

Course: GV251

Class teacher: Kira Gartzou-Katsouyanni

LT Week 2: Understanding EU Policy-Making: Decision Making

PART I) The intergovernmentalist – supranationalist debate

Motion: *“This house believes that Andrew Moravcsik is right: member-states are at the driving seat of the European integration process.”*

(a) While listening to the speakers, please note down the main arguments that you hear in support of and against the thesis expressed in the motion.

Arguments in favour of the intergovernmentalist thesis	Arguments against the intergovernmentalist thesis

(b) Your reaction to the debate:

- 1. What did you think of each team's argumentation in favour of the position that they had to defend? Is there anything else that you would have brought up?**

- 2. What did you think of each team's responses to the points made by the other side? Is there anything else that you would have added?**

- 3. In the end, how much control do you think that member-states have over the process of European integration?**

(c) Liberal intergovernmentalism and Brexit:

- 1. Does Brexit pose a challenge for liberal intergovernmentalist theory?**

- 2. If Moravcsik is right, what is the most likely outcome of the Brexit negotiations?**

PART II) Bargaining outcomes in the Council

(a) What is bargaining success?

(b) According to different theoretical approaches that we have studied in the course, what are the determinants of bargaining outcomes in the Council?

(i) *Rational-choice institutionalism*: Assume that the Council consists of 7 homogeneous member-states, each of which has equal voting power and a particular preference with regard to the policy area in question along a single dimension. Which factors would influence a state's bargaining success under this set-up?



(ii) *Liberal intergovernmentalism*: Now consider the actual European Council, and assume that the member-states are negotiating about only one issue under a unanimity rule. According to liberal intergovernmentalism, which is the most important determinant of bargaining success in the Council?

“The more intensely governments desire agreement, the more concessions and the greater effort they will expend to achieve it.” (Moravcsik 1993, p. 499)

(iii) *Constructivism*: What are some other factors that may influence the bargaining success of different member-states in the Council, which are ignored by the rationalist accounts of the negotiation process considered so far?

(iv) Read the article about 'When Varoufakis took on the troika' by Kevin Featherstone in Appendix 2. Why did Varoufakis fail to convince his European counterparts to give Greece a bailout without austerity conditions attached to it in the summer of 2015? Which of the above theories can better explain Varoufakis's failure?

(c) 'Decision-making in the Council of the EU is consensual'. Discuss. (2016 exam question)

Please write an essay plan for this question. As you write your plan, consider whether the habit of consensual decision-making in the Council fits better with the predictions of liberal intergovernmentalism or the predictions of constructivism.

Appendix 1: A worksheet on liberal intergovernmentalism

As you revise liberal intergovernmentalism in your own time, you may complete the following sheet if it helps you to focus your revision. I would be more than happy to discuss the answers during office hours.

- (i) Please provide a short explanation of the three elements that compose Moravcsik's liberal intergovernmentalist theoretical framework. In doing so, please make use of the phrases at the word bank.

A liberal theory of national preference formation: _____

An intergovernmentalist theory of interstate bargaining outcomes: _____

An 'international regime' theory of institutional choice: _____

Word bank: threat of non-agreement, economic interdependence, pooling and delegation of sovereignty, policy externalities, asymmetric interdependence, economic interests of domestic producer groups, relative power, two-level games, issue linkages/ package deals, transaction costs/ efficiency of interstate bargaining, side-payments

- (ii) To what extent is the course of European integration determined by the preferences of a few large states?

- (iii) To what extent is Moravcsik's theoretical framework compatible with the notion of agency drift?

