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Tallberg, Jonas

2002

[Link to publication](#)

*Citation for published version (APA):*

Tallberg, J. (2002). *The Power of the Chair in International Bargaining*.

*Total number of authors:*

1

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PO Box 117  
221 00 Lund  
+46 46-222 00 00

# **The Power of the Chair in International Bargaining**

Jonas Tallberg

Dept. of Political Science, Lund University

P.O. Box 52, SE-221 00 Lund, Sweden

E-mail: [jonas.tallberg@svet.lu.se](mailto:jonas.tallberg@svet.lu.se)

Paper prepared for presentation at the 2002 ISA Annual Convention,  
New Orleans, March 24-27 2002.

All negotiations in international organizations and all multilateral conferences are chaired by member state representatives or supranational officials, with mandates to manage the agenda, structure the deliberations, and broker agreements. Yet existing literature offers no coherent explanation of the sources of this institutional practice or its effects on negotiation outcomes. The intention in this paper is to present the first cut of a theory whose purpose it is to address this gap. The paper asks two main questions: What explains the emergence of the chair as a governance form in international negotiations? What determines the influence of the chair over multilateral bargaining outcomes?

The response in this paper is to present the outline of “a general theory of the chair.” The theory is formulated in generic terms since, stripped to its basic elements, multilateral bargaining constitutes a form of group decision-making. To understand the general sources and effects of the chair as an institutional practice is to understand the role of the chair in international bargaining, as well as in other political contexts. In later stages of this project, the theory is intended to serve as the backbone of a study of the chair in international bargaining, with the EU Council Presidency as the main empirical testing ground.

The paper proceeds in four sections. The first section provides an inventory of existing research, where I assess the merits and demerits of three relevant strands of literature, none of which offers an account of the chair. The second section presents the basic logic of the theory, and explains how it draws on central tenets of rational choice institutionalism. The third and fourth sections elaborate on the main stages of the theory, by addressing, in turn, the functional origin of the chair, and its effects on political outcomes.

## **The Merits and Demerits of Existing Literature**

Since the pioneering works of the 1960s, the literature on negotiation and bargaining has grown significantly. Today, this variegated literature boasts a multitude of theoretical tools and approaches, which have been applied in a variety of international settings. As one recent overview of this literature concludes: “[T]he study of international bargaining and negotiation has developed into a vital and productive sub-field of IR research.”<sup>1</sup> These advances notwithstanding, existing research remains incomplete in important regards. The rationale of

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<sup>1</sup> Jönsson 2002, 217.

this study is the absence of a systematic conceptualization of the role and influence of the chair in international, multilateral negotiations.

In this section, I conduct an inventory of three relevant bodies of research: rationalist models of decentralized bargaining; theories of entrepreneurship, leadership, and mediation; and the literature on negotiation and decision making in the EU. Each offers important insights about the dynamics of international bargaining, yet none is sensitive to the power of the chair.

### *Rationalist Models of Decentralized Bargaining*

Rational-choice models of bargaining occupy a dominant position in the study of international negotiation. Game theory, collective-action theory, and coalition theory offer powerful tools for analyzing decentralized bargaining between two or more parties. Yet these bargaining models also share an indifference to the chair as an actor capable of shifting the outcomes of strategic interaction. This neglect of the power of procedural control is best explained by the horizontal character of these models, where all actors are assumed to be functionally equivalent, while varying in preferences and strategies.

Since Thomas Schelling's pioneering work in the 1960s, *game theory* has been the preferred theoretical approach in much scholarship on international bargaining.<sup>2</sup> The dominant game-theoretic expression of bargaining are two-person, non-zero-sum games. In this category of games, also called mixed-motive games, the parties have cooperative as well as conflictual interests. Through concerted action, the bargaining parties can reach agreements that improve their joint welfare and "enlarge the pie." Simultaneously, however, the parties dispute the terms of such agreements, or how to "divide the pie." This distinction between efficiency and distribution in bargaining outcomes is at the heart of negotiation theory, and features in alternative distinctions, such as creating vs. claiming value, integrative vs. distributive bargaining, moving toward vs. along the Pareto frontier, and the productive vs.

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<sup>2</sup> Schelling 1960. For other seminal game-theoretic analyses of bargaining, see von Neumann and Morgenstern 1947; Nash 1950; Luce and Raiffa 1957; Walton and McKersie 1965; Harsanyi 1977; Raiffa 1982. For non-specialist overviews of game theory and bargaining, see Young 1991; Brams, Doherty, and Weidner 1994; Hopmann 1996, chs. 4-5; Avenhaus 2002.

distributive dimensions of negotiated agreements.<sup>3</sup> Bargaining analyses based on this game-theoretic logic tend to focus on the tension between cooperative and competitive moves, and on explanations of alternative distributional outcomes. In the literature on international negotiations, game theory has informed analyses, for instance, of U.S. – EU negotiations, crisis bargaining, and environmental negotiations.<sup>4</sup>

Next to game theory, with its emphasis on two-person interactions, alternative rational-choice approaches have developed for the study of bargaining between three or more parties. *Collective-action theory* explicitly focuses on the problem of achieving cooperation in multi-party groups, where the members simultaneously experience cooperative and conflicting interests.<sup>5</sup> The central problem identified in collective-action theory is the incentive of group members to free-ride, whenever a party cannot be excluded from the benefits that others provide. If all or a significant number of the parties free-ride, then the collective good generated by the group will be produced at a sub-optimal level or not produced at all. While not explicitly a model of bargaining, collective-action theory has informed the study of international negotiation by pointing to particular problems that may arise in multilateral interactions, with implications for bargaining. Empirically, it has proven useful for analyzing bargaining on the terms of cooperation, for instance, in the global trade regime and NATO.<sup>6</sup>

The rationalist approach most adapted to the setting of international, multilateral negotiations is *coalition theory*.<sup>7</sup> Coalition theory proceeds from the observation that negotiations involving three or more parties are significantly more complex than bilateral bargaining, and that the parties handle this complexity by forming coalitions. Coalition analysis is the favored approach of game theorists to multilateral negotiations, since bargaining involving two coalitions may be modeled as two-person games. Coalition theory suggests that decision rules play an important role in shaping coalition formation. If the decision rule is some form of majority voting, then the actors tend to form two competing coalitions, each with the goal of gaining enough members to constitute a minimum winning coalition. If the decision rule is consensus or unanimity, the formation of two or more coalitions mainly serves to simplify the deliberations, by dividing the bargaining into two

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<sup>3</sup> Lax and Sebenius 1986; Walton and McKersie 1965; Krasner 1991; Scharpf 1997.

<sup>4</sup> E.g., Snyder and Diesing 1977; Brams 1990; Krasner 1991.

<sup>5</sup> Olson 1965; Hardin 1982; Raiffa 1982, ch. 20; Ostrom 1990.

<sup>6</sup> E.g., Olson and Zeckhauser 1966; Oneal 1990.

<sup>7</sup> Raiffa 1982, ch. 17; Dupont 1994, 1996; Hopmann 1996, ch. 13; Scharpf 1997, 81-84. See also Riker 1962 for a seminal contribution on coalitions in parliamentary assemblies.

stages: negotiations on a common position within the block, and negotiations between representatives of the coalitions. In the study of international bargaining, coalition theory has been applied to multilateral negotiations, such as the Law of the Sea agreement, the treaty on Conventional Forces in Europe, and the Uruguay Round agreement of the GATT.<sup>8</sup>

Rational-choice models of bargaining offer powerful tools for analyzing the strategic interaction of international negotiations. Yet the strong microfoundations that have served these theories well have also made them unable to offer a theoretical account of the chair. First, game-theoretic models are horizontal in nature and rest on assumptions of functional equivalence among the actors. Actors may vary in terms of preferences, information, and alternatives to negotiated agreements, all of which influence bargaining outcomes. They do not vary in hierarchy or formal control over the nature of the game, which is what distinguishes the chair from other “players” in an intergovernmental negotiation. The position of a chair is alien to models of decentralized bargaining between functionally equivalent actors. Second, game theory tends to conceive of decentralized bargaining as a naturally efficient process, which does not involve transaction costs that prevent agreement.<sup>9</sup> Strategic interaction takes place on a “spot market”, where outcomes reflect the interdependent decisions of the players. While information asymmetry may influence the choices of the actors, it does not prevent them from identifying the zone of agreement. This perception of the bargaining environment further explains the neglect of the chair. If it is true, as I suggest in later sections, that the chair as a governance form constitutes a functional response to collective-action problems in a transaction-cost-rich environment, then it is understandable why game-theoretic models of naturally efficient bargaining have refrained from addressing the role of the chair.

