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LOGROLLING IN THE EUROPEAN UNION

by

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Abstract

This paper presents spatial models of Commission appointment, policy making and logrolling in the EU. The theory characterizes sets of successful Commission proposals, i.e., proposals that can become EU policy, and sets of effective Commissions, i.e., Commissions that can be appointed and can successfully propose their own ideal policies. It also studies whether the Commission appointment and policy making processes allow for logrolling, and characterizes sets of sustainable logrolls, i.e. logrolls that can become EU policy during the policy making process. It concludes that the Commission facilitates logrolling in the EU. *Journal of Economic Literature* Classification Numbers: C72, D72.
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1. Introduction

The legislative procedures of the European Union (EU) have been the object of considerable attention during the past years. The literature includes theoretical analyses of the procedures, amongst others by Tsebelis (1994), Steunenberg (1994) and Crombez (1996, 1997a). In these models the Commission, the Parliament and the member countries consider specific policy issues and do not engage in vote trading across policy issues. Equilibrium EU policies depend on the preferences of the Commission, the Parliament and the countries, and these preferences are assumed to be exogenous.

Crombez (1997b) analyzes one of the elements that shape the preferences of one of the institutions. In particular, it endogenizes the Commission's preferences by studying the Commission appointment process. It characterizes sets of effective Commissions, i.e., Commissions that can be appointed and can successfully propose their own ideal policies, and sets of successful proposals, i.e., proposals that can become EU policy, as a function of the ideal policies of the countries and the Parliament.

This paper builds on that work to study vote trading in EU policy making. It analyzes whether the Commission appointment and policy making processes allow for logrolling and characterizes sets of sustainable logrolls, i.e., logrolls that can become EU policy during the policy making process. Logrolling in the EU has received little attention in

literature so far. Bueno de Mesquita and Stokman (1994) discuss cooperative and non-cooperative theories of logrolling and apply them to the EU. Carrubba and Volden (1996) present a distributive model of vote trading and also analyze the EU. They study how chamber size and voting rule affect a legislature's ability to engage in logrolling, and find that larger legislative bodies choose less restrictive voting rules to facilitate logrolling.

I present a spatial model of Commission appointment, EU policy making and logrolling, and assume that the countries and the Parliament have Euclidean preferences over an n -dimensional policy space, i.e., they each have an ideal policy and they prefer policies that are closer to, rather than farther away from, their ideal policies. The countries and the Parliament decide on an EU Commission and an EU policy in a sequential game with complete and perfect information. First, they choose a Commission. Subsequently, they choose an EU policy together with the Commission. They have preferences over EU policy and care about the Commission only because it affects EU policy. Therefore, they think ahead and look at the policy making process when they appoint a Commission. Whether they vote in favor of the Commission depends on the policy they expect it to implement. This policy can imply logrolling: the countries and the Parliament can vote against their preferences on some policy issues in return for others' support on other issues.

In the next section I introduce the model. The third section considers policy making on individual policy issues and characterizes the sets of successful proposals, i.e., Commission proposals that can become EU policy in the absence of logrolling, under the two principal legislative procedures: the consultation and co-decision procedures.¹ These sets are functions of the ideal policies of the countries and the Parliament, and the location of the status quo. In the fourth section I consider Commission appointment and logrolling, and characterize the sets of effective Commissions, i.e., Commissions that can be appointed and can successfully propose their own ideal policies, and the sets of sustainable logrolls, i.e., logrolls that can become EU policy during the policy making process. The fifth section presents the conclusions. The Commission is found to be an institution that facilitates logrolling. By appointing a Commission prior to the policy making process the countries can commit to a particular logroll. All countries and the Parliament prefer the logroll to the status quo.

2. The Model

I present a spatial model of Commission appointment, EU policy making and logrolling. Alternative EU policies are represented by points in an n -dimensional policy space. Each dimension corresponds to a specific policy issue, such as the allowable noncocoa fat level

in chocolate or the length of daylight saving time. EU policy making can then be thought of as choosing a point in the policy space.

I assume that countries have Euclidean preferences over the EU policy $p(p^1, \dots, p^n)$, with ideal policy $\hat{p}_k(\hat{p}_k^1, \dots, \hat{p}_k^n)$ for country k . I refer to the EU policy p^i on dimension i as the i -policy, and to country k 's ideal policy \hat{p}_k^i on dimension i as country k 's ideal i -policy.² Parliamentarians and potential Commissioners are also assumed to have Euclidean preferences over EU policy.

First the countries, as represented in the Council, and the Parliament form a Commission. When the Commission is formed, the Commission, the Parliament and the countries together decide on an EU policy. For the policy making process I consider the two principal legislative procedures: the consultation and co-decision procedures.

