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Citizens Should Vote on Secession

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Abstract

In its draft treaty establishing a constitution for the European Union, Convention suggests that each member state may withdraw from the European Union following its own constitutional requirements. We show that such a rule could lead into an increased use of threat of withdrawal to extract concessions in intergovernmental negotiations. This problem would be exacerbated by national electorates facing an incentive to elect more confrontational politicians. We also suggest a remedy: EU constitution should require that withdrawal from EU membership must be approved by the voters of the withdrawing member state in a referendum.

JEL Classification: H77, D72, D61

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1 Introduction

In its Draft Treaty establishing a Constitution for Europe, the European Convention has introduced Article 59 in order to allow member states to withdraw from the European Union. In the Draft Treaty, Article 59 reads as

> "Any Member State may withdraw from the European Union in accordance with its own constitutional requirements."

In this paper, we analyze what the economic theory would predict to be the consequences of the proposed Article 59. Our concern is that this article may lead to strategic use of threat of withdrawal in case the leaders of the other member states believe that such a threat will be carried out. We do not take a stance to the question of under what circumstances an individual member state should have an option to resign from the European Union. Rather, we ask whether such a possibility, at the disposal of leaders of individual member states, might have unintended consequences.

We analyze the following game. First, national electorates choose political leaders that represent their countries in the Union. Second, one of the member states gets an opportunity to present an ultimatum to the other member states stating that it will withdraw from the Union unless it receives a certain concession. We model these concessions as inefficient transfers but they could also be different formulations of given policies. Third, the other member states have to decide whether they accept or reject the ultimatum. If they accept, they have to make the required concession. If other member states do not accept the ultimatum, the leader who presented the ultimatum must decide whether to carry out his threat or not. Withdrawal is costly to the withdrawing member state but also to the remaining member states as they lose the benefits from a larger common market. If the leaders of other member states consider the threat of withdrawal credible, they should be willing to pay to avoid it. If, on the other hand, they believe the threat not to be credible, they should reject the ultimatum.

A threat of secession is credible only if the leaders of other member states expect that the leader threatening to withdraw from the Union would rather carry out his threat, after making it publicly, than lose face by not carrying it out. In our model, not all politicians are able to make credible threats. Indeed, we view such politicians to be rare. We have in mind politicians like de Gaulle, Thatcher, and Berlusconi who are willing to be uncompromising in order to gain at the expense of other member states in intergovernmental negotiations. We call such a quality stubbornness. We define it as a politician's ability to commit to withdrawing from the Union, even when withdrawal is costly to his country, if his demands for concessions are not met.

We show, first of all, that the proposed constitution would give sufficiently stubborn politicians an opportunity to extract concessions from other member states. We also find that voters in individual member states would suffer from a Prisoner's Dilemma: It is often optimal for voters to choose stubborn politicians, who are expected to fare well in intergovernmental negotiations, even if these would be otherwise less competent than their opponents. Consequently, all member states lose in terms of the expected utility of their citizens.

We also show that a requirement that the withdrawal must be approved in a national referendum would eliminate these problems. Stubborn politicians could then no longer credibly use the threat of secession as a way to obtain transfers from other member states. As a result, national electorates would no longer have an incentive to choose stubborn politicians to represent them in intergovernmental negotiations. This leads us to suggest, in case article 59 is otherwise maintained, an addition to paragraph 1:

> "Withdrawal shall be subject to a binding referendum in which all citizens of the Member State considering withdrawal shall be entitled to participate, with a requirement that a majority of participants votes in favour of withdrawal."

Introducing the requirement of a referendum would require changing the constitution in some member states, including Germany, which have not specified a role for referenda.

While much attention has been devoted to voting rules, the proposed Article 59 has received much less attention in public debate.[1] The members of the Convention, however, have made more than 40 suggestions for changes to this article.[2] The suggestions can be divided in three main tendencies. First, several participants of the Convention argue that such a provision is in conflict with the special nature of the European integration as more than just a "classical international treaty". Many of them do, however, suggest that member states should have an option to withdraw in case they do not accept some future change to the Constitution. Second, some have suggested revisions aiming at an opposite direction. These revisions would introduce a new category of associate membership, which would effectively render it easier to opt out of most union policies, apart from the common market. Finally, some view that withdrawal is already covered by the Treaty of Vienna, and that the article is therefore not needed.[3] M. Louis Michel et al. suggest that a decision on resignation should be made according to the same procedure as a decision to join, and Mr. Juraj Migaš of Slovakia suggests:

[1] For economic analyses of decision making mechanisms in the EU, see, for instance, Baldwin et al. (2001).

