



Negotiating European Economic and Monetary Union

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Abstract Which governments of European Union (EU) member states were most effective in the intergovernmental negotiations on the establishment of the European Economic and Monetary Union (EMU)? In particular, did Germany, France or the UK come out as losing or winning parties compared to their original priorities? What about Italy, Spain and medium-sized EU states, such as the Netherlands? A small data set on government preferences regarding the EMU provides more insights into these questions. On the basis of negotiation analytic tools, utilizing information on preferences and preference intensities, this paper shows that the German government in particular obtained outcomes on EMU that were fairly close to its initial priorities. France also fared well when measured by an analysis that incorporates information on preference intensities. By comparison, a number of smaller EU states, including Denmark, were not as successful and had to concede on quite a number of points.

Keywords EMU, monetary integration, value score, intergovernmental negotiations

1. Introduction

European Economic and Monetary Union (EMU) is a new dimension in international monetary relations, affecting the global economic and financial environment for both public and private actors. After initial pressures on the Euro's exchange rate, EMU's new common currency appears to be fairly stable and have gained a rather strong position in global financial markets. In addition, in economic terms, EMU is likely to have reinforced the integration process of the European Union (EU), as the euro has induced increased price transparency and decreased transaction costs across the EU. Nonetheless, skeptic voices regarding both the structure, and overall desirability, of

EMU still exist.

Why was EMU set up in the first place? How did ideas about monetary integration translate into concrete choices on the political level? Which member-state governments of the then European Community (EC) supported the creation of a monetary union and what priorities did they have regarding the specific institutional and substantive features to be incorporated into EMU?

To many observers, it seems especially paradoxical that Germany – with its Bundesbank widely viewed as a kind of hegemonic actor within the European Monetary System (EMS) – agreed to establish EMU. The potential costs of EMU to Germany, and its ‘patience’ regarding the institutionalization of monetary union, however, might have increased its bargaining leverage in the intergovernmental negotiations. In addition, as treaty revisions in the EC, and later the EU, always required unanimity on the intergovernmental level, and subsequent domestic ratification, the bargaining leverage of smaller and medium-sized states could have been enhanced in the EMU negotiation process.¹

Compared to Germany and other larger EU states, what was the performance level of small and middle-sized EC states in the negotiation process? To what extent did they influence the intergovernmental negotiations and what exactly were their priorities regarding EMU?² How do their initial preferences compare to the final outcomes of the intergovernmental bargaining process?

Positions taken by the various government delegations on EMU are likely to have been representative of prevalent domestic societal interests.³ However, this paper will not study the process of the formation of government preferences regarding EMU, but rather, aim to assess and analyze government priorities as they were carried into the actual negotiation process. This study builds on insights provided earlier in Hosli (2000), but in addition, includes information on actors’ preference intensities in the analysis. Finally, it will incorporate into the calculations a modification regarding measurement of delegations’ preference intensities.

The paper is structured as follows. The next section provides information on the distribution of government preferences with respect to the move from the EMS to EMU, derived from a data collection based on expert interviews. Section III of the paper applies some negotiation analytic techniques to assess the extent to which the bargaining outcomes on EMU reflected the initial preferences of government delegations – particularly regarding issues such

¹E.g. see Martin (1994: 88).

²For a detailed account of the negotiations on EMU, see Dyson and Featherstone (1999).

³Nonetheless, it seems that in Germany, for example, few domestic interest groups actually favored EMU (e.g., Verdun 2002).

as the timing and structure of EMU – by taking information on preferences and preference intensities into account. The final section summarizes and evaluates the main findings of the paper.

2. Government preferences regarding EMU

Information on government preferences regarding various issues negotiated within the EC during the 1980s and 1990s, such as limits on transport fuel emissions, controls on radioactive contamination, and air transport liberalization, is available in the edited volume *European Community Decision Making* by Bueno de Mesquita and Stokman (1994). The book also provides information on government preferences regarding the establishment of EMU and the European Central Bank (ECB), in chapters by van den Bos (1994: 64) and notably, Kugler and Williams (1994: 208–12).⁴ Kugler and Williams provide thorough evaluations of the bargaining processes on EMU, aiming to predict bargaining outcomes on the basis of detailed information on preferences held by a range of influential actors in the EC. The analysis includes governments and supranational actors and utilizes models allowing for preference changes over time.

Van den Bos (1994) describes the ways data have been collected for the de Mesquita and Stokman volume: usually, data were derived by means of expert interviews, with some additional data having been collected on the basis of *Agence Europe*. In the case of expert data, interviewees – usually experts who had been involved in the negotiating process – were asked to locate member states' policy positions on given policy scales. It was understood that assessments would be on an interval scale with a maximum of 100: a distance between points of 60 and 80, for example, was to be equal to the distance between 80 and 100. Similarly, the distance between 10 and 30 was to be twice as large as the distance between, for example, 30 and 40. In the edited volume, bargaining on monetary integration is considered to constitute a special case, as EMU negotiations were conducted in an intergovernmental setting and hence, required unanimity among EC governments instead of a qualified majority.