### *Theories of Leadership, Entrepreneurship, and Mediation*

A second set of theories take forms of bargaining failure as their starting point, and emphasize the role of leaders, entrepreneurs, and mediators in overcoming these problems. As opposed to rational models of decentralized bargaining, these theories submit that negotiations – especially multilateral ones – suffer from collective-action problems and transaction costs that

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<sup>8</sup> E.g., Sebenius 1984; Hopmann 1996, 251-254.

<sup>9</sup> For insightful discussions, see Scharpf 1997, ch. 5; Moravcsik 1999.

often prevent states from reaching agreement, despite a sufficient zone of agreement. Bargaining is not naturally efficient, but may become efficient if state representatives, supranational officials, or other actors, engage in leadership, entrepreneurship, and mediation. Leadership is the most encompassing category of activity, and entrepreneurship is one form of leadership, just as mediation is one form of entrepreneurship. In these literatures, the chair of international negotiations is sometimes identified as one of a number of actors who may engage in these activities and thereby facilitate agreement. At the same time, however, these theories fail to recognize the distinct institutional position of the chair, with its particular political resources and constraints, as compared to alternative leaders, entrepreneurs, and mediators.

*Leadership* is an object of study in a broad range of social science disciplines, and in various areas in political science. In the literature on international negotiation, leadership is typically conceived of as problem-solving activities that help negotiation parties overcome bargaining impediments.<sup>10</sup> In situations where the parties are unable to reach agreement – for instance, because of insufficient information, demanding decision rules, or domestic constraints – leadership is considered a critical determinant of success or failure. It is generally emphasized that leaders are individuals who may represent a variety of organs – governments, international organizations, or non-governmental organizations (NGOs) – and occupy a variety of positions – negotiator, chair, or expert. Distinctions between alternative forms of leadership abound, but Oran Young's differentiation between structural, entrepreneurial, and intellectual leadership is the most established.<sup>11</sup> Structural leaders are typically state representatives who translate superior material resources into bargaining leverage, and thereby produce agreement through arm-twisting and side-payments. Entrepreneurial leaders make use of negotiating skills in helping the parties to agreement, for instance, by drawing attention to the issues at stake, inventing innovative policy options, and brokering agreement. Intellectual leaders rely on the power of ideas to shape the way in which participants in bargaining think about the problem at hand and its potential solutions. Leadership theory has been used to explain bargaining outcomes in international negotiations, for instance, on trade, arms control, and the environment.<sup>12</sup>

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<sup>10</sup> Young 1991; Underdal 1994; Malnes 1995; Sjöstedt 1999. On leadership generally, see Frohlich, Oppenheimer, and Young 1971; Burns 1978; Jones 1989; Bass 1990; Calvert 1992.

<sup>11</sup> Young 1991.

<sup>12</sup> E.g., Underdal 1994; Hampson 1995; Young 1995, ch. 2; Fermann 1997.

The sources and effects of *entrepreneurship* is the object of a related literature in the study of international cooperation.<sup>13</sup> Drawing on the general notion of policy entrepreneurship, this literature focuses on how entrepreneurs exert influence over bargaining outcomes by shaping the agenda and brokering agreements. Where negotiations are plagued by uncertainty, imperfect information, or competing solutions, entrepreneurs can facilitate agreement by presenting proposals that function as “focal points” around which bargaining can converge. Compared to other actors, entrepreneurs enjoy an asymmetrical advantage in terms of ideas and information, which they use in the simultaneous pursuit of collective and private gain. Explanations of the influence of entrepreneurs tend to fall into four categories, stressing, alternatively, the entrepreneur’s political creativity, reputed impartiality, symbolic legitimacy, or policy expertise.<sup>14</sup> This literature offers examples of both governmental and supranational entrepreneurs in international negotiations on environment, trade, and arms control.<sup>15</sup>

The diverse literature on international *mediation* is distinguished from research on leadership and entrepreneurship through its more narrow focus on third-party intervention as an instrument of conflict resolution.<sup>16</sup> The starting point of most theories of mediation is a bilateral relationship in which the parties perceive their conflict in zero-sum terms, where one party’s gain is the other party’s loss. In this situation, mediation by a third party can help the parties find a negotiated solution they cannot find by themselves. Whereas early contributions to this literature stressed the need for mediators to be impartial, most analysts today recognize that mediators seldom are neutral, and, in fact, may be most effective if they have a stake in the outcome. Though labels differ, the literature tends to converge on a set of mediator roles and methods, emphasizing, in particular, mediators as communicators, formulators, manipulators.<sup>17</sup> These functions can be performed by representatives of states, international organizations, or NGOs, but also by private individuals. The effectiveness of international mediation is typically viewed as a function of a set of context and process variables: the nature of the parties, the nature of the dispute, the nature of the mediator, as well as mediation

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<sup>13</sup> Underdal 1991; Hampson 1995; Malnes 1995. On entrepreneurship generally, see Casson 1982; Kingdon 1984.

<sup>14</sup> For an overview, see Moravcsik 1999.

<sup>15</sup> E.g., Hampson 1995.

<sup>16</sup> See, e.g., Young 1967; Stenelo 1972; Touval and Zartman 1985; Bercovitch and Rubin 1992; Bercovitch 1996; Kleiboer 1998.

<sup>17</sup> Touval and Zartman 1985.



behavior.<sup>18</sup> Most empirical studies of mediation focus on bilateral security conflicts, for instance, in the Middle East, the Balkans, and South Asia, whereas mediation in multilateral cooperation still is a rare subject.

Theories of leadership, entrepreneurship, and mediation are centered on what is arguably some of the key activities of chairs in intergovernmental bargaining. Yet, for purposes of understanding the influence of the chair, they are a mixed blessing. The analytical priority of these approaches is the activity of leadership, entrepreneurship or mediation, not the actors that engage in these actions. It is a standard assertion in these literatures that no actor or position in international bargaining has a monopoly on these functions; anyone can serve as leader, entrepreneur, or mediator. The influence of these actors is not anchored in a formal position, but in the exercise of informal activities. This argument neglects the variation in constraints, opportunities, and power resources between alternative forms of actors. In a comparative perspective, the chair enjoys a distinct institutional position, with particular procedural and informational resources, as well as a specific set of formal and informal constraints, compared to alternative leaders, entrepreneurs, and mediators, whose power may be vested in material resources, technical expertise, or reputed impartiality. While it may true that many types of actors can engage in leadership, entrepreneurship, and mediation, the frequency, means, and extent of influence over bargaining outcomes is conditioned by their status as NGOs, international secretariats, chairs, private individuals, or negotiating states.

### *Negotiation and Decision-Making in the European Union*

The study of negotiations in the European Union has developed in parallel to the general research on international bargaining. Whereas early theorizing on EU politics was heavily dominated by the debate between intergovernmentalism and neofunctionalism on the sources of regional integration in Europe, the last decade has witnessed a decisive move toward research based on general, theoretical approaches in International Relations and Comparative Politics.<sup>19</sup> Scholarship on EU negotiations is an integral part of this developing research agenda. This literature draws on general bargaining theory – including theories of

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<sup>18</sup> Bercovitch and Houston 1996.

<sup>19</sup> For overviews of the literature on European integration, see Hix 1994, 1998; Caporaso and Keeler 1995; Caporaso 1998; Peterson 2001; Pollack 2001.

decentralized bargaining, leadership, and entrepreneurship – but also delineates the differences between EU negotiations and traditional international negotiations.<sup>20</sup> The research on bargaining between EU governments may be conveniently divided into two main literatures, centered on constitutional bargaining at intergovernmental conferences (IGCs) and everyday Council negotiations within the EU legislative process. In addition, EU Studies offers a limited, but distinct, literature on the Council Presidency. However, none of these bodies of research offers theoretically informed analyses of the origin and influence of the Presidency in European bargaining.

