FC5	2012	The role of the EC in the fiscal compact	Institutional Change of the EU
27	FC6	2012	The participation of non-Euro members at the Euro Summit	EU Financial governance (integration)
28	FC7	2012	The purpose of the fiscal compact	Institutional Change of the EU
29	FC8	2012	Tax policy coordination	Institutional Change of the EU
30	FC9	2012	Incorporation into EU Treaties	Institutional Change of the EU
31	G1	2010	Initial willingness to support Greece (Bailout I)	Austerity
32	G2	2010	The First Greek Program: ad hoc vs. systematic	Austerity
33	G3	2010	The IMF involvement in the First Greek Program	Austerity
34*	G4	2012	Debt relief in the Second Greek Package	Austerity

Issue number	Issue code	Year adopted	Package description	Package name
35	PR1	2015	Short-term ambitions for the fiscal union	Future Policies
36	PR2	2015	Potential redistribution within the fiscal union	Future Policies
37	PR3	2015	Political accountability	Future Policies
38	PR4	2015	Social policy integration	Future Policies
39	SP1	2011	Suspension of Council voting rights for SGP non-compliant member government	Austerity
40	SP2	2011	Withholding EU funds to deficit countries	Austerity
41	SP3	2011	The blocking of SGP sanctions by reversed qualified majority	Austerity
42*	SP5	2011	Six-Pack rules on "good" or "bad" debts	Austerity
43*	SP6	2011	Six-Pack – asymmetry of macroeconomic imbalances	Austerity
44	TP1	2013	Redemption fund in Two-Pack	Fiscal Transfers
45	TP2	2013	Pre-approving budgets by the Commission	Institutional Change of the EU
46	TP3	2013	Independent macro-economic forecasts	EU financial governance (integration)

Notes: The dataset contains policy positions of 28 member states and 6 EU institutions on 46 contested policy issues pertinent to EU fiscal integration and governance that were debated during the 2010 to 2015 period. The analysis in Part I builds on 40 of these 46 issues, as we select 40 of the 46 issues in the data set that share an underlying integration dimension; the content of the seven deleted issues marked with an asterisk do not conform to this unified scale. Hence, they were deleted from our analysis (see also Târlea et al. 2019). This implies that the numbering of the issues in the table is not always consecutive. The analysis in Part II builds on the 39 issues that resulted in collective agreement (see Lundgren et al. 2019a and 2019b).

Appendix Table A2 Issues included in the "EMU Formation" dataset

Issue ID	Description	Maximum value of actor positions	Minimum value of actor positions	Year adopted	Package
G1	Initial willingness to support Greece (Bailout I)			2010	Greece
SP3	The blocking of SGP sanctions by reversed qualified majority	100 = Supports the introduction of the reversed qualified majority mechanism.	0 = Opposes the introduction of the reversed qualified majority mechanism (i.e., supports the status quo)	2011	6/2pack
ESM2	Size of the ESM	100 = expansive = ESM effective lending capacity = larger than 500 billion Euros, at best 1000 billion Euros or even more.	0 = restrictive = ESM effective lending capacity at maximum 500 billion Euros (same size as combined EFSF (440 billion) + EFSM (60 billion));	2012	ESM
FC3	The legal form of the debt brake	100 = Constitutional level.	0 = Ordinary legislation	2012	Fiscal Compact

Notes: The selection of issues is based on the EMU Positions dataset issues described in Appendix Table A1.

Appendix Table A3 Coding sheet for actors involved in the inclusiveness measure

	Position (0 to 100)	Influence (0 to 100)
Head of government		
Economics ministry		
Finance ministry		
Ministry of EU affairs		
Other ministry? If yes, which one:		
National parliament (majority of MPs)		
Party [Name]:		
Party [Name]:		
Party [Name]:		
Parliamentary committee on: Constitutional committee		
Parliamentary committee on		
National Supreme Court		
National Central Bank		
Bank [Name or type]:		
Bank [Name or type]:		
Interest Group [Name or type]:		
Interest Group [Name or type]:		
Interest Group [Name or type]:		
Media [Name or type]:		
Media [Name or type]:		
Public opinion/polls:		
European Central Bank		
European Council		
European Commission		
European Parliament		
Eurogroup		
EFC / Eurogroup Working Group		
IMF		
Can you think of any other? Other supranational or international actor:		
Can you think of any other? Other EU government? If yes, which one:		
Can you think of any other? Non-EU government? If yes, which one:		

Source: EMU Formation dataset.