Biography & Memoir

When Varoufakis took on the troika

A stylish memoir of the Greek debt crisis is also a lesson in how not to negotiate with Europe's power brokers



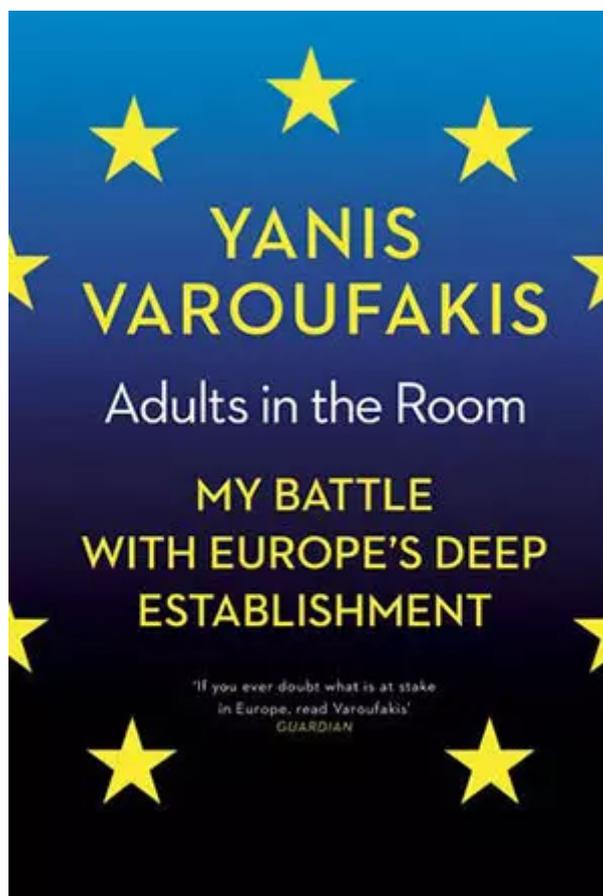
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Yanis Varoufakis was the Greek finance minister who hit the world's headlines in the spring of 2015 leading the struggle against the austerity imposed on his country as a condition of its [debt "bailout"](#). *Adults in the Room* is his personal testimony of the negotiations with the "troika" of the European Union, the International Monetary Fund and the European Central Bank that dominated his brief 162 days in power. Will history dismiss him as the image-conscious, leather-clad motorcyclist who allows himself to be a star-feature in *Paris Match*? Is he the romantic, who sees the Greek people as innocent victims and can't quite confront them with some home truths? Or is he the game theorist tactician determined to alleviate Greece's unsustainable debt who is ultimately undermined and has to settle for heroic defeat?

This autobiography supports each interpretation. It is very rare for a Greek politician to write such a detailed account. Historians will be able to place this volume alongside that of one of his recent predecessors, George Papaconstantinou, who published *Game Over* last year as [his record of the start of the crisis](#). Having waited, we now have a tremendously indiscreet account by Varoufakis as he draws upon his own audio recordings and diaries of top-level meetings. It is deeply personal and very well written, with an impressive array of literary allusions.

In the eye of the storm, he's lifted by the support of those close to him and by the adoration he encounters when regularly choosing to walk the streets. He accepts the *Paris Match* feature was a mistake, as was his turning up to see George Osborne in a leather jacket. But hey — he'd left his suitcase behind in an Athens taxi as the driver would not let him go without singing his praises.

The knives come out for opponents at home and abroad. Not a member of Syriza, the coalition of the radical left that entered government in 2015, Varoufakis nevertheless develops a strong attachment to its leader [Alexis Tsipras](#). He finds Tsipras to be an enigmatic mix: frivolous, melancholic, desperate to prove himself. Vitriol is reserved for the Bank of Greece governor, Yannis Stournaras. It is he who causes a bank run; not Varoufakis's strategy. The head of Varoufakis's council of economic advisers, George Chouliarakis, is portrayed as treacherous and shallow. Varoufakis has to battle through the conspiracies of Syriza around him, while he keeps the faith. Repeatedly, he is ready to quit.



He sees most of his international foes as duplicitous: agreeing with him in private but unreliable in public. IMF chief Christine Lagarde and her European director, Poul Thomsen, fall into this category, as does ECB president Mario Draghi and the EU finance ministers who might have rallied to Greece's cause: Michel Sapin for France and Pier Carlo Padoan for Italy. An exception is Emmanuel Macron, then economics minister in Paris, who makes several private attempts to help Athens but is thwarted by the Elysée — an interesting prospect if he becomes president. The European Commission and its president, Jean-Claude Juncker, are simply weak.