*Constitutional bargaining* at IGCs is the form of EU negotiations that most resembles traditional multilateral negotiations on regime formation. Research on these intergovernmental accords has been heavily dominated by the seminal work of Andrew Moravcsik.<sup>21</sup> Moravcsik sees intergovernmental bargaining as the second stage in a three-step rationalist framework, intended to explain the process of European integration: national preference formation shaped by economic interests, interstate bargaining shaped by asymmetrical interdependence, and institutional choice shaped by the search for credible commitments. Moravcsik's explanation of negotiation outcomes is based on established game-theoretical propositions about relative bargaining power in mixed-motive games, where the power of each actor is inversely proportional to the relative value it places on an agreement compared to the outcome of its best alternative. While widely acknowledged for its merits, Moravcsik's analysis of intergovernmental bargaining has attracted criticism as well. The most coherent challenge targets its lack of attention to supranational actors.<sup>22</sup> Though formally excluded from IGC negotiations, the European Commission, the European Parliament, and the European Court of Justice are said to shape bargaining outcomes through forms of informal leadership and entrepreneurship. The result of this debate is a substantial literature on constitutional bargaining in the EU, with alternative accounts of the key historical accords.<sup>23</sup>

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<sup>20</sup> For attempts to conceptualize the variety of negotiations in the EU, see *International Negotiation* 1998; *Journal of European Public Policy* 2000.

<sup>21</sup> Moravcsik 1991, 1993, 1998, 1999; Moravcsik and Nicolaïdis 1999.

<sup>22</sup> See, e.g., Garrett and Weingast 1993; Ross 1995; Dinan 1997; Christiansen and Jørgensen 1998; Christiansen 2002; Falkner 2002.

<sup>23</sup> In addition to the above, see, e.g., Garrett 1992; Laursen and Vanhoonacker 1992; Edwards and Pijpers 1997; Devuyt 1998; Dehousse 1999; Galloway 2001; Laursen 2002.

*Bargaining in the Council*, as part of the EU's legislative process, is the most common form of intergovernmental negotiation in the EU. Depending on the procedure, the Council decides about new EU legislation either on its own or together with the European Parliament, in both cases based on proposals advanced by the European Commission. This legislative process has attracted extensive scholarly attention in the last ten years. The literature is dominated by formal rational-choice institutionalism. Contributions typically focus on the effects of alternative legislative procedures on the formal power of the competing EU institutions, and of alternative decision rules on bargaining between governments in the Council.<sup>24</sup> As qualified majority voting has replaced unanimity voting as the dominating decision principle in the Council, bargaining analyses have become increasingly preoccupied with coalition formation. Central to these analyses is the relative voting power of governments, as measured by the number of votes they enjoy, and the distribution of preferences in the Council. Yet empirical research also points to the influence of informal alliances, such as the Franco-German coalition and the Nordic bloc, as well as informal norms, such as the culture of consensus in the Council.<sup>25</sup>

Separate from the research on intergovernmental bargaining, a limited body of literature has emerged on *the office of the Council Presidency*. As opposed to the studies of bargaining, this literature tends to be atheoretical and descriptive in orientation. Only rarely does it engage general theoretical debates on bargaining, decision-making, and cooperation. Studies of the Council Presidency split into three major categories. The first category consists of descriptions of the functioning of the Presidency, often in the context of general accounts of the Council and EU decision-making.<sup>26</sup> These works typically detail the historical evolution of the office, list the operating rules of the Presidency, outline its main functions, and assess alternative proposals for the reform of the office. The second, quite voluminous, category consists of studies of individual member states that are due to hold, or have held, the

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<sup>24</sup> See, e.g., Mesquita and Stokman 1994; Garrett 1995; Garrett and Tsebelis 1996; Hosli 1996; Golub 1999; Tsebelis and Garrett 2000; Mattila and Lane 2001.

<sup>25</sup> See, e.g., Hosli 1996; Pedersen 1998, Elgström [et al.](#) 2001; Mattila and Lane 2001.

<sup>26</sup> Edwards and Wallace 1977; Bassompierre 1988; Kirchner 1992; Hayes-Renshaw and Wallace 1997, ch. 5; Coombes 1998; Neligan 1998; Nicoll 1998; Schout 1998; Whitman 1998; Westlake 1999, ch. 5; Sherrington 2000.

Presidency.<sup>27</sup> The main ambition in these works is either to describe the political challenges and ambitions of a forthcoming presidency, or to evaluate the performance of a member state during its period at the helm. The third category is composed of the highly limited number of works that relate the study of the Presidency to general theoretical debates in International Relations, Comparative Politics, or EU Studies.<sup>28</sup> This research addresses themes such as the Presidency's agenda-shaping capacity, nature as a broker, and leadership qualities.

The field of EU Studies so far does not offer a coherent and theoretically-informed analysis of the institutional evolution of the Council Presidency and its influence in European cooperation. The literature on intergovernmental bargaining at IGC and in the Council provides convincing rationalist accounts of bargaining power and coalition building. Yet, just like the general theories they draw on, these accounts are limited by the methodological requirements of game theory, which render difficult the integration of the chair in models of decentralized bargaining between functionally-equivalent governments.<sup>29</sup> Studies of entrepreneurship and leadership, for their part, remain centered on the influence of the EU's supranational institutions or the Franco-German alliance. The literature specifically devoted to the Council Presidency is unique in a comparative perspective; no other international chairmanship institution has attracted similar scholarly attention. Yet, this literature suffers from its mainly descriptive orientation and lack of communication with general political science debates. The attention devoted to the Presidency is not matched by an ambition to put this intergovernmental governance form in a theoretical context.

## **The Power of the Chair: A General Theory**

This section summarizes the first cut of a general theory of the chair, and the following two sections develop the building blocs of this theory. The ambition of the theory is to offer

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<sup>27</sup> O Nuallain 1985; Kirchner and Tsagkari 1993; Höll 1998; Ludlow 1998; Anderson 1999; Luther 1999; Maurer 2000; Stubb 2000; Tiilikainen 2000; Bjurulf 2001; Edwards and Wiessala 2001; Lequesne 2001; Tallberg 2001; *Cooperation and Conflict* 2002.

<sup>28</sup> Wurzel 1996; Metcalfe 1998; Svensson 2000; Elgström 2001; Schout and Vanhoonacker 2001; Elgström forthcoming; Tallberg forthcoming.

<sup>29</sup> See Schmidt 2001 and Hug 2001 for an exchange on the inability of existing formal models to capture the influence of the Council Presidency.

testable propositions about the origin and effects of the institution of the chair. The theory is causal in that it specifies the mechanisms that serve to generate specific outcomes, and general in that its logic extends beyond specific empirical contexts.

The theory rests on central tenets of rational-choice institutionalism. Just like sociological and historical variants of institutionalism, rational-choice institutionalism seeks to provide answers to the questions of how institutions develop and how institutions shape political behavior.<sup>30</sup> What distinguishes rational-choice institutionalism from other institutional approaches is: a view of politics as a series of collective-action or contracting dilemmas that may prevent or inhibit mutually advantageous exchange; a conception of states as rational actors that behave instrumentally in the pursuit of their interests; a perspective on rules and norms as constraints on individual choice; and an approach to institutional evolution that is distinctly functional.

Figure 1 here

The theory conceives of the power of the chair as a four step-process. Figure 1 depicts the four steps and summarizes the central elements at each stage. The first two steps portray *the functional origin of the chair as a governance form* in bargaining. The starting point is an analytical *ex ante* stage of decentralized bargaining in a group of actors, without specific arrangements for process control. The theory posits that such decentralized bargaining is likely to suffer from a set of collective-action problems that impede efficient exchange. Three are particularly prominent: agenda instability when parties possess equal rights to initiate proposals, negotiation failure when parties conceal information about their true preferences, and external incapacity when the group lacks institutional procedures for collective interaction with third parties. According to the theory, the chair as a governance form constitutes a functional response to these collective-action problems. By delegating functions of process control to one of the members in the group, the parties seek to mediate impediments to efficient bargaining. Typically, the chair is engaged to perform functions of agenda management, brokerage, and representation, which answer directly to functional demands in decentralized bargaining. The division between a first stage of inefficient bargaining in the absence of a chair, and a second stage of efficient negotiations formally headed by a chair, is

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<sup>30</sup> For overviews and comparisons, see Hall and Taylor 1996; Immergut 1998; Peters 1998.

more analytical than empirical, since governments tend to anticipate the drawbacks of the first arrangement already when agreeing on the format of negotiations.