Appendix Table A4 ISO country codes

Country	ISO code
Austria	AUT
Belgium	BEL
Bulgaria	BGR
Croatia	HRV
Cyprus	CYP
Czechia	CZE
Denmark	DNK
Estonia	EST
Finland	FIN
France	FRA
Germany	DEU
Greece	GRC
Hungary	HUN
Ireland	IRL
Italy	ITA
Latvia	LVA
Lithuania	LTU
Luxembourg	LUX
Malta	MLT
Netherlands	NLD
Poland	POL
Portugal	PRT
Slovakia	SVK
Slovenia	SVN
Spain	ESP
Sweden	SWE
United Kingdom	GBR

Appendix B for Chapter 2

Appendix Table B1 Variable descriptions

Variable	Measurement	Source
EMU membership	Member of the euro area (0=no, 1=yes)	Eurostat. (2016). Glossary: Euro area enlargements. Retrieved from http://ec.europa.eu/eurostat/statistics-explained/index.php/Glossary:Euro_area_enlargementshttp://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=demo_gind&lang=en
Cabinet power	Central government cabinet power, index on a scale from 0-3. One point for each existing prime minister power. Consists of right to appoint (i) and dismiss (ii) ministers, and ministers being parliamentary accountable through the PM only (iii).	Source: Andersson, Staffan; Bergman, Torbjörn & Ersson, Svante (2014). "The European Representative Democracy Data Archive, Release 3". Main sponsor: Riksbankens Jubileumsfond (In2007-0149:1-E). [www.erdda.se]
Parliamentary power index	Parliamentary power, index on a scale from 0-3	Source: Thomas Winzen
Opposition party influence	Mean of interview responses for each country (-1 to 1) on the question: Could you tell us whether the role of the MPs of the most important opposition party in influencing the national government in EU affairs became stronger, weaker or stayed the same from 2010 and 2015? Stronger (1), weaker (-1) or the same (0)?	EMU Formation
Issue importance	Count of members that took a position on the issue.	EMU Position
Financial sector liabilities	Total financial sector liabilities non-consolidated in 100 units of a national currency as share of GDP	Eurostat. (2017). Total financial sector liabilities, by sub-sectors, non-consolidated – % of GDP [tipsfs11]. Retrieved from http://ec.europa.eu/eurostat/tgm/table.do?tab=table&init=1&plugin=1&language=en&pcode=tipsfs11
Long-term interest rates	Long-term interest rate spread over German bonds (percent) (value at 1 July). Percentages per year; period averages; secondary market yields of government bonds with maturities of close to 10 years.	European Commission DG Regio Datawarehouse C3.

Appendix Table B2 Regression analysis of preference formation

	(1)	(2)	(3)
Economic factors			
Financial sector exposure	1.000**	1.000**	1.000**
	(0.000)	(0.000)	(0.000)
Long-term interest rates	0.920***	0.913***	0.922***
	(0.023)	(0.023)	(0.023)
Institutional factors			
EMU membership	6.792***	1.794	6.986***
	(1.683)	(1.187)	(1.760)
Cabinet power	1.314**	1.018	1.347**
	(0.161)	(0.174)	(0.169)
Parliamentary power	0.643**	0.623**	0.630**
	(0.141)	(0.136)	(0.141)
Political factors			
Opposition party influence	2.075***	2.008***	1.537*
	(0.431)	(0.419)	(0.380)
Issue importance	1.260***	1.262***	1.262***
	(0.022)	(0.022)	(0.022)
Interaction terms			
EMU membership * cabinet power		1.543**	
		(0.310)	
EMU membership * opposition party influence			2.144** (0.733)
Number of observations	1092	1092	1092
Bayesian Information Criterion	898.268	900.553	900.200

Notes: Exponentiated coefficients (Odds Ratios); Standard errors in parentheses. Significance levels: * p<.10, ** p<.05, *** p<.01. Results from cross-nested logistic regression models using an MLE estimator. Random effects share a common variance and are allowed to be correlated within reform issues (see Appendix Table A1 for a list of issues). Interaction effect plots are available from the authors upon request.