Rightly, Varoufakis sees Germany as the key player. However, Wolfgang Schäuble is “utterly powerless to do what he knows is right”. The German finance minister admits he wouldn't sign a third bailout if he was in Varoufakis's shoes, but he offers no alternative that would provide a long-term solution. Varoufakis seems not to fully appreciate that Schäuble favours “Grexit”. Anyway, Tsipras overrides his finance minister and places his faith in a rescue by [Angela Merkel](#).

Varoufakis's mission is to free the country from its debtors' prison. With his small team, supported by international allies such as Jeffrey Sachs, he produces what he sees as excellent papers on debt swaps, a parallel payments system to tide Greece over during bank closures, and alternative econometric modelling. No ground is given to the criticisms that he and his team were ill-prepared amateurs. Lagarde had derided the lack of realism on the Greek side, hoping for "adults in the room" — the phrase Varoufakis is proud to put in his title here as a mark of his oppositional stance. Tsipras tells him that "Brussels" accepts his modelling is better than theirs.

In reality, his concerns about the duplicity of his foes and the criticisms of ill-preparedness are bound up in how poorly Athens understood the EU's institutional processes. He derides how supine other finance ministers are to Schäuble. He clearly approaches EU meetings as akin to an academic seminar where all concede to the best argument, and doesn't appreciate the normal decision-making processes and channels. He tries to cut deals with Schäuble, while the latter insists he acts via the EU's institutions. And Varoufakis is too provocative and maladroit to build alliances. It is evident that his EU counterparts despair of him, just as Tsipras does in due course.

He sees his international foes as duplicitous: agreeing with him in private but unreliable in public

Varoufakis denies he was engaged in a "game of chicken". Technical distinctions aside — both sides had more information of the other's intentions than in the classic game — Varoufakis's thinking is somewhat puzzling. He had insisted for years that Greece's creditors would back down. Faced with bank closures, Varoufakis passes Tsipras a paper on how Greece might survive. But he sees this "Plan X"

as one *never* to be used. He tells Tsipras to "read it and weep": it was too painful to contemplate. Yet, when the EU and the IMF do not back down in summer 2015, Varoufakis insists that Greece *should* be prepared to exit the eurozone rather than accept a third bailout with more austerity.

He is elated by the outcome of the July 2015 referendum, when 61 per cent of voters backed Syriza's stance on rejecting the creditors' terms. According to Varoufakis, however, Tsipras and his entourage had hoped for defeat in order to legitimise conceding to a third bailout. The Greek PM recognises the game is up. He laments that he gave Merkel and Brussels more than his predecessor, Antonis Samaras, but they had still insisted on punishing him. Varoufakis is replaced by his old friend Euclid Tsakalotos to facilitate the "unconditional surrender". This was "a government overthrowing its people", concludes Varoufakis.

Varoufakis has had a favourable press in the anglophone world. In this book he outlines a cogent case against the austerity heaped on Greece. Eurosceptics endorsed his critique of the debt-inducing structures of the eurozone and leftists his attacks on the myopia of German ordoliberal economic philosophy in sustaining them. Less prominent in Varoufakis's thinking, though, is the need for serious supply-side adaptation — institutional and product-market reform — in Greece

to increase efficiency and competitiveness. Similarly, the vested interests he talks of confronting are not to be found just among the “oligarchy” but also in the public sector and the professions, wedded to protecting insider interests against wider society. It is here where he and his predecessors failed to build up credibility with their EU partners. Speaking “truth to power”, as Varoufakis terms it, is a mission with both dimensions and the failure to do so has condemned Greece to muddling through, rather than exiting the crisis.

Adults in the Room: My Battle with Europe’s Deep Establishment, by Yanis Varoufakis, *Bodley Head*, RRP£20, 560 pages

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