The next two steps depict *the political effects of the chair on bargaining outcomes*. The chair's sources of influence are its asymmetrical control over process and information. By virtue of its position, the chair enjoys superior control of the negotiating process and individual sessions, as well as superior information on preferences, procedures, and substance. These power resources are central to the chair's execution of its delegated functions and its generation of collective gains. Yet, as an opportunistic actor with interests of its own, the chair may seek to exploit these power resources for private gain as well. The theory posits that the chair's capacity to shift the distributional impact of efficient bargaining to its own advantage is conditioned by formal and informal constraints. The formal constraints consist of the institutional rules that govern the chair's three functions, the applicable decision rules, and the distribution of preferences among the key actors. The informal constraints consist of expectations attached to the position of the chair – the norm of neutrality and the norm of effectiveness – which factor into the chair's strategic assessment of alternative courses of action. The eventual impact of the chair on bargaining outcomes is measured in terms of efficiency and distribution. The chair increases the efficiency of bargaining when it fulfils its functional purpose of mitigating the problems of agenda instability, negotiation failure, and external incapacity, thereby helping the parties to realize collective gains. And it generates distributional consequences when shifting the outcome from the division of gains predicted by the relative bargaining power of governments, as measured by their alternatives to a negotiated agreement.

In the following two sections, I develop the argument made at each of the steps in the theory, and specify the theory's hypotheses about the origin and effects of the chair as an institutional practice.

## **The Functional Origin of the Chair**

Why do national governments, highly sensitive to challenges of their decision-making authority, agree to vest powers of process control in a specific office, the chair? More generally, why is the institution of the chair a standard feature in political decision-making organs? The theory presented here advances a functionalist response to this central puzzle: the

rationale of the chair as a governance form is its capacity to solve collective-action problems that arise in decentralized bargaining.

### *The Functional Claim*

Functional interpretations account for causes in terms of their effects. In the context of institutional design, the anticipated benefits of an institution are posited to explain the creation of this institution. In the study of international cooperation, theorists have explained the demand for international institutions in general, and the delegation of powers to supranational institutions in particular, with the functional benefits to states of such arrangements.<sup>31</sup> The same functional explanation has been advanced to account for the system of committees in legislatures, and the delegation of powers to regulatory agencies, constitutional courts, and central banks.<sup>32</sup> In sum: “Institutions, in the rational choice perspective, are designed to overcome identifiable shortcomings in the market or the political system as means of producing collectively desirable outcomes.”<sup>33</sup>

The functional argument about institutional design should not be misunderstood as a claim that a certain institution is the only, or even at all times the most efficient, solution to the problem it was created to address. It only argues that an institution was selected with certain functional benefits in mind, which made this institution attractive in comparison to available alternatives: “Fortunately, functional analysis does not have to show that a given set of institutions was uniquely well adapted to the environment in order to make a causal argument. --- But a sound functional argument does have to provide good reasons to believe in a causal connection between the functions that an institution performs on the one hand and its existence on the other.”<sup>34</sup> The functional perspective on institutional design may be contrasted with arguments advanced by sociological institutionalists on how organizational models develop, standardize, and diffuse.<sup>35</sup> These accounts conceive of institutional form as an effect of “isomorphism” – a social process of emulation and diffusion, in which models

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<sup>31</sup> E.g., Keohane 1984; Pollack 1997; Tallberg 2002.

<sup>32</sup> E.g., Shepsle 1979; Weingast and Marshall 1988; *West European Politics* 2002.

<sup>33</sup> Peters 1999, 59.

<sup>34</sup> Keohane 1984, 81.

<sup>35</sup> DiMaggio and Powell 1983; Powell and DiMaggio 1991; Scott and Meyer 1994.

that collectively are considered appropriate and legitimate in one area spread to other fields. What distinguishes this process, according to sociological institutionalists, is the low priority given to concerns of efficiency, relative to concerns of legitimacy.

The central claim of the functional argument I advance is the existence of a direct link between each of the three bargaining problems identified and each of the functions delegated to the chair. In simple terms, decision-making groups create the office of the chair and delegate functions to this institution in the expectation that it will mitigate agenda instability, negotiation failure, and external incapacity. The chair is not the only institution that can fulfil these functions. A cursory glance at the organization of decision making, for instance, at the international level, is sufficient to recognize the variety of formal and informal arrangements adopted for the same purposes: delegation of agenda-setting prerogatives to supranational institutions and the use of single negotiating texts as means of addressing agenda instability; informal or appointed mediators in interstate bargaining as means of addressing negotiation failure, and the external role of secretary generals or appointees as means of addressing the demand for collective representation.

A more systematic categorization identifies the chair as one of three main alternative governance structures for the functions of agenda management, brokerage, and representation: (1) ad-hoc execution by the bargaining parties themselves; (2) delegation of powers of process control to an external actor, independent of the bargaining parties; and (3) selection of one of the bargaining parties to permanently or temporarily serve as a chair. The extreme prevalence of the chair as a governance form in decision-making organs should not be taken as an indication that alternatives do not exist. They do, and sometimes they even operate in parallel to the chair. Yet what the prevalence of the chair does reflect is the relative efficiency of this governance form for addressing problems of agenda instability, negotiation failure, and external incapacity. Based on available knowledge about alternative institutional arrangements, actors make an active and informed choice in favor of the chair.

At the extension of this functional argument is a claim about institutional development over time. Since institutions are selected to generate certain expected benefits, performance over time factors into future decisions on institutional design. This dynamic applies to the chair as a governance form as well. Failure to deliver increases the attraction of alternative institutional arrangements, whereas performance at the mark generates an acceptance for the extension of the model. "Once the unanticipated consequences are understood, those effects will thereafter be anticipated and the ramifications can be folded back into the organizational design. Unwanted costs will then be mitigated and unanticipated benefits will be enhanced.



Better...performance will ordinarily result.”<sup>36</sup> As emphasized by rational-choice institutionalists, however, the prospects of reform depend on the decision rules governing institutional revision, as well as the distribution of preferences among the contracting parties. In a majoritarian system, “institutions that frustrate the will of the majority cannot be expected to survive long.”<sup>37</sup> By contrast, the requirement of unanimous consent often stifles attempts at institutional reform, and thus tends to privilege the institutional status quo.<sup>38</sup>

I now turn to a detailed explication of the collective-action problems impeding efficient exchange in decentralized bargaining, and to how the chair can mitigate these effects. The argument I develop draws on general negotiation theory and positive theories of legislative organization.

### *Agenda Instability*

When agendas are unstable – constantly shifting, overcrowded, or inadequately developed – the capacity to conclude mutually beneficial agreements is hampered. At its most basic, agenda instability is an effect of the large number of parties, preferences, and proposals in negotiations between multiple actors; at its most advanced, it is a consequence of multidimensional issues or multi-peaked preferences in majority-rule systems. The vesting of agenda control in a chair offers a functional solution to this problem.

Negotiation analysis commonly stress that complexity increases manifold as we move from bilateral to multilateral settings. “There’s a world of difference between two-party and many-party negotiations,” notes Howard Raiffa, whereas William Zartman states that “[t]he overarching characteristic of multilateral negotiation is its complexity along all conceivable dimensions.”<sup>39</sup> Most importantly, multilateral negotiations are not only multi-party, but also multi-issue. The inclusion of a large number of items on the agenda may facilitate eventual agreement by allowing for trade-offs, but it also risks creating an unwieldy agenda that defies negotiation.<sup>40</sup> In the absence of formal agenda-setting and gate-keeping functions, the agenda

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<sup>36</sup> Williamson 1995, 216.

<sup>37</sup> Shepsle and Weingast 1995, 14.

<sup>38</sup> Scharpf 1988.

<sup>39</sup> Raiffa 1982, 251; Zartman 1994, 3. See also Winham 1977; Touval ????; Zartman 1994; Hampson 1995.