Appendix Table B3 Decision-making procedures by issue

Issue Code	Description	Decision-making procedure
BU1	EU cap on bank bonuses: legal v. shareholder-approved	Ordinary legislative procedure
BU2	Capital buffers: centralization vs. flexibility	Ordinary legislative procedure
BU3	Scope of the SSM	Special legislative procedure
BU4	Double majority for EBA's decisions	Special legislative procedure
BU5	Institutional responsibility for SSM at ECB	Unanimity (Council)
BU6	SSM deadlines: speed versus quality	Special legislative procedure
BU7	SRM: decision-making powers	Ordinary legislative procedure
BU8	SRF build-up and mutualization	Ordinary legislative procedure
BU9	SRF fiscal backstop	
EFSF1	Preparedness to issue loan guarantees	Unanimity (Council)
EFSF2	IMF involvement	Unanimity (EuroGroup)
EFSF3	Enhancement of the EFSF's effective capacity	Unanimity (EuroGroup)
EFSF4	Allowing the EFSF to use additional instruments	Unanimity (EuroGroup)
ESM1	Changing EU treaties	Unanimity (Council)
ESM2	Size of the ESM	Unanimity (EuroGroup
ESM4	Private sector involvement	Unanimity (EuroGroup)
ESM5	Support instruments of the ESM/EFSF	Unanimity (EuroGroup)
ESM6	Financing of the ESM	Unanimity (EuroGroup)
ESM7	Role of supranational institutions in the ESM	Unanimity (EuroGroup)
FC1	Adoption of the fiscal compact	Unanimity (Council)
FC2	Fiscal compact adopted by treaty change	Unanimity (intergovernmental treaty)
FC3	The legal form of the debt brake	Unanimity (intergovernmental treaty)
FC4	The role of the ECJ in the fiscal compact	Unanimity (intergovernmental treaty)
FC5	The role of the EC in the fiscal compact	Unanimity (intergovernmental treaty)
FC6	The participation of non-Euro members at the Euro Summit	Unanimity (intergovernmental treaty)

Issue Code	Description	Decision-making procedure
FC7	The purpose of the fiscal compact	Unanimity (intergovernmental treaty)
FC8	Tax policy coordination	Unanimity (intergovernmental treaty)
G1	Initial willingness to support Greece (Bailout I)	Unanimity (Council)
G2	The First Greek Program: ad hoc vs. systematic	Unanimity (Council)
G3	The IMF involvement in the First Greek Program	Unanimity (Council)
G4	Debt relief in the Second Greek Package	Unanimity (EuroGroup)
SP1	Suspension of Council voting rights for SGP non-compliance	Unanimity (Council)
SP2	Withholding EU Funds to deficit countries	Ordinary legislative procedure
SP3	The blocking of SGP sanctions by reversed qualified majority	Ordinary legislative procedure
SP5	Six-Pack rules on "good"' and "bad" debts	Ordinary legislative procedure
TP1	Redemption fund in Two-Pack	Ordinary legislative procedure
TP2	Pre-approving budgets by the Commission	Ordinary legislative procedure
TP3	Independent macro-economic forecasts	Ordinary legislative procedure

Notes: As our analysis does not include all issues in the Master dataset, the numbering of issues is not always consecutive (see Table A1).

Appendix C for Chapter 4

Appendix Table C1 Variable descriptions

Variable	Measurement	Source
Trust in domestic government	Percentage of citizens who answered “Tend not to trust” on the question: “For each of the following institutions, please tell me if you tend to trust it or tend not to trust it? - National Government”.	European Commission: Eurobarometer 71.3 (Jun-Jul 2009), Eurobarometer 73.4 (May 2010), Eurobarometer 75.3 (May 2011), Eurobarometer 77.3 (May 2012), Eurobarometer 79.3 (May 2013), Eurobarometer 82.3 (November 2014), Eurobarometer 83.3 (May 2015). TNS OPINION & SOCIAL, Brussels [Producer]. GESIS Data Archive, Cologne. ZA4971 Data file Version 4.0.0, doi:10.4232/1.11756
General election year	General election taking place (0=no, 1=yes)	Döring and Manow (2019).

Notes: Variable descriptions on EMU membership, cabinet power, parliamentary power index, financial sector liabilities, and long-term interest rates in Appendix Table B1.