[2] Suggested changes are recorded at the European Convention (2003).

[3] Vienna Convention on the Law of Treaties was adopted in 1969 by the United Nations Conference on the Law of Treaties, with entry into force in 1980.

> "Any Member State may withdraw from the European Union in accordance with its own constitutional requirements, including national referendum."

An important concern of the proposed Article 59 was raised by the members of the European People's Party Convention group:

> "We continue to question the need for this exit clause - which at present is not part of acquis communautaire - and would prefer its deletion from the draft Constitution. Such an explicit exit clause would allow Member States to blackmail the Union, paralyse its decision-making processes and even endanger the stability of the Union".

They argue that an exit clause, if included, should be balanced by a right of the other member states to expel a member state which violates the Union's common values.

Our paper is related to two distinct lines of literature. First, it is related to the literature studying the rationale and desirability of secession clauses in unions or federations. Bordignon and Brusco (2001) study whether it is optimal to include secession rules in a federal constitution in a setting where future benefits created by the federation are uncertain. Even if the constitution does not allow secession, secession is always possible through a costly 'independence war'. In their model, the aim of the secession rule is to reduce the costs of break up in the possible case that the federation turns out to be no longer efficient, but at the same time it also reduces the ex ante incentives of the countries to join the federation. In Buchanan and Faith (1987), the introduction of secession rules works as a constraint on the possibly exploitative behavior of the ruling political coalition. In other words, secession protects individual freedom. Apolte (1997) builds on the paper by Buchanan and Faith in a setting where the federal government not only may grow excessively but also protects citizens from their own local governments. He focuses on the proposal of Vaubel (1994) to allow secession from the EU by a simple majority of population.[4]

Second, the paper is related to the literature on strategic delegation. In our paper strategic delegation is related to bargaining, i.e. delegation by the principals is followed by bargaining by the agents. This is usually not the case in the literature on strategic delegation. An exception is Segendorff (1998) where two principals (nations) delegate the task of bargaining over the provision of public good to an agent. The choice of agent may create a threat to the other nation's agent. Depending on the authorities granted to the agent, this may encourage

[4]There is a large literature studying the integration and break up of countries not focusing on the design of the secession rules. See e.g. Bolton and Roland (1997), Alesina et al. (1995), Alesina and Spolaore (1997), and Fidrmuc (2001).

the nations to choose extremist agents. As a result, the principals may be worse off under delegation than under self-representation.[5]

Recently, also Gradstein (forthcoming) has argued that the option to secede may distort the political choices made by individual regions to improve their bargaining position. While we arrive at the same policy advice of deciding on secession in a referendum, our model suggests that intergovernmental transfers should in general be curbed and tend to reduce efficiency, while Gradstein's framework suggests that such transfers would rather be efficiency-improving.

There are four major differences between Gradstein's model and ours. First of all, Gradstein (forthcoming) assumes that the federal arrangement results from interregional spillovers of a production of a public good. He also assumes that only one region provides such good, while the other region only pays transfers. We assume, on the contrary, that the existence of a federation creates a gross benefit to both members, independently of whether any interregional transfers are paid. This is consistent with the view that the main benefits of the European Union to its member states result from the existence of a common market and legal framework, which are shared by all member states, rather than from transfers that would be used to correct for inefficient levels of pollution or infrastructure spending in some member states. Second, Gradstein assumes that interregional transfers are a way to realize efficiency gains, in case they would be set at an efficient level. We, in turn, assume that the benefits of the common market accrue to the member states independently of whether there are interregional transfers, and that transfers create distortions. Third, Gradstein assumes that politicians differ in their preferences concerning the public good, while we assume that politicians differ in two dimensions: their ability and in their stubbornness. Fourth, the voters of a minority region would expect to be levied a larger transfer in a federation without secession in Gradstein's model. This is in contrast with the observation that the largest member state of the European Union, Germany, is also the largest net contributor. Many small states, like Greece and Portugal, are net recipients. In our model, there is no single member state to which majority of voters would belong.

Our paper is organized as follows. In Section 2, we discuss empirical and experimental evidence of what we call stubborn behavior. In section 3, we present a model of negotiations between politicians representing different member states, and on the political process in which member states choose their political leaders. Section 4 solves for the equilibrium with the European Convention's proposed Article 59. Section 5 solves for an equilibrium in case withdrawal would require a majority in a referendum in the member state whose political leader would like to withdraw from the Union. Section 6 concludes.