The Commission appointment process, as studied in the model, is shown in Figure 1. It was analyzed in more detail by Crombez (1997b). In the first stage Nature selects the country k that is to propose a Commission President. Country k 's selection probability could, for example, be equal to its share of Commissioners.³ In the third and fourth stages the countries and the Parliament vote on the proposed Commission President. If all countries and the Parliament vote in favor, the proposed Commission President is appointed and subsequently appoints the other Commissioners.⁴ Otherwise, the status quo prevails. The status quo is either the policy agreed on under a previous Commission,

or the result of existing national policies. On the daylight saving time issue, for example, the status quo would be daylight saving time from the last weekend of March until the last weekend of October. On the chocolate issue, the status quo would be the absence of an internal market.

-----Figure 1 about here-----

After the appointment of the Commission the countries and institutions turn their attention to policy making. I assume that n policy issues arise during the Commission's term and that the countries and institutions deal with these n policy issues one issue at a time. Since the countries, the Parliamentarians and the Commissioners have Euclidean preferences, their preferences over the i -policy are independent of the EU policies on other dimensions. Country k 's utility, for example, decreases as the i -policy moves farther away from country k 's ideal i -policy \hat{p}_k^i , whatever the EU policies on the other dimensions are. In the absence of logrolling EU policy making on dimension i can thus be studied as if it were the only relevant dimension.

The Commission and the Parliament use simple majority rule, and there are no restrictions on amendments. As a consequence, the analysis of policy making on dimension i can be simplified by focusing on the ideal i -policies of the i -median Commissioner and the i -median Parliamentarian. Suppose the i -status quo q^i is to the

right (left) of the i -median Commissioner's ideal i -policy \hat{p}_c^i . The i -median Commissioner and all Commissioners on his left (right) then want a move to the left (right). As a result, any i -policy is defeated in the Commission by i -policies that are closer to the i -median Commissioner's ideal i -policy. Similar reasoning applies to voting in the Parliament. With respect to policy making on dimension i the Commission and the Parliament can thus be treated as unitary actors with ideal i -policies equal to their i -median voters' ideal policies, \hat{p}_c^i and \hat{p}_p^i respectively.⁵

The Council is not represented as a unitary actor because it uses qualified majority rule. Nonetheless, the analysis of policy making on dimension i can be simplified by focusing on the countries that are i -pivotal under the qualified majority rule. To defeat the status quo 62 out of a total of 87 votes are needed.⁶ The country a^i that is i -pivotal for a move to the right thus has an ideal policy to the left of the country with the i -median vote. In particular, country a^i is the country with the 26th vote (from the left). Country a^i and the countries to its right then have 62 votes, and the countries to its right do not constitute a qualified majority without country a^i . The country b^i that is i -pivotal for a move to the left is the country with the 62nd vote.

Policy making on dimension i starts with a proposal from the Commission. The Commission proposal goes through one of the EU's legislative procedures. The model focuses on the consultation and co-decision procedures. Crombez (1996) presents a

model of the consultation procedure, and Crombez (1997a) studies the co-decision procedure. This model uses simplified versions of those models.

The consultation procedure is shown in Figure 2. First, the Commission proposes a policy. Next, the countries vote on the Commission proposal in the Council. The proposal is adopted if a qualified majority in the Council supports it. If the proposal does not obtain a qualified majority, the status quo prevails.⁷

----- Figure 2 about here-----

The co-decision procedure is shown in Figure 3. In the first stage the Commission proposes a policy. In the second stage the Parliament can offer a joint text.⁸ If the Council accepts the joint text by a qualified majority in the third stage, the joint text becomes EU policy. If the Parliament does not propose a joint text or the Council rejects it, the Parliament votes on the Commission proposal in the fourth stage. If the Parliament accepts the proposal and the Council confirms it by a qualified majority in the final stage, then the proposal becomes EU policy. Otherwise, the status quo prevails.

----- Figure 3 about here-----

The model incorporates complete and perfect information.⁹ The countries, the Parliament and the Commission know each other's preferences, the location of the status quo, the impact of proposed policies, the sequential structure of the model, and the actions taken

in prior stages of the model. They know which issues they will be addressing during the Commission's term.¹⁰

An equilibrium consists of a strategy for each country, the Parliament and the Commission. Strategies tell the countries, the Parliament and the Commission what actions to choose in the relevant stages of the procedure, given the actions taken in prior stages. The equilibrium concept is subgame perfect Nash. In a Nash equilibrium, no country or institution can increase its utility by choosing another strategy, given the other countries' and institutions' strategies. In a subgame perfect Nash equilibrium, countries and institutions can do no better than stick to their strategies in any stage of the procedure, even if a country or institution deviated from its strategy in a prior stage.

3. Policy Making

In this section I characterize the sets of successful proposals and the equilibrium EU policies for any configuration of ideal policies and for any location of the status quo in the absence of logrolling. I study the consultation and co-decision procedures. For each procedure I first look at policy making on a single dimension i . As mentioned above, policy making on dimension i can be studied as if it were the only relevant dimension. I go through the different steps of the procedure, and determine the set of successful i -

proposals and the equilibrium i -policy. Subsequently, I look at the entire policy space and characterize the set of successful proposals and the equilibrium EU policy in the n -dimensional policy space.