Appendix Table C2 Regression analysis of inclusiveness (number of actors)

	(1)	(2)	(3)	(4)
Economic factors				
Financial sector exposure	1.000***	1.000***	1.000***	1.000***
	(0.00)	(0.00)	(0.00)	(0.00)
Long-term interest rates	0.985	0.983	0.978	0.987
	(0.02)	(0.02)	(0.02)	(0.02)
Institutional factors				
EMU membership	1.801***	1.151	17.230***	1.984***
	(0.13)	(0.20)	(6.19)	(0.21)
Cabinet power	0.942	0.804**	0.958	0.942
	(0.04)	(0.07)	(0.03)	(0.04)
Parliamentary power	1.077	1.068	2.595***	1.064
	(0.07)	(0.07)	(0.43)	(0.06)
Political factors				
Trust in domestic government	1.002	1.003	1.004	1.003
	(0.01)	(0.01)	(0.00)	(0.01)
General election year	0.874	0.874	0.842	1.096
	(0.12)	(0.10)	(0.10)	(0.23)
Interaction terms				
EMU membership * Cabinet power		1.227***		
		(0.09)		
EMU membership * Parliamentary power			0.340***	
			(0.06)	
EMU membership * General election year				0.682**
				(0.11)
N	100	100	100	100
BIC	626.935	623.579	609.735	623.907

Notes: Exponentiated unstandardized coefficients. Standard errors in parentheses. Significance levels: * p<.10, ** p<.05, *** p<.01. Single-level count models with cluster-robust standard errors at the level of issues. See Appendix Table A2 for a list of issues. Interaction effect plots are available from the authors upon request.

Appendix D for Chapter 5

Appendix Table D1 Variable descriptions (also covers Chapter 6)

Variable	Measurement	Source
Bargaining success	0–100; Higher values indicate higher preference attainment.	Calculated from Wasserfallen et al. (2019)
Centrality	Proximity to the mean member preference (0–100, where 100 is the maximum).	Calculated from Wasserfallen et al. (2019)
Commission coalition	1 if member held the same position as the European Commission; 0 otherwise.	Calculated from Wasserfallen et al. (2019)
GDP	Average nominal GDP, 2010–2014, in billions of Euros.	Eurostat (2017)
Network capital	Measure of depth of diplomatic network within the EU.	Naurin (2007)
Presidency	1 if country held the rotating Council Presidency; 0 otherwise.	Council of the EU (2017)
Issue importance	Count of members that took a position on the issue.	Wasserfallen et al. (2019)
Euro area	1 for members of the Eurozone; 0 otherwise.	Wasserfallen et al. (2019)
Aid program	1 if recipient of ESM or IMF aid.	ESM and IMF data (2017)
Budget deficit	Budget deficit as share of GDP.	Eurostat (2017)
Spread	Long-term interest rate spread over German bonds (per cent).	Wasserfallen et al. (2019)
OLP	1 for issues decided under the ordinary legislative procedure (qualified majority voting)	Wasserfallen et al. (2019)
EU skepticism	Percentage of citizens who answered “A bad thing” on the question: “Do you think membership of the EU is…”	Eurobarometer (2009, 2010)
Parliamentary Power Index	0–3; Summarizing 3 dimensions (information, processing, enforcement) of national parliamentary control in EU affairs.	Winzen (2012)
Bargaining fragmentation	Number of parties in national parliament, weighted by size.	Andersson et al. (2014)
Preference salience	0–10; Higher values signify more intense preferences.	Wasserfallen et al. (2019)