Generally, governments' policy positions (used interchangeably with 'preferences' in the book), as well as the importance attributed to issues ('saliency'), were assessed by the researchers *ex ante*, i.e. before the respective negotiations set in.⁵ The subsequent analysis will use some of these data.

⁴ Also see Hosli (2000).

⁵ Unfortunately, the exact timing of the expert interviews cannot easily be discerned from either Van den Bos (1994) or Kugler and Williams (1994). However, it appears that, regarding EMU, data on the preferred 'kind of banking arrangement' were collected just before the June–July 1989 European Community (EC) summit meeting in Madrid, and those on the remaining

In addition, it will adopt the authors' assumption that the experts interviewed were indeed able to locate actor ideal points on relevant scales and to provide information on government 'preferences' (instead of, for example, 'policy positions', which could also include actors' strategic considerations). In the Bueno de Mesquita and Stokman volume, different models were then applied in order to replicate the negotiation dynamics and, more specifically, to forecast equilibrium policy outcomes for a range of policy areas. Among the most prominent models in the book, compared to one another in terms of their relative predictive capabilities, are Bueno de Mesquita's expected utility model and an exchange model presented by Stokman and Van Oosten. Both the exchange and the expected utility models are found to provide rather accurate forecasts of the actual negotiation outcomes.⁶

In a contribution regarding possible enhancement of measurement in the de Mesquita and Stokman data collection, Achen (1999) suggests an improvement of information on actor's issue 'salience'. As models need to be invariant to the scales of the measured quantities, data on preference intensities, according to Achen, could profitably be transformed from the original data set by raising them to the power of 3.1.⁷ This transformation of salience scores will be used in this paper along with original scores in order to provide alternative assessments.

Similar to the earlier analysis provided by Hosli (2000), this paper will use some data contained in the de Mesquita and Stokman volume, but with a different goal in mind: of interest here is not the establishment – or refinement – of models aiming to make accurate predictions of bargaining outcomes. Rather, the study aims to assess the extent to which results of the intergovernmental negotiating process reflect the initial preferences held by relevant actors, notably the delegations of EC member states involved in the bargaining process. Hence, the current paper, in correspondence to Hosli (2000), simply aims to establish how close actual negotiation outcomes were to the initial preferences of government delegations, in order to see whose prefer-

'contending issues' (i.e. all other categories) just before the December 1991 meeting in Maastricht.

⁶ However, a transformation of the original 'salience' data, aiming to make them fully invariant to the respective measurement scale, appears to possibly increase the predictive accuracy of simpler models of decision-making compared to more sophisticated models presented in the edited volume (see Achen 1999).

⁷ In the original analysis conducted in the 1994 volume, the scale for the intensity of preferences ranges from 0 to 100, with 50 indicating a 'neutral' position of an actor towards an issue. This method could be somewhat problematic within selected models, however, as the scores may then not fully reflect what they were designed to measure: for example, does 'of vital importance' (raw salience score 100) imply only twice as much impact in calculations as 'neither important nor unimportant' (raw salience score 50)? Accordingly, the top of the measurement scale may need to be 'stretched' relative to the lower sections. Hence, Achen suggests the relationship between measured salience s_{ij} on issue j and theoretical salience s_{ij} should have the form $s_{ij} = s_{ij}^\alpha$, and, on the basis of a statistical exploration, estimates α to be 3.100 (Achen 1999: 11).

ences were most closely mirrored in the design and structure of EMU.

Based on data provided by Van den Bos (1994: 64), table 1 summarizes EC government preferences regarding EMU, presenting original data on preferences as well as (transformed) data on actor salience (indicated simply by original scores being raised to the power of 3.1).

According to Kugler and Williams (1994), the first category of table 1 ('kind of banking arrangement') constituted a major source of contention before the 1989 EC summit meeting in Madrid. In fact, this issue was only fully resolved in the 1991 summit in Maastricht. The other categories for which information is available in table 1 were 'remaining issues', to be resolved in the framework of the final 1991 Maastricht meeting.

In this paper, the figures presented in table 1, and calculations with respect to bargaining 'success' in the intergovernmental negotiations, refer to the actual outcomes as incorporated into the text of the Maastricht Treaty (and not to later developments as regards the actual initiation of EMU).⁸ In general terms, the timing of the EMU institutionalization reflected a battle between proponents of the 'coronation strategy' ('fiscal convergence first') – most importantly Germany, the Netherlands, Luxembourg, the United Kingdom – and the 'locomotive strategy' ('institutionalization first') – France, Italy and Belgium. The Delors Committee, which largely prepared the provisions for EMU, could not agree on a solution for this issue and essentially left it to be dealt with by the Intergovernmental Conference. The plain text of the Maastricht Treaty provisions seems to follow the coronation strategy: a common currency and a common central bank only after the strict fulfillment of the so called Maastricht criteria – that is only after fiscal convergence. In a historical perspective, however, it has to be acknowledged that in 1998, only Luxembourg strictly complied with all of the four fiscal requirements. So at the end, the 'locomotive strategy' prevailed in practice, at least for the core countries of EMU, something the data collected by Kugler and Williams are of course unable to reflect. The data, however, do mirror government preferences on major EMU issues to be negotiated.