3.1 Policy Making under the Consultation Procedure

The Commission starts policy making on dimension i by proposing an i -policy p^i , as shown in Figure 2. It wants the i -policy to be as close to its ideal i -policy as possible. This does not imply, however, that the Commission proposes its ideal i -policy. The Commission understands the role the Council plays in the next stage of the procedure and takes this into account when it makes its proposal. It thinks ahead and looks at the second stage to find out which proposals will be successful. In equilibrium the Commission proposal is thus based on its expectations about what will happen in the subsequent stage.

In the second stage the countries vote on the Commission proposal in the Council. They compare it to the status quo. A qualified majority then approves the Commission proposal if a qualified majority prefers it to the status quo. The set CS^i of successful i -proposals under the consultation procedure, i.e., the set of i -policies that the Commission can successfully propose, is thus the set of i -policies that are preferred to the status quo by a qualified majority in the Council.

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¹ The consultation procedure accounts for about two thirds of legislation (164 opinions in 1995) and the co-decision procedure for about 15 percent (35 first readings in 1995). The cooperation procedure has become less important since the adoption of the Treaty of Maastricht and is, therefore, not considered. It now accounts for about 10 percent of legislation (26 first readings in 1995).

² In general, I use the prefix *i* to refer to dimension *i*.

³ The five largest countries (Germany, Spain, France, Italy and the United Kingdom) have two Commissioners each, the other countries have one each.

⁴ The EU treaties do not specify how the Commission President and the other Commissioners are appointed prior to the votes of approval in the Council and the Parliament. I make specific, simplifying assumptions concerning the appointment of a Commission. I reduce it to an up or down vote on a Commission President proposed by a country. The conclusions concentrate on the sets of effective Commissions, successful proposals and sustainable logrolls. The specific assumptions do not alter these sets.

⁵ In other words Black's median voter theorem applies (Black 1958).

⁶ France, Germany, Italy and the United Kingdom have 10 votes each; Spain 8; Belgium, Greece, Portugal and the Netherlands 5 each; Austria and Sweden 4 each; Denmark, Finland and Ireland 3 each; and Luxembourg 2.

⁷ In reality, the Parliament can issue an opinion on the Commission proposal and the countries can unanimously amend the Commission proposal. I do not consider these opinions and amendments. The Parliament's opinions are non-binding. Therefore, they do not affect the equilibrium EU policy in a complete information model. Amendments by a unanimous Council are unlikely, since it is unlikely that the Council unanimously prefers an *i*-policy to the Commission's proposal. This would require that all countries have an ideal *i*-policy to the right (left) of the Commission's ideal *i*-policy.

⁸ In reality, a Conciliation Committee consisting of representatives of the Parliament and the countries can negotiate a joint text. The treaties provide for a reversion policy in case of a disagreement in the Conciliation Committee. As a result, the assumption that the Parliament proposes the joint text does not affect the equilibrium EU policy. In

equilibrium the Commission determines the reversion policy by making a proposal that cannot be amended in the Conciliation Committee.

⁹ As a result, the Commission has no particular policy expertise. One could argue that the Commission has incentives to develop such expertise, much like congressional committees do in the United States. This could be studied in incomplete information extensions of the model.

¹⁰ In reality the countries and the Parliament do not know exactly what issues they will be dealing with over a period of five years. It seems reasonable to assume, however, that they have a good idea of the main issues that will arise, and that they have these issues in mind when appointing a Commission.

¹¹ Tsebelis (1997) presents an alternative analysis of the co-decision procedure. He focuses on the last stages of the procedure and concludes that the Parliament's powers are generally less important under the co-decision procedure than under the cooperation procedure.

¹² In fact, the countries and the Parliament vote on a Commission President. I assumed that the Commission President subsequently appoints the other Commissioners. He then makes sure that the i -median Commissioner's ideal i -policy is equal to his own ideal i -policy on each dimension i . Voting on a Commission President is thus equivalent to voting on a Commission. As mentioned above, this specific assumption does not affect the conclusions in terms of sets of successful proposals, effective Commissions and sustainable logrolls.

Figure 1: Commission Appointment.