[5] For more discussion on strategic delegation in general, see e.g. Laussel (2002).

2 Are there stubborn leaders?

In an Ultimatum game, two subjects have to agree on a division of a fixed sum of money. The proposer can make only one proposal on how to divide the money, and the responder can either accept or reject. If the responder accepts, both subjects receive what is proposed. If the responder rejects, both parties receive a zero payoff, and the game ends. Under standard assumption that both players are rational and care only about monetary payoffs, the responder should accept any positive payoff. The proposer would then offer the smallest possible amount to the responder, who would then accept. Experimental evidence, across hundreds of experiments, suggests that 40 to 60 percent of people reject offers giving them less than 20 percent of the pie. This result is robust across countries and holds also with large stakes equalling 2-3 months salaries (Fehr and Fischbacher 2002). The result cannot be explained away by reputation concerns, as it arises also in anonymous interaction via computers, and also when the players know that they play the game only once (or for the last time in repeated games). The stubborn leaders in our model behave much like the individuals in these experiments who refuse positive payoffs.

Intergovernmental negotiations in the European Union are often subject to various ultimata. Even without Article 59, certain politicians have been able to extract considerable concessions from others by blocking decision making or by threatening to do that. In 1965, President de Gaulle resorted to the so-called empty chair policy as he viewed that the European Commission had exceeded its powers: For six months, France refused to participate in the European Community institutions. This crisis led to the Luxembourg compromise, giving member states a veto power when they believe that their fundamental interests are under threat. In 1984, Prime Minister Margaret Thatcher threatened to veto any further expansion of spending, unless other countries give in to her demand "I want my money back". Finally, the other member states gave in, handing the UK a transfer accounting still to billions of euros annually. In March 2003, the Italian Prime Minister Silvio Berlusconi insisted that the other EU member states exempt the Italian farmers from fines for exceeding Common Agriculture Policy milk production quotas before agreement on a tax package that includes a cross-border savings levy and a code of conduct for corporate taxation. When the other member states refused such demands, Italy vetoed the proposed package.

A prominent example of stubborn leaders comes from Cyprus. The negotiation process unfolded as follows. As the Greek and Turkish Cypriot sides could not agree on the terms of reunification, the United Nations Secretary General Kofi Annan finalized the plan. Neither President was satisfied with the result, and both actively campaigned against the reunification plan. Greek Cypriots voted against the plan in simultaneous referenda in April 2004, convinced by their President's argument that it gave too many concessions to the Turkish Cypriots. The plan was supported by 65 percent of Turkish Cypriot voters, and also by their Prime Minister. Nonetheless, Turkish Cypriot President Rauf Denktash opposed the plan until the very end, preferring to give up the benefits from reunification rather than accepting a compromise which did not meet his previous ultimata.

Tensions between political leaders also contributed to the split of Czechoslovakia. By 1992, confrontation between Czech and Slovak political leaders effectively blocked the daily functioning of the federal government. President Havel and other federalists were unable to prevent the split, and Vaclav Klaus on the Czech side and Vladimir Meciar on the Slovak side negotiated a deal that the two republics would become separate at the beginning of 1993, even though most people in the Czech Republic and Slovakia opposed the split. There was no referendum.

An alternative explanation for confrontational behavior in the negotiations would be to assume that politicians differ in their attitudes towards European integration. Citizens could then hope to extract concessions from others by electing politicians who oppose EU membership, and would therefore require concessions from others in order to stay. We have chosen to focus on stubborn politicians, as negative attitudes towards European integration are likely to harm also day-to-day politics on the European level. This would cause member states who have elected such leaders to lose part of the benefits from the European Union. It is not clear that the expected concessions would suffice to cover such losses. Our policy conclusion of the desirability of a referendum would hold also when threats of secession arise from politicians who oppose EU membership as a matter of principle.

3 The model

3.1 The Union

Initially, there are N, $N \in \{2, 3, ...\}$, member states in the Union. The mass of population is unity in each member state, and the aggregate surplus of maintaining the Union is $S(N) > 0$ for the population of each member state. We think of this surplus as stemming from common markets, common currency, etc. Without a Union, there is no surplus: $S(1) = S(0) = 0$. We assume that $S(N) > S(N-1)$ for all N.