Appendix Table D2 Regression analysis of bargaining success						
	(1)	**(2)**	**(3)**	**(4)**	**(5)**	**(6)**
Centrality	0.31***	0.02**	0.21**	0.42***	0.51***	0.03***
	(0.08)	(0.01)	(0.09)	(0.08)	(0.10)	(0.01)
Commission coalition	38.41***	2.96***	39.89***	25.78***	29.74***	3.01***
	(3.10)	(0.33)	(3.21)	(4.03)	(3.84)	(0.48)
GDP	-0.003	-0.001*	-0.003	-0.003	-0.01*	-0.001*
	(0.003)	(0.0004)	(0.003)	(0.003)	(0.01)	(0.001)
Network capital	3.34	0.72**	3.48	3.15	7.35*	1.13**
	(3.12)	(0.34)	(3.12)	(3.08)	(4.22)	(0.55)
Presidency	0.27	0.47	-0.06	-1.89	-2.63	0.09
	(6.60)	(0.72)	(6.60)	(6.52)	(7.50)	(0.95)
Issue importance	0.16	-0.09	0.39	0.51	0.41	-0.09
	(0.60)	(0.07)	(0.64)	(0.62)	(0.97)	(0.12)
Euro area	-1.53	-0.07	-1.53	-2.93	5.07	0.74
	(3.60)	(0.38)	(3.60)	(3.56)	(5.25)	(0.67)
Aid program	4.18	0.12	3.99	4.07	2.56	0.09
	(4.65)	(0.54)	(4.65)	(4.58)	(5.73)	(0.79)
Budget deficit	-0.11	0.02	-0.09	-0.09	0.24	0.08
	(0.39)	(0.04)	(0.39)	(0.39)	(0.52)	(0.06)
Spread	-0.36	0.02	-0.29	-0.30	0.22	0.13
	(0.48)	(0.05)	(0.48)	(0.47)	(1.10)	(0.14)
OLP			-23.58*	-19.23**	-5.77	0.03
			(12.50)	(7.57)	(9.75)	(1.26)
Centrality × OLP			0.28*			
			(0.16)			
Com. coal. × OLP				28.94***		
				(6.11)		
Parliamentary power					1.54	0.47
					(2.71)	(0.33)
EU skepticism					0.16	0.01
					(0.25)	(0.03)
Bargaining fragmentation					0.57	0.15
					(1.01)	(0.13)
Preference salience					0.58	-0.05
					(0.83)	(0.10)
Constant	13.73	-2.47	16.14	9.16	-15.00	-5.64*
	(14.37)	(1.64)	(14.63)	(14.04)	(22.48)	(2.91)
Observations	620	620	620	620	376	376
Log Likelihood	-3,001.98	-233.36	-2,998.12	-2,985.12	-1,789.81	-130.57
AIC	6,029.96	490.73	6,026.24	6,000.24	3,615.61	295.13

Notes: Multilevel models with random effects for issues. Models 1, 3, 4, and 5 are linear models; Models 2 and 6 logistic. Standard errors in parentheses. *p<0.1; **p<0.05; ***p<0.01.

Appendix E for Chapter 6

Appendix Table E1 Regression analysis of bargaining influence

	(1)	(2)	(3)	(4)
Centrality	-1.34^{***}	-1.30^{***}	-1.26^{***}	-1.32^{***}
	(0.10)	(0.12)	(0.10)	(0.14)
Commission coalition	44.88^{***}	43.88^{***}	35.24^{***}	46.21^{***}
	(3.99)	(4.15)	(5.24)	(5.42)
GDP	-0.01^{**}	-0.01^{**}	-0.01^{*}	-0.02^{**}
	(0.005)	(0.004)	(0.004)	(0.01)
Network capital	7.95^{**}	7.79^{*}	7.78^{*}	10.29^{*}
	(4.04)	(4.04)	(4.03)	(6.08)
Presidency	-4.13	-3.78	-5.56	-6.66
	(8.53)	(8.53)	(8.53)	(10.81)
Issue importance	0.76	1.07	1.25^{*}	1.23
	(0.73)	(0.79)	(0.74)	(1.11)
Euro area	8.99^{*}	8.87^{*}	7.94^{*}	13.52^{*}
	(4.66)	(4.66)	(4.66)	(7.54)
Aid program	-2.80	-2.27	-2.64	-4.81
	(6.01)	(6.02)	(6.00)	(8.26)
Budget deficit	0.18	0.19	0.21	0.09
	(0.51)	(0.51)	(0.51)	(0.74)
Spread	-0.52	-0.60	-0.50	0.40
	(0.62)	(0.62)	(0.62)	(1.56)
QMV		-1.66	-21.49^{**}	-9.34
		(15.84)	(9.19)	(10.93)
Centrality × QMV		-0.14		
		(0.20)		
Com. coal. × QMV			21.21^{***}	
			(7.96)	
Parliamentary power				6.28
				(3.90)
EU skepticism				0.10
				(0.36)
Bargaining frag.				0.03
				(1.45)
Preference salience				0.18
				(1.16)
Constant	25.63	21.04	19.81	-0.37
	(17.89)	(18.25)	(17.31)	(27.61)
Observations	620	620	620	376
Log Likelihood	-3,156.48	-3,153.03	-3,146.13	-1,915.55
AIC	6,338.96	*6,336.05*	6,322.27	3,867.11

Notes: Multilevel models of bargaining influence with random effects for issues. Standard errors in parentheses. See Appendix Table D1 for variable information. $^{*}p<0.1$; $^{**}p<0.05$; $^{***}p<0.01$.