<sup>40</sup> Walton and McKersie 1965, 145-146. On “negotiation arithmetic,” see Sebenius 1983.

may become either underdeveloped or overcrowded. Generally, time- and resource-consuming deliberations in a pre-negotiation phase are required to fix the agenda, before actual bargaining can begin. But even if the parties reach agreement on the agenda, they are likely to conflict on the priority of its items.

Formal analysis of multi-party decision-making grants support to the commonsensical skepticism of negotiation theorists. As discovered already by Marquis de Condorcet, and later developed by Richard McKelvey, William Riker, and others, decision systems that grant equal agenda-setting opportunities to all actors are liable to issue cycling and will be unable to secure stable majorities for the proposals advanced.<sup>41</sup> The heart of the problem is the multidimensionality of issues. An issue is multidimensional when it involves more than one dimension on which the parties disagree, for instance, left/right next to environmentalist/industrialist. This, indeed, is a defining characteristic of most issues dealt with in multi-party negotiations, not least at the international level. The effect of multidimensionality is a constant shifting of coalitions depending on what aspect of the issue is being considered. Each proposal can be beaten by another proposal, and therefore no proposal constitutes an equilibrium that the parties can agree on; the agenda is cyclically unstable. The argument was originally developed in relation to national legislatures, but it is equally applicable to multilateral negotiations, especially under conditions of majority voting.<sup>42</sup>

The primary functional solution to the problem of agenda instability is the institutionalization of procedures for agenda control. Rational-choice theorists speak of how institutional arrangements in legislative politics can prevent the manifestation of agenda instability, by permitting agenda-setting power, gate-keeping authority, or sequential choice, whereas bargaining theorists point to procedures for dealing with complexity, such as issue sequencing and single negotiating texts.<sup>43</sup> The delegation of agenda-management responsibility to a chair, I argue, is one of the foremost strategies for dealing with the problem of agenda instability in multilateral bargaining. An inventory of the tasks performed by chair persons in politics reveals an execution of exactly the kind of activities prescribed for dealing

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<sup>41</sup> Condorcet 1785; McKelvey 1976; Riker 1980. For discussions, see, e.g., Fiorina and Shepsle 1989; Bueno de Mesquita 1990; Shepsle and Weingast 1995; Scharpf 1997, 156-161.

<sup>42</sup> Bueno de Mesquita 1990.

<sup>43</sup> In the rational-choice literature, see, e.g., Shepsle 1979; Shepsle and Weingast 1984; Fiorina and Shepsle 1989; Baron 1994. In the bargaining literature, see, e.g., Raiffa 1982, 220, 254; Sebenius 1983, 1996; Hampson 1995, 45-47.

with unstable and unwieldy agendas. Functioning as “the gardener of the agenda,” the chair keeps the agenda to manageable proportions, allows certain issues onto the agenda while keeping others off, assigns priority to issues on the agenda, determines the sequence of voting on proposals, and prevents cycling between alternative proposals through single negotiating texts.

### *Negotiation Failure*

In decentralized bargaining, states have every incentive to withhold information about their true preferences for tactical reasons. Yet this stratagem simultaneously risks destroying the very basis for negotiations, by shrinking or eliminating the perceived zone of agreement. Despite a potential for mutual gain, and preferences that offer possibilities for agreement, negotiations break down. Chairs with privileged access to information about the parties’ preferences offer a functional response to this problem and permit brokered agreements.

What I term negotiation failure in this context, is one of the standard problems identified in general bargaining theory.<sup>44</sup> In a rationalist account, negotiations can break down for two reasons: either because the parties, once they have exchanged information about each others’ preferences, discover that negotiations cannot yield a better outcome than existing alternatives; or because parties with joint interests in agreement conceal information about their actual preferences, to the effect that existing alternatives appear more attractive than a negotiated outcome. As opposed to the first situation, the second constitutes a true bargaining tragedy, since parties walk away from negotiations despite a sufficient zone of agreement, sometimes also denoted “settlement range,” “bargaining zone,” or “contract zone.” Duncan Luce and Howard Raiffa describe this tension between cooperative gain and informational strategizing as “the real bargaining problem,” whereas Lax and Sebenius label it “the negotiator’s dilemma.”<sup>45</sup>

The essence of the dilemma is information. For purposes of finding an agreement that satisfies all participants – a Pareto-improving bargain – the parties must signal what they can and cannot accept. Yet revealing information about one’s true preferences is both risky and non-tactical. It is risky because it exposes a party to exploitation and the misfortune of not

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<sup>44</sup> E.g., Luce and Raiffa 1957; Walton and McKersie 1965; Lax and Sebenius 1986, ch. 2; Young 1991.

<sup>45</sup> Luce and Raiffa 1957, 134; Lax and Sebenius 1986, ch. 2.

receiving any gains in return for its sacrifices. It is non-tactical because it deprives a party of the weapon of concessions that can be used to extract favors from others. Instead, negotiating actors have incentives to be cagey, secretive or even dishonest about their true preferences, for instance, by exaggerating the value of their own concessions and downplaying the benefit of others' concessions. The result is a distorted picture of preferences that either reduces the contract zone, with the effect that "gains are left on the table," or even eliminates it, with the effect that negotiations break down. The logic of this bargaining problem is strong in bilateral negotiations – its standard representation. Yet it is compounded in the multilateral setting, with its particular difficulties of communicating preferences and exchanging information among a large number of participants.<sup>46</sup>

The functional, and often favored, solution to this problem is the involvement of a third party – a mediator or broker – who can function as a channel of reliable information about the nature of national preferences.<sup>47</sup> In two-party negotiations, the third party is truly a third party, external to the bilateral encounter. In multilateral negotiations, this is a role generally assigned to the chair of the conference or decision-making organ (though not always exclusively to the chair). The use of a broker reduces the tension in the negotiator's dilemma described by Lax and Sebenius: "A mediator or third party who enjoys the trust of the parties can enhance the flow of information by only passing on information that, in his judgement, will not hurt the other party. By acting as a selective conduit of information, a third party can reduce the expected or feared cost of disclosing information."<sup>48</sup> To be able to fulfill this function, chairs, like other mediators, are dependent on the bargaining parties actively sharing private information about their preferences. In addition, chairs, by virtue of their position as managers of the agenda, have access to advanced information on the issues at stake and the value of concession proposals, as well as to draft capabilities for integrating competing proposals in compromise solutions.

### *External Incapacity*

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<sup>46</sup> Hampson 1995, 23.

<sup>47</sup> E.g., Schelling 1960, 143-145; Raiffa 1982, ch. 15; Lax and Sebenius 1986, 172-176; Young 1991.

<sup>48</sup> Lax and Sebenius 1986; 172.

In decentralized bargaining, states engage in internal negotiations with each other in search of an agreement that permit them to reconcile their differences and reach joint gains. Yet strictly internal negotiations are rare; most often, the outcomes of internal bargaining are either affected by external processes or dependent on agreement with an external actor. In both cases, the group must find a formula for its collective representation in external relations. The representational responsibility of the chair is a response to this functional demand.

Multilateral negotiations seldom take place in a vacuum, though this simplifying assumption has served the analysis of decentralized bargaining well. More often, negotiations and decision outcomes are dependent on processes external to the bargaining in the group. Consider three such relevant processes at the international level. First, international institutions and rule systems are today increasingly interdependent, since activities in one issue area often impact on activities in another field. Regime theorists have labeled this interdependence “institutional interplay,” and distinguish between vertical interplay (institutions at different levels of social organization, e.g., states, regional associations, global institutions), and horizontal interplay (institutions at the same level of social organization, e.g. global regimes in trade, environment, and arms control).<sup>49</sup> One central implication of growing institutional interplay is the need to manage relations between international decision-making fora. This involves, not least, the handling of tension between overlapping institutions, each of which was formed for a different purpose, but whose arrangements and activities are in conflict.

Second, negotiations in international organizations or multilateral conferences seldom encompass all states affected by an issue. The membership of regional associations is by definition restricted, and not even global institutions incorporate all sovereign states. Limits to group membership create a demand for procedures to handle relations with non-members or prospective members. Third, internal decision outcomes may be linked to external negotiation results. In the study of labor negotiations, such interdependence has been conceptualized as “interorganizational bargaining,” whereas IR theorists prefer to speak of “two-level games,” involving both intrastate and interstate negotiations.<sup>50</sup> A prerequisite for such interdependent decision-making is the delegation of powers of representation to an actor whose mandate it is to act on behalf of the internal group in the external negotiations.