The Union may tax the member states in order to give them back transfers. There is a cost δ, $0 \leq \delta < 1$, of raising one unit of tax revenue. Parameter δ reflects the cost of transferring income, a strictly positive δ implies that lump-sum transfers between countries are not available. It is assumed that all the member states always pay the same amount of taxes (in case the Union is maintained), but that the transfers may differ. This means that the value of the economic benefits from the common market and transfers for member state i is

$$S\left(N\right)+t_i-\frac{\left(1+\delta\right)}{N}\sum_{j=1}^{N}t_j \tag{1}$$

where $t_i \geq 0$ denotes the transfer for member state i and the last term the share of each individual member state of the total cost of all transfers.

3.2 Citizens

Member states are populated by voters and political candidates. The voters are identical. The candidates differ first of all in terms of their ability, denoted by $a, a \in [0, \overline{a}]$. The ability is related to how well the candidate is able to manage the resources under his control. In addition, the candidates differ in how likely they are to give ground in the negotiations. More specifically, we assume that an elected leader must pay a utility cost $b, b \in [0, \overline{b}]$ if he does not carry out what he threatens to do. We denote the joint density function of a and b by $f(a, b)$. We call candidates for whom

$$b > S(N)$$

stubborn and other candidates ordinary. A candidate is then stubborn with probability

$$p(N) = \int_0^{\overline{a}} \int_{S(N)}^{\overline{b}} f(a, b) da db. \tag{2}$$

The preferences of the voters are given by $a + T$, where T denotes the net value of all economic benefits from the Union. These benefits consist of (1) and a possible cost from presenting an ultimatum which we will discuss later. Also politicians receive $a+T$ as citizens. A politician also suffers a utility cost b if he has made a threat that is not carried out. In case elected, politicians receive an additional reward sufficiently high to guarantee that all politicians prefer being elected themselves, rather than abstain from running.

3.3 Timing of events

As budget frameworks in the European Union are adopted for seven years at a time, we find it a reasonable simplification to assume that each political leader plays the game of negotiation only once. We study the following sequence of events: First, elections take place in all member states. Elections may take place either simultaneously or consecutively, without affecting any results. In each election, the voters elect a leader from two competing candidates. In the second stage, one of the elected leaders gets an opportunity to present an ultimatum to the leaders of the other member states. The ultimatum consists of a demand for transfers from the Union and may be accompanied by a threat to withdraw from the Union in case the ultimatum is not accepted. All other leaders must then decide whether to accept or reject the ultimatum. If the ultimatum is accepted, the negotiation ends. If the ultimatum is rejected, the politician who presented the ultimatum must decide whether to carry out his threat.

We consider two different constitutions. In the first one, following the draft proposal for the EU constitution, the leader of each member state may decide on whether the threat of secession is carried out or not. In the second one, this decision is subject to a referendum in the member state considering withdrawal.

In the following subsections, we will discuss each of these events in more detail.

3.4 Elections

In all member states, voters choose from two competing candidates. When voters decide which candidate to vote for, they take into account the characteristics of the candidates in both domestic politics and in the federal negotiations, and choose the candidate who gives them higher expected utility. The voters are identical and will therefore all prefer the same candidate.

3.5 Ultimata

Each elected leader gets the opportunity to present an ultimatum to the other leaders with probability $\frac{1}{N}$. For notational convenience, we refer to the member state that gets to present the ultimatum as member state u. The stubbornness of the leader of member state u is b_u. An ultimatum consists of a demand of a positive transfer of resources, denoted by $v \geq 0$, from the Union, accompanied by a threat that the member state will start a process of secession if it does not receive the demanded transfer. Presenting an ultimatum costs $\kappa > 0$. We assume that this cost is small relative to the economic benefits created by the Union, more specifically, we assume that

$$\kappa < \frac{[S(N) - S(N-1)]\,(N-1-\delta)}{1+\delta}. \tag{3}$$

After that, all member states simultaneously decide whether to accept or reject the demand. We assume that each member state accepts a given demand if indifferent between accepting and rejecting. Acceptance of the ultimatum requires unanimity. If the demand is accepted by all member states, the negotiation ends and the member state that presented the ultimatum receives the demanded transfer. If one of the member states rejects the demand, member state u must decide whether to carry out its threat and withdraw from the Union.