Appendix Table E2 Mean network capital of countries in sample

Country code	Mean network capital
DEU	3.52
GBR	3.46
FRA	3.3
SWE	2.58
NLD	2.31
DNK	2.14
ESP	1.79
ITA	1.71
FIN	1.6
POL	1.56
CZE	1.46
EST	1.33
HUN	1.17
LTU	1.14
GRC	1.1
SVK	1.1
LVA	1.04
PRT	1
BEL	0.94
AUT	0.83
IRL	0.82
LUX	0.72
SVN	0.56
CYP	0.46
MLT	0.44

Notes: Data from Naurin (2007).

Appendix F for Chapter 7

Appendix Table F1 Variable description

Variable	Coding	Source
General influence	0-100; Higher values indicate higher influence.	Calculated from EMU Positions data (Wasserfallen et al. 2019)
Differentiated influence	-200-200 Higher values indicate higher differentiated influence.	Calculated from EMU Positions data (Wasserfallen et al. 2019)
Network capital	Measure of centrality within the diplomatic network of the EU.	Naurin (2007)
Policy vulnerability	Index of policy vulnerability based on debt per GDP (2013), financial Sector Liability as per cent of GDP (2013), recipient status of transfers.	OECD; Eurostat: Worldbank; European Commission
Salience	0-10; Higher values signify more intense preferences. Missing values imputed.	EMU Positions data (Wasserfallen et al. 2019)
Eurozone member	1 for members of the Eurozone; 0 otherwise.	EMU Positions data (Wasserfallen et al.2019)
Council Presidency	1 if country held the rotating Council Presidency; 0 otherwise.	Council of the EU (2017)
OLP	1 for issues decided under the ordinary legislative procedure; 0 otherwise.	EMU Positions data (Wasserfallen et al. 2019)
SLP	1 for issues decided under the special legislative procedure; 0 otherwise.	EMU Positions data (Wasserfallen et al. 2019)
IA (reference category)	1 for issues decided under intergovernmental agreement procedures; 0 otherwise.	EMU Positions data (Wasserfallen et al. 2019)
COM-EP coalition	1 if COM shared a policy preference with the EP; 0 otherwise.	Calculated from EMU Positions data (Wasserfallen et al. 2019)
COM-ECB coalition	1 if COM shared a policy preference with the ECB; 0 otherwise.	Calculated from EMU Positions data (Wasserfallen et al. 2019)
COM-GER coalition	1 if COM shared a policy preference with Germany; 0 otherwise.	Calculated from EMU Positions data (Wasserfallen et al. 2019)
COM-FRA coalition	1 if COM shared a policy preference with France; 0 otherwise.	Calculated from EMU Positions data (Wasserfallen et al. 2019)

Appendix Table F2 Regression analysis of the Commission's differentiated influence on individual member states

	(1)	(2)	(3)	(4)	(5)	(6)
	Reduced	**Full**		***COM coalition with:***		
			EP	**ECB**	**GER**	**FRA**
Network capital	-3.52*	-4.63**	-5.12**	-4.62**	-4.62**	-4.59**
	(2.05)	(2.15)	(2.50)	(2.15)	(2.15)	(2.15)
Policy vulnerability	2.47*	3.18**	2.71	3.13**	3.17**	3.18**
	(1.46)	(1.52)	(1.72)	(1.52)	(1.52)	(1.52)
Salience	-2.64***	-2.06**	-2.14**	-2.04**	-2.06**	-2.09**
	(0.81)	(0.88)	(0.94)	(0.88)	(0.88)	(0.88)
Eurozone member		-7.49*	-6.18	-7.46*	-7.44*	-7.38*
		(4.42)	(4.94)	(4.42)	(4.42)	(4.42)
Council Presidency		11.99	9.26	12.02	12.02	11.98
		(9.45)	(9.93)	(9.45)	(9.45)	(9.45)
OLP		10.82	10.90	13.45	1.59	6.89
		(22.28)	(23.50)	(22.46)	(23.02)	(22.26)
SLP		17.17	11.04	19.06	9.50	12.38
		(20.11)	(22.70)	(20.21)	(20.63)	(20.24)
COM-EP coalition			7.62			
			(18.40)			
COM-ECB coalition				-16.25		
				(16.49)		
COM-GER coalition					23.78	
					(17.55)	
COM-FRA coalition						-21.92
						(16.97)
Constant	34.92***	25.66	23.27	32.80*	22.95	42.78**
	(9.67)	(16.86)	(20.46)	(18.36)	(16.78)	(21.31)
Observations	702	702	621	702	702	702
Policy Issues	35	35	30	35	35	35
Countries	27	27	27	27	27	27
AIC	7,411	7,387	6,522	7,380	7,380	7,380