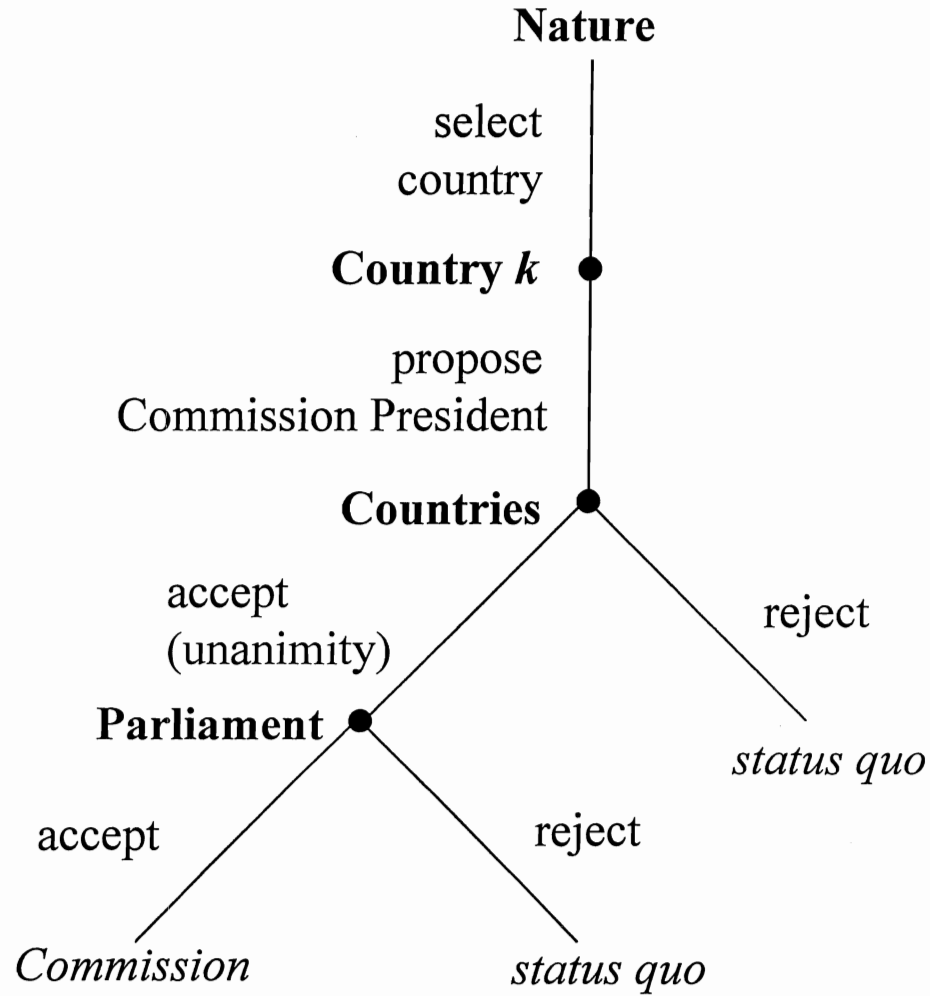


Figure 2: Consultation Procedure.