3.6 Secession

According to the EU draft constitution, each member state may withdraw from the EU according to its constitutional rules. At its extreme, this would mean that a government controlling the majority of the parliament could rush through a withdrawal without needing to consult the electorate. We model this by assuming that a political leader representing the member state in the negotiation may decide on withdrawal. In case of secession, a former member state ceases to contribute to the creation of federal surplus, and no longer pays for or receives transfers from the general budget. We assume that when indifferent between seceding or not, leaders choose not to secede.

Under an alternative constitution, the decision to withdraw is subject to a national referendum. In this case, the voters maximize their utility when deciding on secession.

4 Equilibrium without a referendum

In this section, we consider the case when secession is allowed without a referendum. We first analyze the situation with given politicians. We then consider the problem faced by national electorates of the member states.

4.1 Equilibrium with given politicians

The following proposition fully characterizes the equilibrium for a given set of politicians assuming that one of the elected leaders has the opportunity to present an ultimatum.

Proposition 1 The Union is always maintained, i.e. no member state withdraws from the Union. If $b_u > S(N)$, the leader of member state u presents an ultimatum demanding

$$v^* = \frac{N[S(N) - S(N-1)]}{1+\delta}.$$

If $b_u \leq S(N)$, the leader of member state u presents no ultimatum. Equilibrium payoffs from the Union are for member state u

$$\begin{array}{lll} S(N) & +\frac{N-1-\delta}{N}v^* - \kappa & \text{if } b_u > S(N) \\ S(N) & & \text{otherwise.} \end{array}$$

For all other member states, the economic benefits are $S(N-1)$ if $b_u > S(N)$ and $S(N)$ otherwise.

Proof *Consider first the last phase of the events, namely the decision to withdraw from the Union. If the demand has been rejected, the leader receives* 0 *if he withdraws from the Union and* $S(N) - b_u$ *otherwise. Hence, he will withdraw if* $b_u > S(N)$.

Consider then the decision to accept or reject the presented ultimatum. Since acceptance requires unanimity, we can consider only the decision of leader j *conditional on all other leaders accepting the ultimatum (i.e. the case when the leader is pivotal). If he accepts demand* v*, he receives* $S(N) - \frac{1+\delta}{N}v$*. If he rejects, he receives* $S(N-1)$ *if* $b_u > S(N)$ *and* $S(N)$ *otherwise. Hence, if* $b_u > S(N)$ *the ultimatum is accepted if* $v \leq \frac{N[S(N)-S(N-1)]}{1+\delta}$ *and rejected otherwise. If* $b_u \leq S(N)$ *all ultimata with* $v > 0$ *are rejected.*

Finally, consider the decision to present an ultimatum. Assume first that $b_u > S(N)$*, that is, if the demand is rejected member state* u *will withdraw from the Union. By not presenting an ultimatum, the member state receives* $S(N)$*. By presenting an ultimatum, the member state receives*

$$\begin{aligned} S(N) + v - \frac{1+\delta}{N}v - \kappa \text{ if } 0 &< v \leq \frac{N[S(N) - S(N-1)]}{1+\delta}, \text{ and} \\ -\kappa \text{ if } v &> \frac{N[S(N) - S(N-1)]}{1+\delta}. \end{aligned}$$

Since we assume κ *to be small (see condition (3)), it is optimal to demand* $v = \frac{N[S(N)-S(N-1)]}{1+\delta}$ *when* $b_u > S(N)$*. Assume then that* $b_u \leq S(N)$*, that is, rejected demand does not lead to withdrawal. Then it is optimal not to present an ultimatum, since no ultimatum would be accepted. Equilibrium payoffs are found by inserting the equilibrium demand into (1), and by subtracting* κ *from member state* u*, if this has presented an ultimatum.*

To summarize, a member state is weakly better off if its leader is stubborn, i.e. $b_u > S(N)$. This is because only stubborn leaders are able to extract concessions from the other member states if given the opportunity to present an ultimatum.

4.2 Voting equilibrium

Recall that in each election, there are two candidates. When voters have a choice between two ordinary or two stubborn politicians, they choose the one with higher ability, and randomize in case candidates have the same ability. It remains to analyze the case when voters have a choice between an ordinary and a stubborn politician. Let a_s and a_o denote the ability of a stubborn and ordinary politician, respectively. We established above that each member state is weakly better off if it is represented by a stubborn politician. Thus, voters always elect a stubborn politician if he is at least as competent as an ordinary opponent. If an ordinary politician has a higher ability, then voters face a trade-off: Choosing a stubborn politician results in a lower payoff a in domestic politics, and a higher payoff in negotiations.