Linear, cross-level multilevel models. Random effects for countries and issues. Standard errors in parenthesis. *p<0.1; **p<0.05; ***p<0.01

Appendix G: EMU Choices Project

The EMU Choices project was conducted from 1 July 2015 to 30 June 2019. The project was coordinated by Professor Sonja Punscher-Riekmann at the Salzburg Center for European Union Studies, University of Salzburg. The project was funded through the European Union's Horizon 2020 research and innovation program under grant agreement No. 649532.

The project brought together political scientists from nine partner institutions:

- Central European University
- LUISS "Guido Carli" Rome, Italy
- Stockholm University, Sweden
- University of Basel, Switzerland
- University College Dublin, Ireland
- University of East Anglia, United Kingdom
- University of Grenoble, France
- University of Konstanz, Germany
- University of Salzburg, Austria

The team at Stockholm University consisted of Lisa Dellmuth, Magnus Lundgren, and Jonas Tallberg.

The project analysed the reform of the Eurozone in response to the Euro crisis, focusing on two distinct issues: the formation of national preferences of Eurozone reform, and interstate bargaining over Eurozone reform. The project adopted a mixed-method strategy, consisting of qualitative interviews and analyses, as well as quantitative mapping and analyses of actor preferences and bargaining outcomes.

Next to its scientific findings, the project resulted in three datasets of collective value to the research community: EMU Formation, EMU Positions, and EMU Historical Data.

More information about the project and a complete presentation of its publications can be found at the project web page: https://emuchoices.eu.

Svensk sammanfattning

Reformeringen av euroområdet under åren 2010 till 2015 utgör förmodligen den mest långgående fördjupningen av europeisk integration i modern tid. Under en förhållandevis kort tidsperiod fattade EU:s medlemsregeringar beslut om en rad nya instrument och mekanismer i syfte att stävja eurokrisen och förstärka styrningen av euroområdet. Till dessa hörde de gemensamma låneresurserna för länder i ekonomisk kris (Europeiska finansiella stabiliseringsfaciliteten och Europeiska stabilitetsmekanismen), förstärkningen av stabilitets- och tillväxtpakten genom två reformpaket (sexpacket och tvåpacket), ett nytt fördrag för att framtvinga en bättre balansering av medlemsstaternas budgetar (Fiscal Compact), och nya instrument för att skapa en europeisk bankunion (gemensamma tillsynsmekanismen och gemensamma resolutionsmekanismen).

I denna rapport analyseras den politiska dynamiken bakom denna djupgående reformering av euroområdet. Rapporten fokuserar på två centrala teman: (1) utvecklingen av nationella intressen avseende reformförslagen, (2) de efterföljande förhandlingarna mellan medlemsstaterna på EU-nivå. Analysen i rapporten omfattar tidsperioden 2010 till 2015 och grundas på unik och omfattande data insamlad inom forskningsprojektet "EMU Choices" med forskarlag från nio olika EU-länder (se bilaga G).

Rapporten presenterar tre huvudsakliga slutsatser om framtagandet av nationella intressen avseende euroområdets reformering:

- Trots att euroområdets framtid hade betydelse för alla medlemsstater i EU, prioriterade inte alla regeringar att utveckla nationella intressen i de centrala reformfrågorna. Regeringar i länder som är medlemmar av euroområdet tog i större utsträckning ställning i dessa frågor än regeringar i länder som står utanför euroområdet. Därtill var regeringar allmänt mer benägna att utveckla nationella ståndpunkter i dessa frågor om parlamentet och oppositionen stod förhållandevis starka, och om många andra medlemsstater fann frågorna viktiga.
- Medlemsstaternas nationella intressen formades huvudsakligen av deras ekonomiska och finansiella intressen. Ju mer sårbar ett lands finansiella sektor var, desto mer förespråkade dess regering gemensamma europeiska lösningar. Därtill var medlemsländer inom euroområdet mer benägna att stödja lösningar som innebar fördjupad integration än de länder som står utanför – sannolikt en återspegling av grundläggande skillnader i ländernas syn på europeiskt ekonomiskt samarbete.
- Den inhemska processen för framtagandet av nationella intressen var ofta svag i termer av inkludering av olika politiska och samhälleliga aktörer. De nationella ståndpunkterna tenderade att utvecklas av en handfull aktörer

koncentrerade runt regeringscheferna och finansdepartementen. Denna tendens var särskilt stark i de länder som står utanför euroområdet och i länder med stora finansiella sektorer samt sammanfallande nationella val.