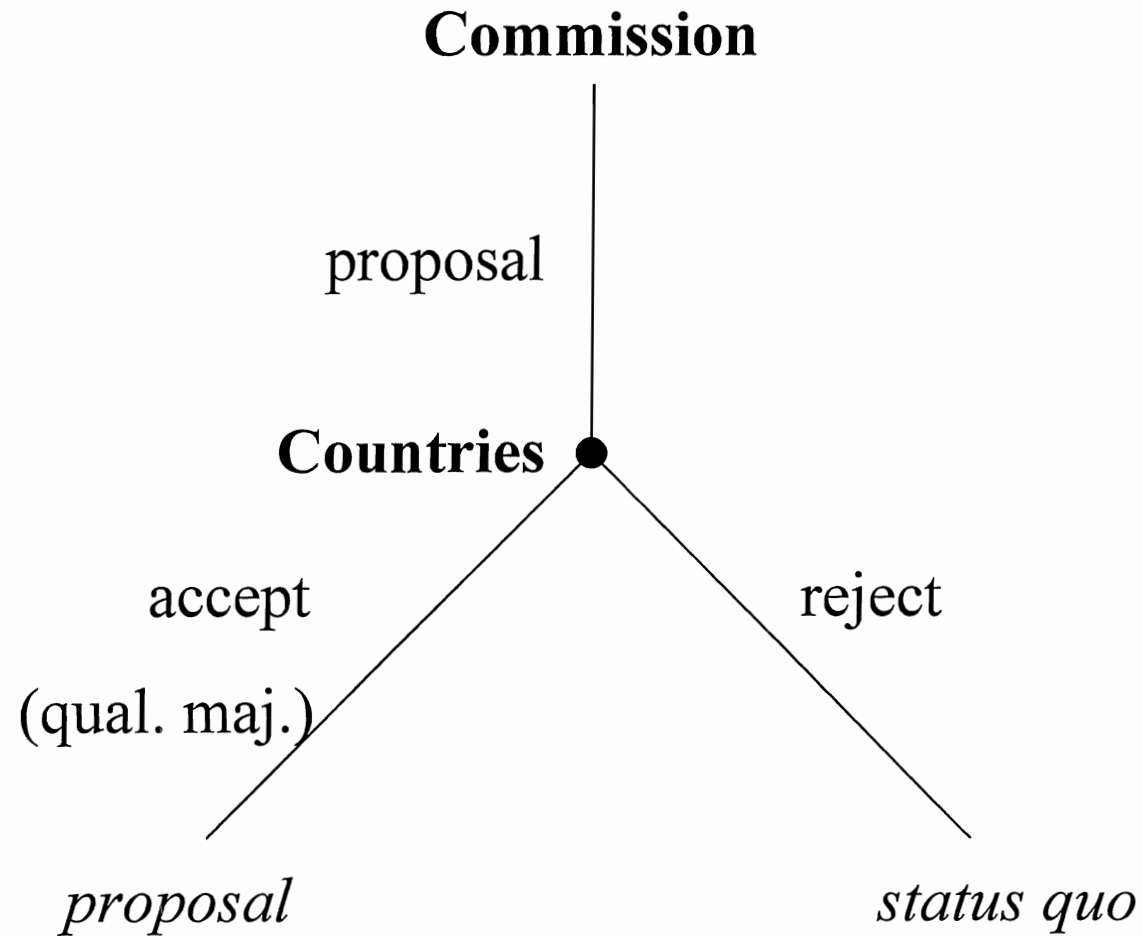


Figure 4: Consultation.

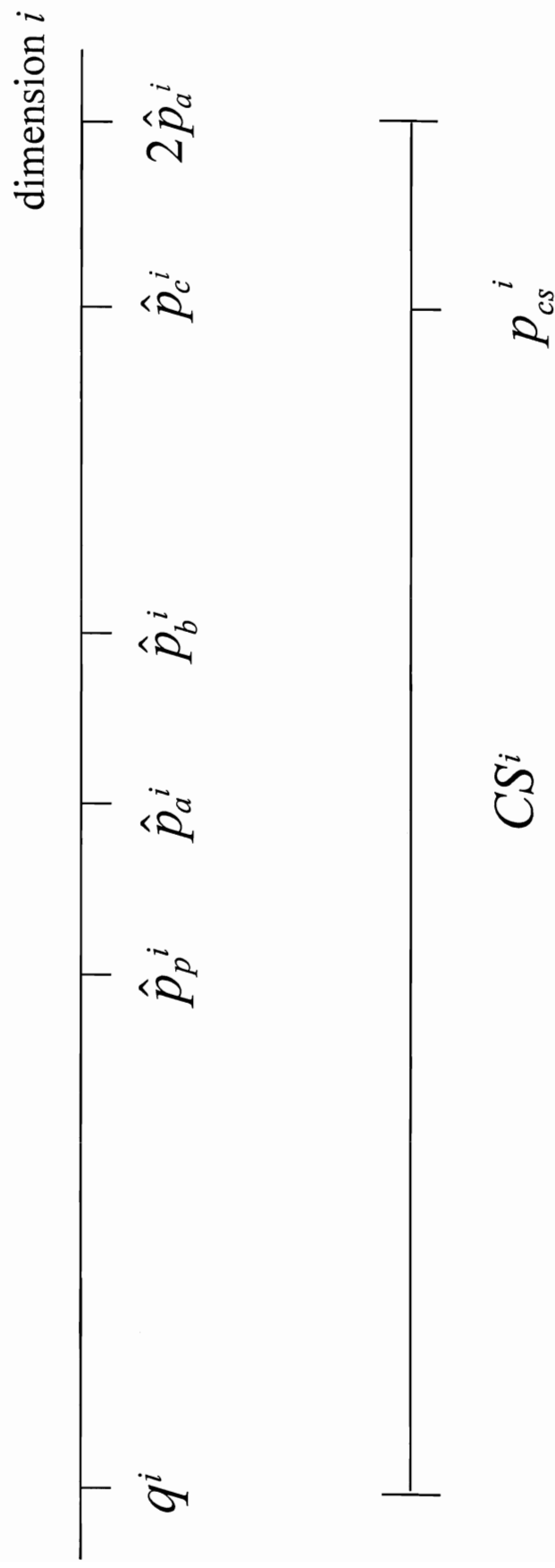


Figure 5: Consultation and Successful Proposals.