In essence, according to the authors, there were six relevant categories in the negotiations encompassing preferences for institutional arrangements and the 'timing' (or transition schedule) for EMU. Evidently, any classification into specific issue categories will simplify the analysis of the bargaining process. Nonetheless, the substantive contents of these categories will be adopted here and described in ways as closely as possible to the original data compilation.

The first category, 'kind of banking arrangement', encompasses data on a

⁸The following passages closely follow comments made by a reviewer of this manuscript. I would like to thank this reviewer for insightful comments and suggestions made, including the observations described here.

Table 1 — Policy positions regarding an integrated european monetary and banking system (salience in brackets*)

EU Member State	Kind of Banking Arrangement	Time of Institutionalization	Power over Policies	Scope of Responsibilities	Harmonization	ECU/National Currencies
France	100(75 ^α)	100(90 ^α)	70(90 ^α)	90(90 ^α)	100(70 ^α)	40(80 ^α)
Germany	80(100 ^α)	30(100 ^α)	100(100 ^α)	65(100 ^α)	50(70 ^α)	90(90 ^α)
Italy	85(50 ^α)	80(70 ^α)	60(50 ^α)	75(60 ^α)	30(30 ^α)	70(60 ^α)
United Kingdom	50(90 ^α)	30(60 ^α)	60(90 ^α)	40(90 ^α)	30(90 ^α)	100(50 ^α)
Spain	100(50 ^α)	80(60 ^α)	60(70 ^α)	80(50 ^α)	30(50 ^α)	70(60 ^α)
Belgium	80(50 ^α)	50(50 ^α)	70(90 ^α)	65(50 ^α)	60(50 ^α)	70(50 ^α)
Greece	80(60 ^α)	50(30 ^α)	60(40 ^α)	100(60 ^α)	30(50 ^α)	70(40 ^α)
Netherlands	80(90 ^α)	50(50 ^α)	70(60 ^α)	65(60 ^α)	60(50 ^α)	60(50 ^α)
Portugal	80(75 ^α)	30(30 ^α)	60(50 ^α)	30(70 ^α)	30(40 ^α)	70(30 ^α)
Denmark	50(60 ^α)	30(70 ^α)	60(75 ^α)	30(80 ^α)	25(50 ^α)	40(50 ^α)
Ireland	60(75 ^α)	30(75 ^α)	60(75 ^α)	80(75 ^α)	30(75 ^α)	70(75 ^α)
Luxembourg	80(40 ^α)	50(70 ^α)	40(40 ^α)	50(50 ^α)	60(40 ^α)	60(40 ^α)
Mean position	77.1(65.5 ^α)	50.8(58.8 ^α)	64.2(66.3 ^α)	64.2(67.5 ^α)	44.6(50.8 ^α)	67.5(53.3 ^α)
Median position	80	50	60	65	30	70
Actual policy outcome	85	50	70	70	60	75

Source: Adapted from van den Bos (1994 : 62 – 65) and Kugler and Williams (1994 : 208 – 212)

* 'Salience' is the intensity of a government delegation's preference on an issue. Compared to the original coding, raw salience scores may be transformed by raising them to the power $\alpha = 3.1$, in accordance with an estimate by Achen (1999) on other policy issues included in the Bueno de Mesquita and Stockman (1994) volume. Accordingly, 0^α indicates 'of no importance', 50^α 'neither important nor unimportant' and 100^α 'of vital importance'.

scale ranging from a preference to maintain the *status quo* in terms of monetary integration (scaled as 1 by the researchers) to the view that a truly 'supranational' bank should be established in a process of government-led convergence – scaled as 100. The preference for a common central bank to be established, only after some market-led convergence among EC economies had been achieved, is assigned a location of 20 on the scale, while the view that a central bank should be established at a later stage during a government-led convergence process is located at 80. On the basis of the expert interviews, the preference of the German delegation is indicated as 80 and that of France as 100. Belgium, Greece, the Netherlands, Portugal and Luxembourg are reported as agreeing with the German position (80). By comparison, Denmark and the UK preferred an outcome closer to the *status quo*, with preferences located at 50 on this (major) bargaining dimension.

Regarding preferences for the timing of EMU institutionalization, France favored an early start: the top of the scale (100), reflecting the ideal point of the French delegation, stands for institutionalization 'at the earliest possible' date (1992 in practice). 80, the option preferred by the Italian and Spanish delegations, represents a preference for institutionalization once the Single Market was in place. Delayed institutionalization – until changes accompanying monetary and fiscal convergence would have been completed – was scaled as 30 and advocated by the delegations of Germany, the UK, Denmark, Ireland and Portugal.