For those member states whose leader is not in a position to present an ultimatum, it does not matter whether the leader is stubborn or not. Stubbornness then matters only with probability $1/N$. The expected gain in negotiations from electing a stubborn politician is

$$\Pi_s = \frac{1}{N}\left[\frac{(N-1-\delta)[S(N)-S(N-1)]}{1+\delta} - \kappa\right]. \tag{4}$$

The term in brackets is the gain from having a stubborn politician who is able to present the ultimatum, which is then multiplied by the probability of being in a position to present an ultimatum. By (3), $\Pi_s > 0$.

The stubborn politician is elected if and only if

$$a_s + \Pi_s > a_o.$$

In other words, a stubborn politician is elected not only if his ability is the same or higher than that of an ordinary politician, but also when his ability is lower, but the expected gain from concessions in federal negotiations is sufficient to compensate for lower quality in domestic policies. Note that if the expected gain in the negotiation is large enough relative to the maximum ability difference, that if $\Pi_s > \overline{a}$, the stubborn politician is always elected.

Let c denote a stubbornness premium, measured as the maximum ability gap that voters are willing to accept in disadvantage of a stubborn politician, and still elect him if the opponent is not stubborn. This premium is given by

$$c = \min\left(\Pi_s, \overline{a}\right). \tag{5}$$

where $\overline{a}$ denotes the maximum ability. The premium is always positive as $\overline{a} > 0$ and $\Pi_s > 0$. If the difference in abilities in favor of the ordinary candidate is less than c, the stubborn candidate is elected. This implies our central result:

Proposition 2 Negotiations on the federal level increase the chances of stubborn candidates to be elected.

Proof *Follows from the stubbornness premium being strictly positive in all member states.*

Proposition 2 implies that

Corollary 1 Negotiations on the federal level on transfers reduce the average ability of elected politicians.

Corollary follows as the stubbornness premium may result in less competent stubborn candidate being elected instead of a more competent ordinary politician. This welfare loss follows even when the stubborn politician does not have a chance to present an ultimatum. Voters in each member state suffer from a Prisoner's dilemma: if the ability difference in favor of a more competent ordinary politician is less than c, it is individually attractive for them to engage in a costly gamble and elect a stubborn politician of lower ability, hoping that he has a chance to present an ultimatum, even though the process of presenting ultimata is a negative-sum game for the whole Union.

5 Equilibrium with a referendum

In this section, we will analyze an alternative constitution, one that requires each country that contemplates withdrawal to organize a national referendum. For the most part, the same events are considered as above, the only difference being that now if the ultimatum of a given leader is rejected, the decision to withdraw from the Union is subject to a national referendum.

Proposition 3 The Union is always maintained, i.e. no member state withdraws from the Union. No leader presents an ultimatum and the economic benefits from the Union are $S(N)$ for all member states.

Proof *Consider first the decision to withdraw from the Union. Regardless of the type of the leader, if the electorate chooses to withdraw, each voter gets $-\kappa$ but remaining in the Union yields $S(N)-\kappa$. As a result, voters will reject withdrawal in a referendum.*

Consider then the decision to accept or reject the presented ultimatum. Since the national electorate will reject withdrawal, each leader rejects positive demands by others. Then for each leader the payoff is $S(N)$ if he has not presented an ultimatum and $S(N)-b-\kappa$ if he has presented an ultimatum. Hence, it is never optimal to present an ultimatum.

Proposition 3 implies that the incentive of national electorates to pay attention to stubbornness disappears. It is always optimal to choose the more able candidate. This is because the need to consult the national electorate before possible secession from the Union changes the bargaining position of the stubborn politicians. As they can no longer use secession as a threat, their demands for transfers from other member states are not accepted. As a result, no transfers are paid.

6 Conclusion

In its draft Constitution for the European Union, Convention suggests that each member state may withdraw from the European Union following its own constitutional requirements. We argue that such a rule could lead into a use of threat of secession to extract concessions in intergovernmental negotiations. Furthermore, the proposed article 59 may give national electorates an incentive to elect more confrontational politicians who are able to make such threats credibly.

We also suggest a remedy: the constitution should require that withdrawal from the EU must be approved by the voters of the withdrawing member state in a referendum. Giving citizens the final say would prevent the strategic use of threat of secession as well as eliminate the incentive to elect confrontational politicians.

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