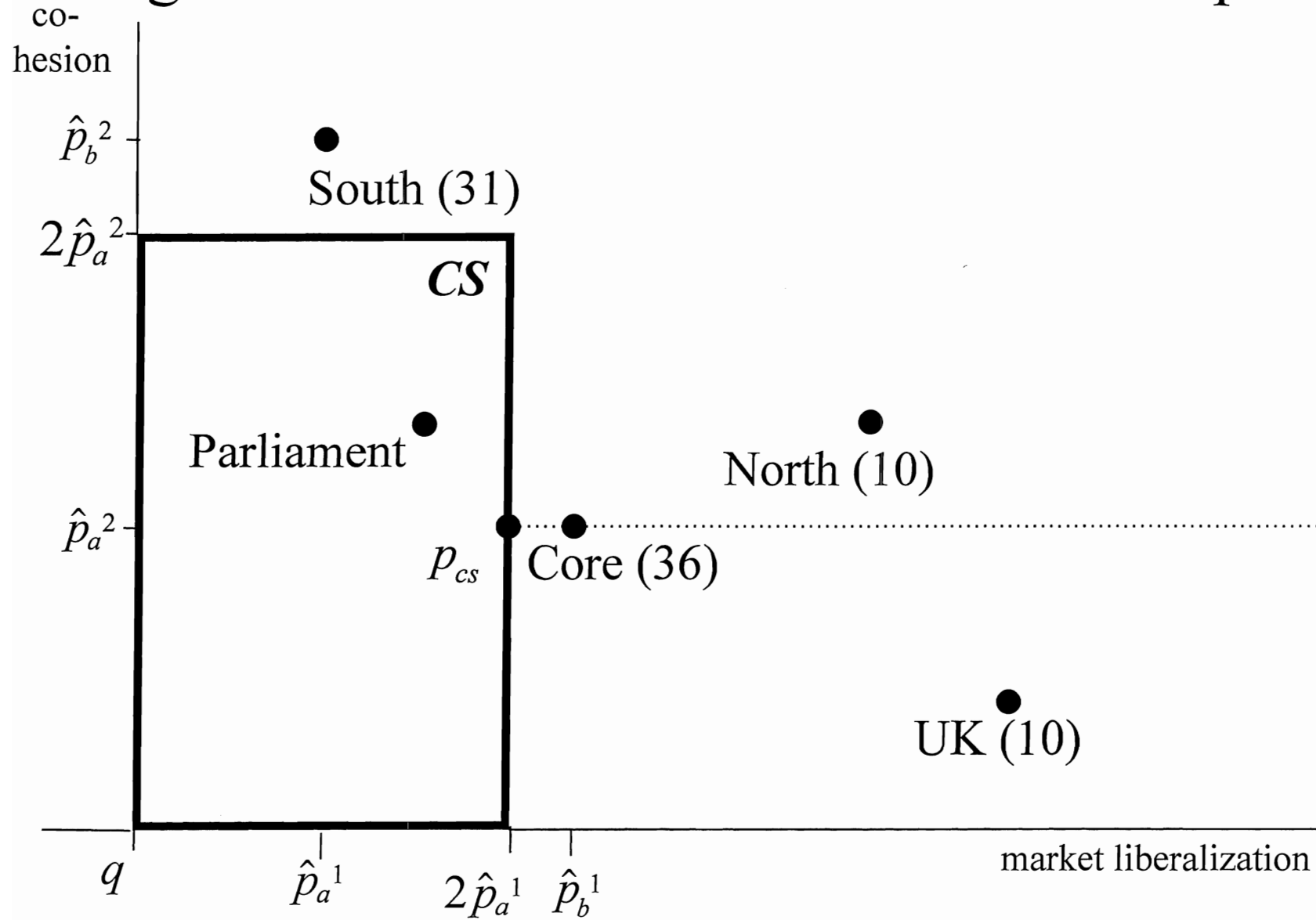


Figure 6: Co-Decision.