The next category in the data compilation is 'power over policies', reflecting preferences regarding who within EMU should design and execute monetary policy. The most contentious issue within this category was the allocation of powers to the ECB as a new institution compared to central bank governors. Positions taken by government representatives on this issue were between 40 and 100: the lowest score, 40, indicates a preference for power to be exercised exclusively by a council of national central bank governors. This council would hence set and execute monetary policy within EMU independently. The government of Luxembourg apparently preferred this option. A preference of 60 on the scale reflects the position that national central bank governors should direct monetary policies, while a European Bank Board would execute them. This option, according to the data collection, was supported by the governments of Denmark, Greece, Ireland, Italy, Portugal, Spain, and by the UK delegation. The governments of Belgium, France and the Netherlands, by comparison, advocated an option whereby the council of national central bank governors and the European Bank Board would largely share policy competencies (70). The German delegates seem to have favored an option where an independent European Bank Board would set and exe-

cute monetary policy (100).⁹

Preferences regarding the 'scope of responsibilities' to be attributed to the ECB are shown in column four of table 1. From the data collection, it is evident that some governments would have liked to provide the new central bank with a wide range of policy competencies. For example, the Greek delegation advocated a right for the ECB to intervene in members' domestic economies (scaled as 100). The French government representatives, with a preference located at 90 on this dimension, did not support these powers as strongly as Greece did. But they nonetheless favored establishing some ECB powers to intervene in the domestic economic sphere (i.e., beyond providing the ECB with the authority to control inflation by setting of common interest rates on the basis of the new common currency). Regarding the scope of responsibilities to be attributed to the ECB, the French delegation's stance is said to have been mirrored by Ireland and Spain (80 each). The Italian delegation, with a score of 75, advocated an intermediate position between powers to intervene more drastically in domestic economies and a preference that the ECB should only hold the power to guide member states regarding inflation (65), an option favored by Belgium, Germany and The Netherlands. The allocation of purely 'executive functions' to the ECB on the other hand, was advocated by the government delegations of Denmark and Portugal (both located at 30 on this scale). The preferences of the delegations of the UK and Luxembourg on this scale were located at 40 and 50, respectively. The most radical view on this dimension – not advocated by any EU government in practice – would have been to limit the ECB's responsibilities to the management of accounts.

Another dimension refers to the tools to be applied in order to harmonize national economies. Government positions on this issue were assessed on a scale – corresponding to outcomes which ultimately materialized – beginning with the position that harmonization should not be directed collectively, but left to domestic governments to monitor (30). According to the data, this option was preferred by the governments of Greece, Ireland, Italy, Portugal, Spain and the UK.¹⁰ With a score of 25, Denmark rather favored national autonomy on this issue and a purely market-led process of economic convergence. Located on the top of the scale on this dimension, and advocated by the French delegation, is a preference for collective and coordinated macroeconomic harmonization, by first linking the major economies and then man-

⁹This assessment corresponds with the observation made by some authors that the German government, to a certain extent, was not opposed to curtailing the powers of its own central bank. E.g. see Kennedy (1991), Wolf and Zangl (1996), or Cooper (1997).

¹⁰Somewhat surprisingly, according to the data collection, countries such as the UK and Greece, for example, held identical preferences regarding procedures for economic harmonization.

aging the convergence of the smaller ones (100). An intermediate, and less directive, position on this scale was that major economies should be linked first, providing an example (and a possibility) for others to catch up in a manner suitable to them (60) – a position that seems to have been supported by Belgium, the Netherlands and Luxembourg. The German delegation is reported to have had a preference of 50 on this scale, being slightly more in favor of leaving responsibilities for harmonization in the hands of national authorities, compared to the position taken by the Benelux states.

The last category on which Kugler and Williams (1994) provide data concerns the relationship between the common currency – then still the ECU – and EC member states' domestic currencies, and the goal to control currency fluctuations within the EC. Positions on this scale, as materialized in practice, range from a preference that all national currencies should be included into a new ECU basket (40), a position advocated by the delegations of Denmark and France, to the view that a 'hard ECU' should be established alongside existing currencies. The latter option was close in its orientation to the 'parallel currencies approach', according to which domestic currencies of EC states would become legal tender across the EC and with this, encourage market competition. As this proposal was tabled by the UK, not surprisingly, the UK delegation is located at 100 on this scale. Several EC states, according to the data collection, appear to have supported the proposal to replace existing currencies by one strong currency (60), possibly one modeled after the example of the German mark. Governments located closest to this position on the scale include Luxembourg and The Netherlands (60 each), and Belgium, Greece, Ireland, Italy, Portugal and Spain (70 each).