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<sup>49</sup> E.g., Young 1999, ch. 7; Stokke 2001.

<sup>50</sup> Walton and McKersie 1965; Putnam 1988; Evans et al. 1993.

What unites these three processes is a simple and straightforward problem, whose functional solution often involves a role for the chair of a decision-making forum. Whereas an individual can negotiate on its own behalf, a composite actor cannot engage in negotiations as is, but must delegate the power of representation to an agent. Just like states cannot be represented by all citizens in negotiations with each other, international institutions cannot be represented by all constituent member states in their external dealings. This need for a collective representative constitutes an additional rationale for the office of the chair. If we assume that internal negotiations between actors in a multilateral forum precede external negotiations aimed at managing the relation between this group and its environment, then the functional pressure for representation is likely to develop in relation to an already existing office, and involve the delegation of further powers to the chair, rather than the formation of this office.

## **The Political Effects of the Chair**

Once created, the office of the chair becomes an institutional practise with political consequences. In this section, I specify the power resources of the chair, explain how formal and informal constraints condition its capacity to exploit its position for private gain, and describe its impact on the efficiency and distributional consequences of bargaining.

### *Power Resources of a Strategic Chair: Information and Process Control*

The position of the chair offers its occupant a set of power resources that may be used to pursue collective interests, as well as private concerns. These power resources are integral to the three functions commonly delegated to chairs. Analytically, they split into two forms: asymmetrical control of information, and asymmetrical control of procedure.

By virtue of its position, the chair in multilateral bargaining has access to information unavailable to the negotiating parties, and knows more about its own actions than the negotiating parties do. These two forms of information asymmetry are sometimes labeled

“hidden information” and “hidden action.”<sup>51</sup> In the case of hidden information, an actor possesses or acquires information through its activities that may be used for strategic purposes, but which other parties cannot obtain. This kind of information asymmetry primarily takes three forms in multilateral bargaining. The chair tends to know more about the true distribution of preferences than each of the bargaining parties – the basis for the chair’s role as a broker. This information asymmetry extends to the preferences of the chair itself and those of external parties with which the chair negotiates on behalf of the group. Through the management of the agenda, the search of viable compromises, and the role as external representative, the chair furthermore tends to acquire an expertise in the dossiers under debate. Finally, the chair tends to develop an unusual command of the formal procedures of negotiation, and knows more about the steps it intends to take as process manager than the bargaining parties do. In the case of hidden action, it is the activity of an actor – not its atypical knowledge – that creates a relationship of information asymmetry between parties. The actions of the chair, and the implications of these actions for negotiations, are seldom fully transparent. This kind of information asymmetry is most pronounced in external representation, where the chair engages in negotiations on behalf of the group, yet cannot be fully monitored by its members. The information asymmetry in this situation is further compounded by the element of interaction, which makes it difficult to separate the contribution of the chair to negotiated outcomes from that of the external counterpart.

Owing to its position, the chair also enjoys asymmetric control of the negotiation process. To be the chair is to be the manager of the process. This process control may be divided into two central aspects: control of negotiation procedure, and control of negotiation sessions. The first form of control pertains to the general progression of negotiations, but especially the formal procedures directed by the chair. Compared to each of the bargaining parties, the chair tends to enjoy asymmetrical control over decisions on the sequence of negotiations (from prenegotiation phase to negotiation phase and agreement phase), the frequency of negotiation sessions (and associated time for internal deliberations), and the method of negotiation (competing proposals or single negotiating text). The second form of control pertains to the structure of deliberation in actual negotiation sessions. This control is probably what most people associate with the chair of any decision-making organ. The chair opens and concludes meetings, defines the meeting agenda, allots the right to speak, directs voting procedures, and

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<sup>51</sup> E.g., Holmström 1979; Arrow 1985; Kiewiet and McCubbins 1991, ch. 2; Miller 1992, chs. 6-7.

summarizes the results obtained. Expressed in more political terms, the chair tends to enjoy asymmetrical control over who gets to say what, when, how, and to what effect.

By drawing on these power resources – information and process control – the chair can help negotiation parties overcome bargaining impediments that prevent the realization of collective gains. Yet the very same power resources can be exploited to pursue private gains as well. Assuming that the chair is an opportunistic actor just like the other negotiation parties, it will seek to take advantage of this possibility to favor its own interests in the bargaining process. Whereas the engagement of a chair may be necessary to address harmful collective-action problems and reach efficient bargaining outcomes, it thus simultaneously grants this actor an opportunity to shift the distribution of gains to its advantage. This double-edged nature of delegation is a theme well-developed in the principal-agent literature, but the private interests of leaders, entrepreneurs, and mediators is recognized in the bargaining literature as well.

Principal-agent theory posits that opportunism is an ever-present problem when decision power is delegated from one actor to another. “There is almost always some conflict between the interests of those who delegate authority (principals) and the agents to whom they delegate it. Agents behave opportunistically, pursuing their own interests subject only to the constraints imposed by their relationship with the principal. The opportunism that generates agency losses is a ubiquitous feature of the human experience. It crops up whenever workers are hired, committees are appointed, property is rented, or money is loaned.”<sup>52</sup> Conflicting interests are a defining feature, not only when power is delegated to an already existing agent, but also when it involves the creation of a new agent. Terry Moe captures this phenomenon in the context of executive agencies: “Once an agency is created, the political world becomes a different place. Agency bureaucrats are now political actors in their own right: they have career and institutional interests that may not be entirely congruent with their formal missions, and they have powerful resources – expertise and delegated authority – that might be employed toward these ‘selfish’ ends. They are new players whose interests and resources alter the political game.”<sup>53</sup>

The bargaining literature on leaders, entrepreneurs, and mediators similarly recognizes that these actors are players in their own right, with their own interests in the negotiation process. Works on leadership and entrepreneurship regularly point to the pursuit of private

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<sup>52</sup> Kiewiet and McCubbins 1991, 5.

<sup>53</sup> Moe 1990, 143.



interests as a defining feature. In this vein, an early seminal contribution states that “an entrepreneur can be defined as an individual who seeks to make a profit from the supply of some good to the members of a group,” whereas Young stresses that “entrepreneurial leaders are self-interested: they are motivated or driven to exercise leadership to further their own values or goals rather than to fulfill some sense of ethical responsibility to the community.”<sup>54</sup> In the same way, it is a typical addendum in the literature on third-party intervention that these actors too have interests. Raiffa notes that “[t]he intervenor has aspirations, ideals, values, judgments, and constraints of his own. Thus, he can be thought of as another player in the game – albeit a special type of player,” whereas Schelling describes a mediator as “a third player with a payoff structure of his own who is given an influential role through his control over communication”<sup>55</sup>

Consider, on this basis, how the delegation of agenda-management, brokerage, and representation functions to a chair simultaneously opens up possibilities for opportunistic action. As agenda manager, the chair is endowed with formal procedural instruments that permit the organization of a stable agenda; yet the structuring of the agenda is not a neutral exercise, since it involves prioritizing some issues at the expense of others. As broker, the chair is granted privileged access to information about their parties’ true preferences in its pursuit of viable compromise proposals; yet the exclusive preference information may be used to promote agreements with certain distributional outcomes rather than others. As representative, the chair is delegated the power to act and negotiate on behalf of the group; yet the interaction with third parties offers possibilities to present positions and strike bargains which diverge from the group’s median preference. In sum, the same asymmetrical advantages in information and process control that can be used to help negotiating parties overcome collective weaknesses, can also be used to influence outcomes in the favor of the chair.

### *Formal and Informal Constraints: Rules, Procedures, Norms, and Expectations*

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<sup>54</sup> Frohlich, Oppenheimer, and Young 1971, 58; Young 1991, 296. See also Fiorina and Shepsle 1989. For a diverging opinion, see Malnes 1995.

<sup>55</sup> Raiffa 1982, 24; Schelling 1960, 144. See also Stenelo 1972, 29; Lax and Sebenius 1986, 173-176; Hampson 1995, 18; Carnevale and Arad 1996.