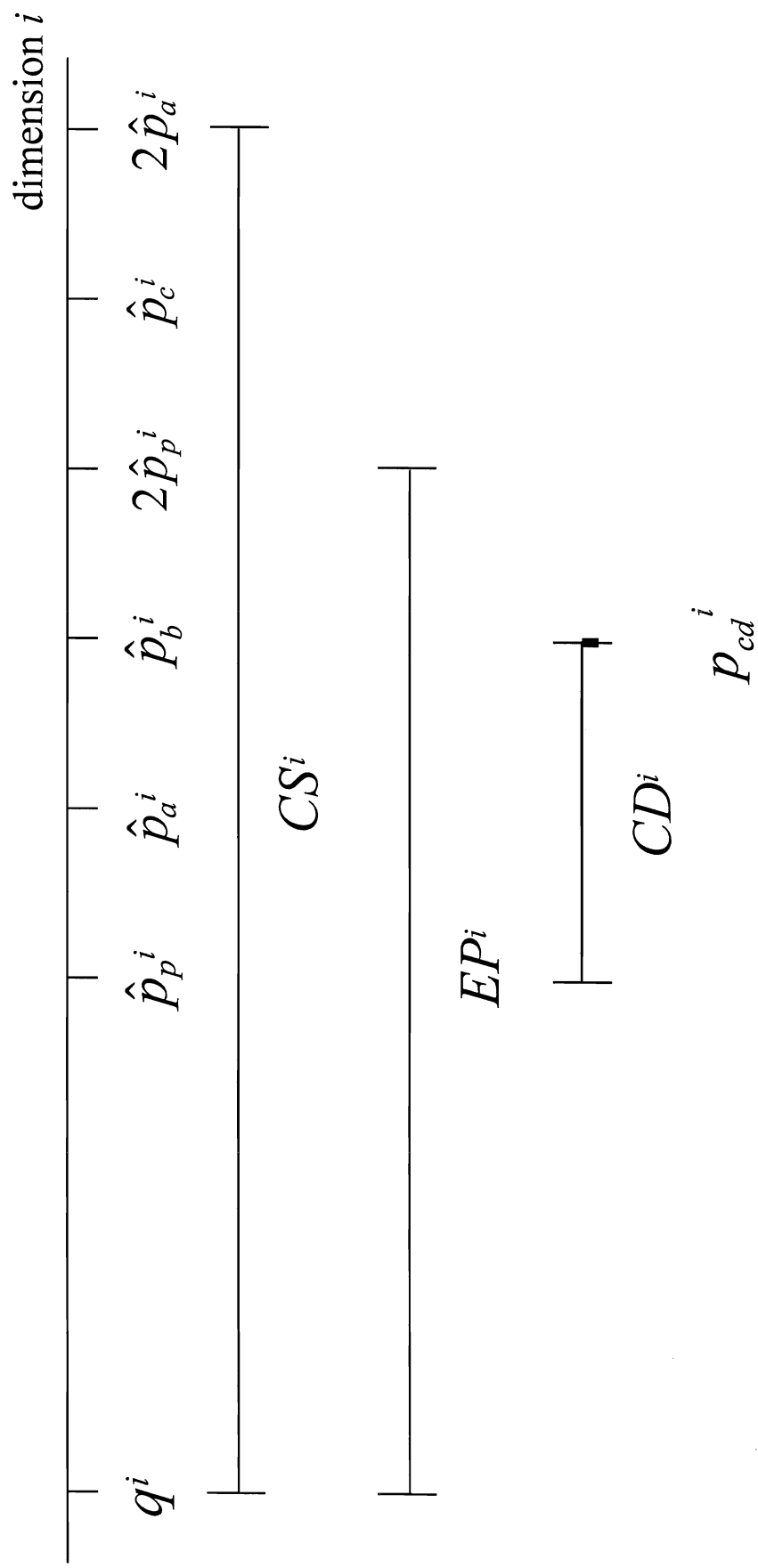


Figure 7: Co-Decision and Successful Proposals.