A special note is warranted on the strategies and position of the UK.¹¹ The UK had been strongly opposed to EMU institutionalization for a long time. At the point the Kugler and Williams data were collected, London, however, belonged to the – in fact later successful – 'coronation group'. After the battle could not be won as regards avoidance of EMU institutionalization, London proposed two possible strategies for the creation of a common currency, based on liberal market principles: first, a parallel currencies approach which, by making existing national currencies legal tender in all EC member states, would allow the market to choose the most suitable currency to become the common European currency. Second, London proposed the 'hard ECU approach', which would have created a special hard currency along the existing national currencies in order again to allow for choice by market forces. In neither approach, however, did London envisage any collective institutionalization, let alone the creation of a common central bank. In a sense,

¹¹The following passages are again largely based on helpful comments by a reviewer of this manuscript.

London supported the coronation strategy only as the second best solution – in fact the one which seemed most likely to postpone institutionalization for quite some time. Of course, while some elements of the UK strategy are contained in the Kugler and Williams data, this two-step approach cannot fully be reflected by them.

In practice, when collecting data, it is far from an easy endeavor to represent concrete policy choices on 'ordered dimensions', as the example of the dimension 'kind of banking agreement' illustrates: this dimension appears to contain elements of both the timing and structure of the central banking system and hence, is difficult to represent in terms of choices on continuous scales. In addition, whereas the strategy of interviewing experts in order to discern government preferences has the advantage of a high level of information and extensive internal consistency of information (secondary sources, by contrast, may not be as directly comparable to each other), the actual involvement of experts in the negotiation processes, in turn, may also create biases in the data set. Clearly, there is no ideal way to go about facing such dilemmas. As Kugler and Williams, however, clearly were as careful as possible as regards data collection and measurement, the data will be used in full in the subsequent analysis. However, for data on preferences (and, in fact, issue salience), different scenarios will be worked with in an attempt, to the extent possible, to avoid any potential distortion in the analysis. Clearly, the Kugler and Williams data set on government preferences regarding different elements of EMU is unique and may be used rather effectively to shed light on the bargaining process that led to the institutionalization of EMU.

In addition to classifying member states' preferences on the given dimensions, data on the intensity of actors' preferences ('salience') were collected. These are also reported in Kugler and Williams (1994) and Van den Bos (1994), respectively. For example, the governments of both France and Germany, as shown by the data collection, had fairly strong preferences regarding the timing of EMU, although their delegations advocated rather different solutions for this issue. Similarly, regarding the scope of responsibilities to be attributed to the ECB, Germany, France and the UK strongly preferred specific policy options. But in comparison to the German delegation, the French representatives favored more, and the UK representatives fewer, policy competencies for the ECB. The relation between the new common currency and domestic currencies was of high importance to the German government,¹² whereas countries such as Greece, Ireland, Luxembourg and Portugal paid relatively little attention to this specific issue on the negotiation agenda.

The actual bargaining results on all categories – as contained in the pro-

¹² Somewhat striking with respect to the coding, however, is that the UK appears to have been quite neutral on this issue (raw salience score 50), in spite of the fact that it had tabled the proposal for a 'competing currency approach' (a preference located at 100 on this scale).

visions of the TEU with respect to EMU – have also been classified by the authors and located on the respective scales (see Kugler and Williams 1994: 206). Subsequently, the final bargaining outcome on issue j will be denoted R_j . According to the authors, the final banking arrangement settled upon in the negotiations corresponded to the vision that the ECB be established after a process of market-led convergence (scored as $R_{BA} = 85$). With respect to the timing of institutionalization, the final agreement was a compromise between delayed institutionalization (until the changes accompanying monetary convergence had occurred) and institutionalization once the single market had come into effect (i.e., $R_{TI} = 50$). With respect to the category ‘power over policies’, the negotiations essentially led to the solution that the ECB and the national central banks would share policy competencies ($R_{PP} = 70$), as indeed is reflected in the establishment of the European System of Central Banks (ESCB). The outcome regarding the range of powers to be attributed to the ECB is that the institution should not be able to directly interfere in domestic macroeconomic policy choices, but that it be given more than simply the power to control inflation ($R_{SR} = 70$). Regarding the dimension ‘harmonization’, the intergovernmental bargaining result corresponds to the policy choice ‘link the major economies and let others catch up with them as they can’ (i.e., $R_{HE} = 60$). Finally, for the last dimension, the negotiation results essentially reflect the preference that a common single currency should replace existing domestic currencies ($R_{CU} = 75$).

Given these policy preferences, preference intensities and final bargaining results, whose preferences were most strongly reflected in the actual negotiated outcomes? This question also guides the analysis of Hosli (2000). However, the current paper extends that study, by also accounting for information on issue salience in the negotiation process. In the subsequent analysis, original actor positions will be compared with actual bargaining outcomes. Hence, more complex bargaining dynamics, such as challenges of players to other actors, exchanges of voting positions among governments, or adaptations of player preferences between summit meetings, are not accounted for here. By comparison, they are crucial to several models presented in the Stokman and de Mequita volume, as well as to the analysis regarding EMU provided by Kugler and Williams (1994). The subsequent exploration will, hence, be interested in a specific aspect of the overall dynamics: the comparison between original actor positions and ultimate negotiation outcomes.