While presented with an opportunity to pursue private interests, the chair is not free from constraints in the execution of its functions. The constraints consist of both formal rules and informal norms, which are best regarded as the result of intentional processes of procedural design or norm articulation in a decision-making group. I conceive of these formal and informal constraints as institutions that structure the course of action by prescribing or proscribing certain forms of behavior on the part of the chair. I thereby depart from the practice in some rational institutionalist analysis to only regard formal rules and procedures as institutional constraints. The particular shape of these constraints varies across organizational contexts, the functions of the chair, and specific dossiers, with implications for the behavioral choices of the chair. They thereby help explain variation in the chair's capacity to pursue private interests, next to collective concerns.

*Formal constraints* are of two different kinds: institutional procedures for the office of the chair, and decision rules for the adoption of proposals in the group.

Institutional procedures provide the formal basis of the office of the chair. Simplifying slightly, they may be divided into (1) appointment procedures, (2) administrative procedures, and (3) oversight procedures. Appointment procedures define the process by which a chair is selected among the members of a group. Should the chair be elected for a certain period of time, or should one member be appointed chair permanently, or should the office rotate between the members according to a predefined order? Appointment procedures matter because they have implications for the chair's incentives in the execution of its functions. Competition for the position of the chair, with the possibility of re-election, is likely to create incentives for the chair to deliver to the constituency. Rotation of the office is likely to create dynamics of diffuse reciprocity, where each chair is granted certain latitude, and private gains from the position of the chair are temporally distributed within the group. Finally, the appointment of a permanent chair is likely to constitute a strong invitation to opportunistic action, all other things equal.

Administrative procedures constitute instruments of ex ante control.<sup>56</sup> They define the formal mandate of the chair, the legal instruments available, and the procedures it must follow. In complex decision-making systems, where also other actors than the chair are engaged in agenda management, brokerage, and representation, an additional function of administrative procedures is to specify the relationship between all involved actors. In the principal-agent literature, administrative procedures are viewed as non-coercive means to

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<sup>56</sup> McCubbins, Noll, and Weingast 1987.

induce compliance, and as an alternative to explicit oversight mechanisms. They carry the comparative advantage of circumscribing the agent's room for maneuver at an ex ante stage, and thereby prevent action that otherwise would have had to be addressed through costly oversight, or resulted in agency losses. Summarize Mathew McCubbins, Roger Noll, and Barry Weingast in a seminal contribution: "Procedural requirements affect the institutional environment in which agencies make decisions and thereby limit an agency's range of feasible policy options."<sup>57</sup>

Oversight procedures, by contrast, constitute means of ex post control.<sup>58</sup> They permit the members of the group to monitor the activities of the chair, and to sanction the chair if it diverges from the protection of the collective interest. Monitoring permits the group to reduce the chair's asymmetrical information advantage, whereas the threat of sanctions induces the chair to faithfully fulfill its functions. In external negotiations, moreover, strict oversight mechanisms "at home" can strengthen the chair's bargaining power as representative, by signalling that any bargain that does not meet the objectives of the group will be rejected.<sup>59</sup> However, oversight mechanisms risk being counterproductive. For the fulfilment of its functions, the chair requires certain latitude or discretion in relation to the group. In its role as broker, the chair must be allowed privileged access to preference information, or else it cannot design viable compromise proposals. Likewise, in its role as representative, the chair must be granted certain flexibility, or else its capacity to strike efficient bargains with external counterparts will be reduced.<sup>60</sup>

Decision rules shape the ease with which the chair can promote proposals that satisfy the requirements of an efficient bargain, yet meet the partisan interests of the chair. As is regularly pointed out in the literature on legislative politics, decision rules have implications for the agenda-setting capacity of alternative actors.<sup>61</sup> Similarly, general bargaining literature notes the importance of decision rules for negotiation behavior and the capacity to conclude agreements.<sup>62</sup> The distinction between unanimity and majority voting is the most fundamental, and well illustrates the implications of variation in decision rules.

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<sup>57</sup> McCubbins, Noll, and Weingast 1987, 244.

<sup>58</sup> See, e.g., Holmström 1979; McCubbins and Schwartz 1984; McCubbins, Noll, and Weingast 1987; Kiewiet and McCubbins 1991, ch. 2.

<sup>59</sup> The notion of bargaining power as a product of "tied hands" is generally associated with Schelling 1960.

<sup>60</sup> Nicolaïdis 1999; Meunier 2000.

<sup>61</sup> E.g., Tsebelis 1994; Tsebelis and Garrett 2001.

<sup>62</sup> E.g., Young 1991; Hampson 1995, 32-33; Hopmann 1996, ch. 13; Metcalfe 1998; Meunier 2000.

In negotiation fora where decisions must be taken with the unanimous consent of all members, the capacity of the group to reach agreement is reduced, as is the ability of the chair to promote its most preferred outcome. “The operation of the unanimity rule, by itself, engenders incentives for ambitious or greedy actors to hold out in the hope that others will offer significant concessions to avoid stalemate and the resultant outcome of no agreement.”<sup>63</sup> The key challenge for the chair will therefore be to help the parties to an efficient agreement. The chair will only receive sufficient support for the limited range of negotiated agreements that, for all actors involved, are better than the status quo or unilateral alternatives. Decision making under unanimity voting will thus produce lowest-common-denominator solutions. The fact that a single veto can prevent agreement reduces the capacity of the chair to promote its ideal solution.

Decision making through majority-rule procedures increases the general capacity of the group to strike agreements, as well as the chair’s room for maneuver. The central implication of majority voting is that the support necessary for agreement is much easier to mobilize, and that isolated actors, in the absence of a veto, must make concessions if they are not to be marginalized. When only the support of a majority or a super-majority is required, the range of alternative agreements that are possible and efficient expands. By implication, so does the chair’s capacity to steer the group toward the adoption of its preferred solution.

The constraining effect of decision rules is conditioned by the distribution of preferences among the relevant actors. Two factors are essential: the position of the chair’s preferences in the general distribution within the group, and the preferences of external counterparts in relation to the group and the chair. Regardless of the decision rule, a chair with central preferences will find it comparatively easier to reach agreements that also satisfy its substantive interests. For the chair with isolated preferences, the choice of decision rule carries greater weight. Under the majority procedure, an isolated chair faces an explicit threat of being outvoted, whereas under the unanimity procedure, it is protected by the right to veto any agreement that makes it worse off. Consider now an external negotiation, where the chair acts as representative in bargaining with a third party. In this situation, the position of the external party’s preferences relative to the chair’s and the group’s may either facilitate or aggravate the chances of the chair to obtain its preferred outcome. The external party aids a chair with extreme preferences, if it presents an even more radical position, whereas it

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<sup>63</sup> Young 1991, 284.

worsens the chair's situation, if its preferences instead are closer to the median position in the group.

*Informal constraints* constitute an additional set of factors that shape the activities of the chair. In the common polarization of scientific debates, norms are often associated with sociologically-oriented work, and seen as divorced from the rationalist research agenda. This position is unsound and rightfully criticized by Martha Finnemore and Kathryn Sikkink in a recent contribution:

The opposition of constructivist and 'rationalist' arguments that has become widespread in the discipline implies that the issues constructivists study (norms, identities) are not rational and, similarly, that 'rationalists' cannot or do not treat norms or identities in their empirical research programs. However, recent theoretical work in rational choice and empirical work on norm entrepreneurs make it abundantly clear that this fault line is untenable both empirically and theoretically. --- [T]he fights are not about (or should not be about) whether rationality plays a role in norm-based behavior. The fights are about the nature of the link between rationality and norm-based behavior.<sup>64</sup>

In this vein, I conceive of norms as constraints even on rational actors involved in bargaining over the distribution of gains. What distinguishes this argument from sociological interpretations is the process by which norms structure the choice of action. In the sociological account, norms become internalized in actors, with the effect that actors no longer make an active choice in conforming to them; they act according to a logic of appropriateness.<sup>65</sup> In the rationalist account, by contrast, actors construct and conform to norms for instrumental reasons and on the basis of a calculation of gains from alternative courses of action; they act according to a logic of consequences.