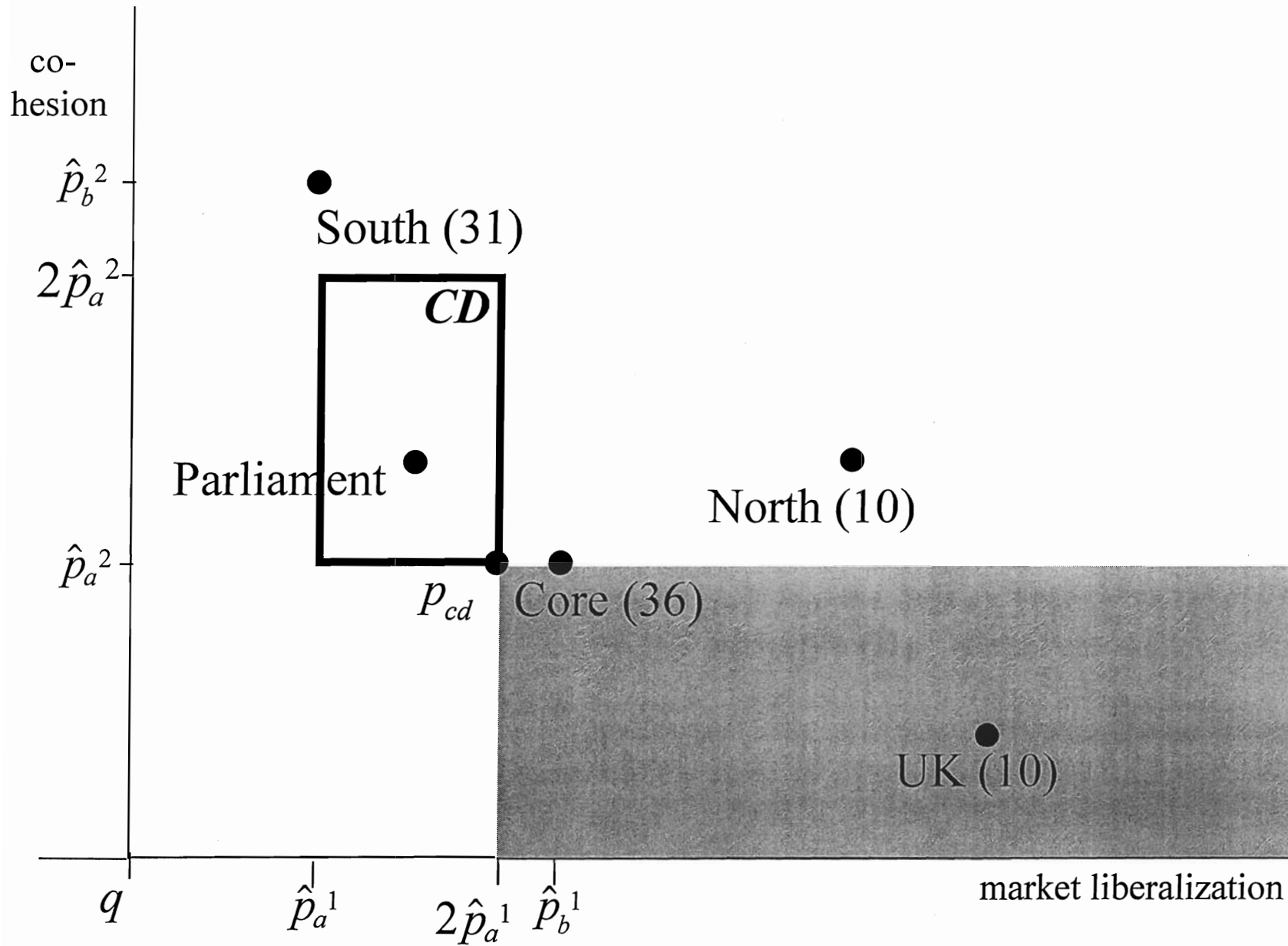


Figure 8: Consultation and Effective Commissions.

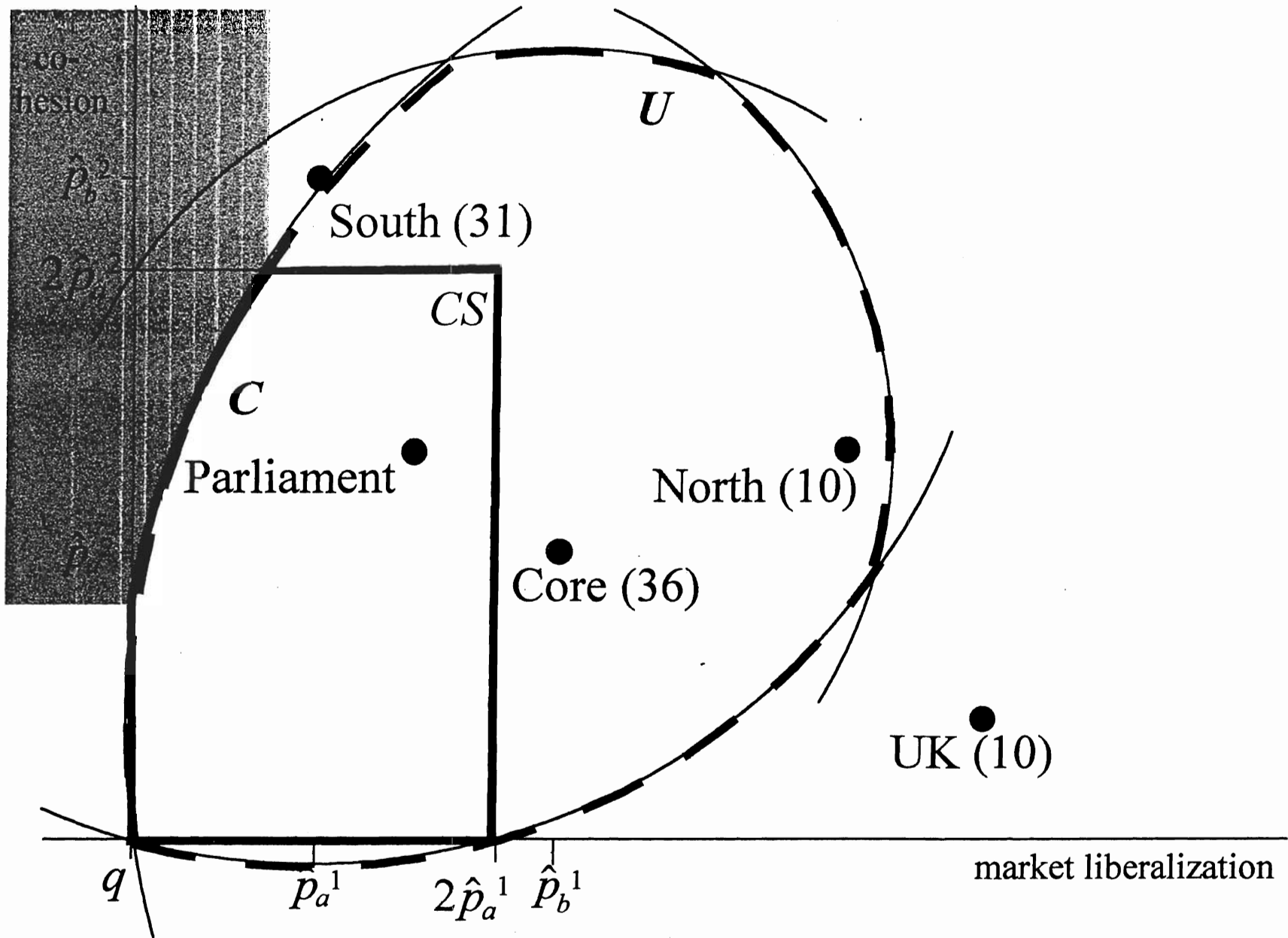


Figure 9: Co-Decision and Effective Commissions.