3. ‘Value Scores’ in negotiations

Which government delegations were most ‘successful’ in the bargaining process leading to EMU? How, and to which extent, can this be assessed with the available data on EMU institutionalization? Intuitively, ‘success’ in nego-

tiations implies that the final bargaining outcome is close to one's own initial policy preferences, notably regarding issues for which one's preference intensity is high. The aforementioned data compilation can be used, for example, to derive value structures (or 'value scores') for bargaining games, here for the governments involved in the negotiation process,¹³ as suggested by Ralph Keeney and Howard Raiffa (1991). In the perspective of Keeney and Raiffa, value scores are helpful as tools to be applied to achieve efficient bargaining results. Specifically, their suggestions aim to spell out and clarify the interests and preferences of negotiating parties, as well as the importance they attach to specific issues, in an attempt to find solutions allowing for efficient exchanges. Value scores, however, may also profitably be applied for other purposes: in the subsequent analysis, they will serve to assess, *ex post*, which negotiating parties in the EMU bargaining process achieved results closest to their original preferences, especially when also accounting for issue salience. In a first approach, values regarding the various issue categories ('dimensions') will be considered to be additive (i.e., values on the various dimensions will simply be summed up).

If the maximum attainable score for each relevant player is a value of 100 for each dimension given in columns one through six of table 1, and the actual negotiation outcome on issue j is R_j , the value score v_{ij} for player i on issue j is

$$v_{ij} = 100 - |R_j - x_{ij}| \quad (1)$$

where x_{ij} is actor i 's ideal point on issue j . Applying equation (1) to all twelve EC governments involved in EMU negotiations, for all dimensions, generates the results provided in table 2.

Assuming scores are simply additive for the six issue dimensions at stake, these calculations demonstrate that most of the then twelve EC member states did quite well regarding some provisions for EMU, but obtained results rather remote from their ideal points on other dimensions. For the government of France, for example, the final bargaining outcome was rather unfavorable regarding the timing of EMU institutionalization, but corresponded closely with the French delegation's preference regarding the distribution of policy competencies between the ECB and national central bank governors. Similarly, for the German government, the negotiation outcome regarding the overall scope of activities to be conducted by the ECB was closer to its ideal point than was the result regarding the distribution of power over policies (as German negotiators favored attributing more power to the ECB than to the representatives of national central banks). A simple comparison within each dimension demonstrates that the final bargaining

¹³This technique is also applied in Hosli (2000).

Table 2 — Absolute value scores (EMU negotiations)

Provisions for the EMU/ECB	Kind of Banking Arrangement	Time of Institutionalization	Power over Policies	Scope of Responsibilities	Harmonization	ECU/National Currencies
France	85	50	100	80	60	65
Germany	95	80	70	95	90	85
Italy	100	70	90	95	70	95
United Kingdom	65	80	90	70	70	75
Spain	85	70	90	90	70	95
Belgium	95	100	100	95	100	95
Greece	95	100	90	70	70	95
Netherlands	95	100	100	95	100	85
Portugal	95	80	90	60	70	95
Denmark	65	80	90	60	65	65
Ireland	75	80	90	90	70	95
Luxembourg	95	100	70	80	100	85
Mean score	87.1	82.5	89.2	81.7	77.9	85.8

result regarding the 'kind of banking arrangement' coincided with the initial ideal point of Italy, whereas the result with respect to the timing of EMU institutionalization corresponded to the initial preference of Belgium, Greece and the Netherlands. Evidently, closeness of one's ideal position to the actual bargaining result does not necessarily mirror one's 'power' in the negotiation process: regarding outcomes on these dimensions, these actors may simply have been fortunate regarding the location of their preference as compared to others.

Generally, in order to increase comparability of 'success' (not to be confused with 'power') for the various government delegations in the EMU negotiation process, and assuming additivity, value scores may be normalized. Application of this procedure results in a relative value score for player i on issue j of

$$\sigma_{ij} = v_{ij} / \sum_{i=1}^n v_{ij}$$

When the m different issue dimensions of the bargaining process are all considered to be equally important, and independent of each other, simple additive scoring leads to the summation of respective values for each player over all issues. This leads to an overall value score for player i . In order to facilitate comparison among the n players, a normalized score σ_i for player i over all m issues, can be calculated according to equation (2):

$$\sigma_{ij} = \sum_{j=1}^m v_{ij} / \sum_{i=1}^n \sum_{j=1}^m v_{ij} . \quad (2)$$