Rational actors care about norms because violation can result in costs in the present, if it provokes political sanctions, and in the future, if the actor's reputation as a cooperative partner is damaged.<sup>66</sup> The longer the shadow of the future, the more actors care about their reputation, and the less likely they are to violate established norms. It is essential to recognize that norms from a rationalist perspective do not affect actors' preferences, but only the

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<sup>64</sup> Finnemore and Sikkink 1998, 909, 911. In rationalist analyses, norms have varyingly been seen as the product of strategic norm entrepreneurs (e.g., Finnemore and Sikkink 1998; Keck and Sikkink 1998), as "focal points" around which bargaining can converge (e.g., Schelling 1960; Weingast 1995), as a lubricant of the gears of social systems (e.g., Riker 1980; Elster 1989), or as the form of constraints explored here.

<sup>65</sup> March and Olsen 1989; 1998.

<sup>66</sup> On reputation as a factor in cooperation and bargaining, see, e.g., Kreps and Wilson 1982; Keohane 1984, 103-106; Lax and Sebenius 1986, 64-69; Chayes and Chayes 1995, ch. 1.

strategies for achieving these goals. Neither do norms determine the choices of an actor, but merely feed into the calculation of gains from alternative behavioral strategies. “[A]n acknowledged norm need not be an absolute value in a negotiation: it may be partly or fully traded off against other interests.”<sup>67</sup>

Yet few political contexts are dominated by one overarching norm. Instead, actors tend to navigate in a landscape of norms and role expectations. The existence of multiple norms may affect actors in a variety of ways, depending on whether the expectations are convergent or conflicting. Mutually incompatible norms expands the range of acceptable behavior, and permit actors to pick and choose without being sanctioned. Alternatively, actors may pay lip service to one norm while action is guided by other expectations and concerns. Drawing on the work of the organizational theorist Nils Brunsson, Stephen Krasner describes how “organized hypocrisy” can result in the presence of mutually incompatible norms, expectations, and interests: “Hypocrisy is an inherent problem for political organizations. Such organizations win support not by being consistent but by satisfying the demands of different interests. Talk, decisions, and products may be addressed to different constituencies. --- To secure resources from the environment, rulers must honor, perhaps only in talk, certain norms but at the same time act in ways that violate these norms, if they hope to retain power and satisfy their constituents.”<sup>68</sup>

The context of group decision-making is no exception, but tends to be characterized by the parallel existence of competing norms. Next to expectations generated by actors’ constituencies, two norms pertaining specifically to the role of the chair tend to be present in all decision-making fora. The “norm of efficiency” is linked to the functional purpose of the chair, and prescribes that the chair should promote agreement among the bargaining parties, using all the means at its disposal. The “norm of neutrality” pertains to the execution of the chair’s functions, and prescribes that the chair should be impartial with respect to the interests of other actors, as well as disinterested with regard to actions that affect its own interests.<sup>69</sup> In both theory and practice, the relationship between the two norms tends to be marked by tension and conflict. Notably, to reach efficient outcomes, the chair may need to build coalitions that favor the interests of some actors at the expense of others. As a prescription for actual behavior, these conflicting norms present the chair with a dilemma, captured in the

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<sup>67</sup> Lax and Sebenius 1986, 73.

<sup>68</sup> Krasner 1999, 65-66.

<sup>69</sup> I borrow this conceptualization of neutrality from Metcalfe 1998.

proverb “damned if you do, damned if you don’t.” At the same time, however, the tension between the norms grants the chair certain autonomy, since all courses of action, while challenging one norm, can be justified with reference to the other. The norms of efficiency and neutrality are likely to be present in all decision-making contexts where a chair has been endowed with powers of agenda management, brokerage, and representation. Yet the intensity of these norms and the constraining effect they exert varies across contexts, with implications for the chair’s room for maneuver. In any given decision-making organ, the norms may be more or less developed, depending on processes of norm evolution and institutionalization. The constraining effect of each norm may also vary depending on the nature of the issue. Violations of the norm of neutrality are likely to be more acceptable when they occur in the context of substantive rather than institutional issues, in view of the varying long-term consequences of partisan behavior. Suggests Krasner: “Violations of institutional arrangements elicit more severe reprisals than disagreements about specific policies because institutional arrangements cover a range of policy options stretching across issues areas and time.”<sup>70</sup> Finally, the relative intensity of the norm may vary with the urgency of agreement. The greater the expected costs of delayed agreement are, the more impatient negotiators will be, and the more likely they are to emphasize efficiency at the expense of neutrality.

### *Impact on Bargaining Outcomes: Efficiency and Distribution*

The final stage of the theory is the impact of the chair’s activities on bargaining outcomes. The impact is a result of the functions performed by the chair, as well as the chair’s exploitation of its power resources for private gain, while subject to formal and informal constraints. The impact is conceptualized through the dimensions of efficiency and distribution. Any effect on outcomes along any of these dimensions is evidence of the independent input of the chair in bargaining and decision making.

Figure 2 here

Efficiency and distribution are standard dimensions in measuring the outcome of bargaining. As one student of interstate bargaining notes: “Efficiency and distribution lie at

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<sup>70</sup> Krasner 1999, 60. See also Tallberg forthcoming.

the heart of nearly all analyses of international negotiation, whether drawn from international regime theory, negotiation analysis, or abstract bargaining theory.”<sup>71</sup> The dimensions of efficiency and distribution are summarized and expressed in figure 2. I depict the chair’s effect along these dimensions as a sequential process in two steps.

At the first stage, the chair facilitates bargaining within a group through the execution of its three functional tasks: agenda management, brokerage, and representation. It thereby helps negotiators reach an efficient agreement. In the negotiation literature, this efficiency dimension is often conceptualized in terms of whether the parties exploit the full potential for agreement or “leave gains on the table.” In analytical terms, it is a question of whether or not an agreement is Pareto-efficient; whether negotiations eventually reach a stage (the Pareto frontier) where no other agreement exists that could improve general welfare more.

At the second stage, the chair affects the distribution of gains among the bargaining parties by promoting the one agreement – among a range of efficient outcomes – that is closest to its own preferred position. Once at the Pareto frontier, there are many points that are equally efficient, yet yield varying distributional consequences. By exploiting its asymmetrical advantage in information and process control, the chair attempts to maneuver negotiations toward its ideal point, while subject to the formal and informal constraints of institutional procedures, decision rules, norms, and expectations.

Whether these effects take place, and the chair exerts influence over decision-making outcomes, is an empirical question. Some scholars claim that bargaining cannot yield agreement in the absence of leadership and entrepreneurship.<sup>72</sup> That is not the implication of the theory presented here. Clearly, there are instances where the activities of the chair are redundant and the bargaining parties succeed in concluding efficient deals by themselves. Likewise, the chair need not always exert influence over the distribution of gains; indeed, as suggested by this theory, the distributional impact is likely to vary with the effect of formal and informal constraints.

Yet, to the extent that the activities of the chair affect the efficiency and distributional consequences of bargaining, then this challenges established wisdom in standard theories of negotiation and decision making. First, rationalist theories of decentralized bargaining are confronted on two accounts. Evidence that efficient outcomes could only be reached through

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<sup>71</sup> Moravcsik 1998, 51. Works that operate with this distinction include Schelling 1960; Walton and McKersie 1965; Raiffa 1982; Lax and Sebenius 1986; Krasner 1991; Young 1991; Scharpf 1997, Moravcsik 1998.

<sup>72</sup> E.g. Young 1991, 302.



agenda management, brokerage, and representation by a chair questions claims about naturally-efficient bargaining in decentralized settings. In addition, distributional outcomes that are systematically biased in the direction of the chair challenge the key proposition of decentralized bargaining theory, namely the division of gains according to relative bargaining power, as defined by the parties' best alternative to negotiated agreement. Second, the power of the chair carries implications for theories of leadership, entrepreneurship, and mediation. Whereas the efficiency-enhancing and distributional impact of the chair underscores claims in this theoretical tradition about the effects of leaders, the process by which this influence is generated challenges standard assertions in the same literature. Influence that is intimately linked to a specific institutional position, with particular power resources and constraints, questions the dominant opinion that leadership and entrepreneurship are informal activities that all actors in a political system are equally capable of performing, regardless of their formal status. In conclusion, a more informed understanding of the power of the chair holds the promise of a more informed understanding of the dynamics of international bargaining.

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