Rapporten utmynnar även i tre huvudsakliga slutsatser avseende förhandlingarna om euroområdets reformering:

- I motsats till vad som ofta görs gällande i den allmänna debatten var medlemsländerna ungefär lika framgångsrika i förhandlingarna, om vi ser till deras förmåga att uppnå de resultat de önskade sig. I detta avseende fanns ingen större skillnad mellan länder med olika ekonomisk tyngd eller mellan länder inom och utanför euroområdet. Huruvida en stat uppnådde sitt önskade resultat berodde framför allt på hur dess intressen var positionerade i förhållande till de intressen som andra medlemsländer och EU-kommissionen förfäktade.
- Men om vi istället ser till medlemsstaternas förmåga att övertyga andra länder om att närma sig deras positioner, framträder andra mönster. Mest framgångsrika i detta avseende var länder som intog ytterlighetspositioner, som var medlemmar i euroområdet och attraktiva koalitionspartners i EU-förhandlingar, som Tyskland.
- EU-kommissionen utövade mer inflytande över reformeringen av euroområdet än någon annan aktör. Vissa länder var mer mottagliga för detta inflytande än andra. Mest benägna att ge efter för kommissionens inflytande var länder som är mindre attraktiva koalitionspartners, som är mer beroende av lösningar på EU-nivå och som ser frågorna i förhandlingarna som mindre viktiga.

Dessa resultat har flera viktiga implikationer för forskning och politik:

För det första finns det en betydande risk att den nationella demokratin kortsluts när medlemsregeringarna försöker möta krisens krav på snabba åtgärder. Den hastiga och dramatiska utvecklingen av eurokrisen försatte nationella regeringar i en position där de var tvungna att snabbt svara på krisen och därför hade begränsade förutsättningar att förankra nationellt intressen brett, med negativa konsekvenser för deltagande och ansvarsutkrävande.

För det andra kommer planer på en ytterligare fördjupning av eurosamarbetet att mötas av djupgående skiljelinjer mellan medlemsländerna. Förutsättningarna att komma överens om ytterligare reformer kommer att begränsas av medlemsländernas skiftande ekonomiska förutsättningar och intressen. Dessa strukturella ekonomiska förhållanden är mer stabila och svårföränderliga än politiska faktorer som offentlig opinion eller partipolitiska styrkeförhållanden.

För det tredje tycks krisen ha haft mindre negativa konsekvenser ur ett rättviseperspektiv än vad som ofta görs gällande, i alla fall om vi ser till fördelningen av förhandlingsmakt. Medan krisens ekonomiska anpassningsbörda fördelades synnerligen ojämnt, innebar de steg som togs för att hantera krisen genom reformer att inga länder blev tydliga vinnare eller förlorare i förhandlingarna.

För det fjärde visade eurokrisen hur krislägen i allmänhet medför särskilda möjligheter för EU-kommissionen att utöva betydande inflytande. Detta mönster går på tvärs mot den ofta förekommande bilden att EU numera befinner sig en ny period av mellanstatlighet. Medan medlemsländerna kämpade för att utveckla nationella ståndpunkter i olika reformfrågor, anlände kommissionen till förhandlingarna med färdiga förslag till reformer, som ofta bildade utgångspunkt för medlemsstaternas överläggningar.

För det femte befann sig Sverige och andra länder utanför euroområdet i en särskild situation i denna reformprocess, eftersom de är beroende av euroområdets stabilitet, men samtidigt inte har samma roll i förhandlingar om dess utveckling. Jämfört med andra EU-länder utvecklade den svenska regeringen nationella ståndpunkter genom en inhemsk process som var mindre inkluderande. Men på EU-nivå var den svenska regeringen förhållandevis framgångsrik i att uppnå dessa intressen, delvis eftersom dess intressen sammanföll lyckosamt med rimliga kompromissförslag.

"The rapid and often dramatic unfolding of the Euro crisis put national governments in a position where they had to respond to crisis pressures with limited time to develop domestically well-grounded preferences, with negative implications for inclusiveness and accountability."

Lisa Dellmuth, Magnus Lundgren & Jonas Tallberg

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