Before extending these calculations, let us assume that scores were not additive – as some issue dimensions may in fact have been interrelated – and thus adapt a respective weighting. Van den Bos (1994: 62) mentions that the first category – the 'kind of banking arrangement' (BA) – constituted the actual centerpiece of the negotiations, whereas the other five categories reflect components of this major issue which subsequently became controversial in the negotiations. Hence, in an adapted analysis, one might either solely focus on the first dimension or, alternatively, use a different formula to derive scores on overall bargaining performance, e.g. by weighting category one stronger than the other five categories. It can be assumed that the first category, constituting the actual centerpiece of the negotiations, should count about 0.5 of the total, whereas the rest of the overall value is composed of the remaining categories, each having equal weight. This pattern of weighting leads to the

following calculation of an overall score for player i (θ_i):

$$\begin{aligned} \theta_i = & 0.5(\sigma_{iBA}) + 0.1(\sigma_{iTI}) + 0.1(\sigma_{iPP}) + 0.1(\sigma_{iSR}) \\ & + 0.1(\sigma_{iHA}) + 0.1(\sigma_{iCU}). \end{aligned} \quad (3)$$

Hence, this approach calculates a 'multiplicative score' according to the terminology used by Keeney and Raiffa, as dimensions two through six are weighted by the factor 0.1 each, and category one by 0.5.

A more radical approach would emphasize dimension one even more heavily in the overall calculations. In order to provide a second scenario, the subsequent analysis will weight dimension one more heavily, by attributing to it a weight of 0.75 instead of 0.5 (leading to an equal weighting of the remaining categories by 0.05). Evidently, in the margin, if weights for the first dimension (the 'kind of banking arrangement'), were to be increased even further, the overall multiplicative value scores would simply converge towards the normalized scores within this dimension. Conversely, decreasing the weight of the category BA leads to convergence of the scores towards the aggregate score for categories two through six. The subsequent analysis will aim to increase the reliability of respective results by working with different scenarios regarding the weighting of categories.

In addition to the calculations presented above, data regarding preference intensity ('salience') will be included into the analysis, as derived on the basis of Van den Bos (1994: 64) and Kugler and Williams (1994: 208–12).¹⁴ Actors strongly interested in a specific issue are generally expected to 'fight harder' for it. Intuitively, when an actor holds a strong preference on an issue, but the negotiation outcome is a large distance from his or her initial ideal point on the issue, the actor's performance is less 'successful' than if this situation applied to a topic for which the actor cared less. Conversely, a negotiation outcome close to an actor's ideal point on an issue it considers to be salient is more favorable than if an outcome were close to its ideal point on an issue for which it cared much less. Applying this intuition to respective calculations implicitly modifies the generation of 'value scores' as calculated above, as this procedure accounts for the degree to which actors are interested in specific aspects of the negotiation package. For example, Germany appears to have had a strong interest in at least the first four dimensions of the EMU negotiations as given in table 1, attaining the maximum obtainable score ($100^{3.1}$) for the intensity of preferences on the respective (transformed) scale. Accordingly, actors' preference intensities will be accounted for adhering to this pattern, and adapted value scores are thus derived.

¹⁴Several models in the Bueno de Mesquita and Stokman 1994 volume include information on actor salience: processes of bargaining, and especially vote-trading, are assumed to be critically determined by actors' preference intensities.

Including salience into the analysis, equation 2 may be adapted in order to calculate an (additive) normalized value score for player ϕ_i , accounting for preference intensities of all actors involved in the bargaining process:

$$\phi_i = \sum_{j=1}^m v_{ij}s_{ij} / \sum_{i=1}^n \sum_{j=1}^m v_{ij}s_{ij} . \quad (4)$$

Transformed salience scores can be used by applying s^α instead of s in the calculations. Similarly, equation 3 may be transformed for the calculation of a multiplicative score, ψ_i , including preference intensities:

$$\begin{aligned} \psi_i = & 0.5(\phi_{iBA}) + 0.1(\phi_{iTI}) + 0.1(\phi_{iPP}) \\ & + 0.1(\phi_{iSR}) + 0.1(\phi_{iHA}) + 0.1(\phi_{iCU}). \end{aligned} \quad (5)$$

Again, in order to provide an alternative estimate, the subsequent analysis will also operate with the assumption that dimension one is weighted by a factor of 0.75 and the remaining categories by 0.05 each.

Table 3 provides total normalized value scores, for the different scenarios regarding the weighting of salience (applying both 'raw' and 'transformed' values) and the weighting of the six categories respectively, on the basis of equations 2 through 5.

Comparing initial actor preferences with the final bargaining outcomes, the performance of the German government, in line with findings presented earlier (e.g. Hosli 2000), indeed appears to be quite effective, notably when evaluated on the basis of formulas that also take preference intensities ('salience') into account. This favorable result for Germany can especially be seen for assessments using transformed salience scores. Hence, results generated by the use of 'value scores' according to the procedures shown above, and using the Kugler and Williams data on initial actor ideal points, support the perspective that outcomes of the negotiation process on EMU rather closely reflected the original preferences of the German government. As table 3 illustrates, France was somewhat less successful, but follows quite closely on the scores achieved by Germany, surprisingly even surpassing Germany when non-transformed salience scores are applied (but dimensions weighted).

It is somewhat more complicated to judge the relative 'success' of the UK delegation in the EMU negotiations on the basis of these tools: although the UK appears to have performed well when transformed salience scores are applied, its value scores still clearly lag behind those obtained by the German government, indicating that its initial preferences corresponded rather less to the final bargaining outcomes on EMU. Partially, this may be a result of the fact that the UK was in fact opposed to EMU institutionalization, but then,

as a second-best solution, joined the 'coronation group'. The results for the Netherlands seem to be quite favorable in general. Belgium performed reasonably well, but only as assessed on the basis of calculations that do not take salience scores into account. Generally, the negotiation outcomes appear to have been rather unfavorable for Luxembourg, however, as its original preferences – also when accounting for issue salience – were quite a distance from the final bargaining results on EMU.

When salience data, and especially transformed salience scores, are taken into account, the outcomes for the Italian government are also rather unfavorable. Generally, 'Southern' EC states, according to this analysis, obtained results that were not very satisfactory in comparison to their initial preferences on EMU: Spain, Portugal and Greece all received scores that are rather modest, especially in assessments taking preference intensities ('salience') into account. This relatively weak 'performance' may partially be related to the fact that these countries faced domestic publics strongly in favor of EMU¹⁵ – and with this, in the logic of two-level games, possibly had less of a 'bargaining leverage' in the intergovernmental negotiations. Similarly, on the basis of figures presented in table 3, Ireland's preferences were at a distance from the actual bargaining outcomes. Finally, according to the various assessment methods used in this paper, the original preferences of Denmark corresponded rather badly to the final bargaining results on EMU (also see Hosli 2000).

4. Conclusions

Which government preferences are reflected most accurately in the final bargaining outcomes on the provisions for EMU? Which EC member states had to concede most and which states appear to be the 'winners' when initial preferences are compared to the final outcomes of the intergovernmental bargaining process? In an attempt to answer these questions, this paper applies simple calculations to data on preferences and preference intensities of EC governments regarding issues such as the institutional structure and timing of EMU and the range of policy powers to be attributed to the new ECB, in order to evaluate the intergovernmental negotiation outcomes relative to the initial preferences of the various government delegations. The paper does not focus on whether some EC delegations held more 'bargaining power' in the negotiations than others did – since countries might simply have been fortunate that the bargaining outcomes closely reflect their initial preferences – but it is able to demonstrate the extent to which bargaining results on EMU corresponded to the original government preferences held by EC states. Ac-

¹⁵ I am grateful to a reviewer of this manuscript for raising this issue.

cordingly, EMU preference and salience data not only offer interesting insights into negotiation dynamics regarding the establishment of EMU, but also help to establish, *ex post*, which governments obtained relatively favorable results in these intergovernmental bargaining procedures. Hence, the current analysis provides some empirical support for more descriptive accounts on the relative performance of governments in the intergovernmental negotiation process on EMU.

Clearly, data as collected before the actual EMU negotiation set in provide a rather unique tool for investigation that can no longer be reconstructed at this point. However, in order to avoid the potential danger of bias in the calculations, the analysis conducted in this paper resorts to different assumptions regarding the relative importance of different dimensions in the negotiation process. In addition, it uses both original salience scores and transformed ones, and employs different assumptions about the weighting of different bargaining categories.

Applying these different assumptions to the examination of the level of correspondence between initial government preferences and actual EMU provisions, the paper finds that the German delegation avoided having to sacrifice essential interests in the intergovernmental bargaining process on EMU. Although there was some protest in German public opinion against EMU, negotiation outcomes on this issue were close to the initial policy preferences of the German government. This result is supported by each of the different methods of assessment used in the paper, and, significantly, by evaluation models that also take preference intensities into account.

Similarly, but to a lesser extent, the French government is found to have fared relatively well in the intergovernmental negotiations. This would indeed provide some evidence for the assumption that Germany and France constituted the driving-force of the intergovernmental bargaining process on EMU. A relatively favorable outcome can also be seen for the Netherlands, a middle-sized actor. Findings for some of the remaining EC states are somewhat less conclusive. When preference intensities are accounted for, the UK appears to have obtained results fairly close to the preferences it held before the actual intergovernmental negotiations set in. By comparison, results are less favorable according to the modes of assessment that do not take preference intensities into account.

Finally, the analysis provides support for the assumption that a selection of 'southern' EC states, including Spain, Portugal and Greece, obtained bargaining outcomes that were quite distant from their original interests regarding EMU. Italy only appears to have performed well in the negotiation process when salience scores are disregarded. Finally, the outcomes of the intergovernmental bargaining process appear to be at quite a distance from the original preferences held by some smaller EU states, notably Denmark.

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