# 4

## *Why National Leaders Diffuse Authority*

From a political standpoint, the past millennium appears to have finished as it started.[1] In both periods a fundamental transformation of authority began to take shape in Europe. The first century of the millennium—the 1000s—witnessed the first stirrings of a process of state building as the kingdom of France began to grow in size and authority from its tiny base in the *Ile de France*. In the last half of the twentieth century, a very long process of centralization of authority in the hands of national governments was reversed. Leaders of national governments began to share, rather than monopolize, authority in their respective territories.

State building is conceived as a single set of interrelated developments that can be theorized as a whole. Not so for authority diffusion. The decline of central state authority in Western Europe is viewed as the result of two separate phenomena: subnational empowerment, as authority shifts below the central state, and European integration, the creation of authoritative supranational institutions above the state.

These phenomena appear to have entirely distinct causes. Steps toward European integration in the second half of the twentieth century have been attributed to a variety of geopolitical factors (anchoring Germany, mutual solidarity against the Soviet threat, creating a world power), economic factors (reaping gains from trade, reversing economic decline, responding to the demise of national Keynesianism), and sociocultural factors (demands for peace after two World Wars, increased interaction among Europeans). Alongside such general explanations, numerous specific explanations have been put forward for particular episodes of integration, such as the predominance of market-oriented party governments in most member states during negotiations over the Single European Act in the early 1980s or the effects of German unification on the Maastricht negotiations in the early 1990s.

Causal explanations of subnational empowerment are, if anything, more diverse. One body of literature highlights pressures on national governments to decentralize competencies arising from some combination of policy overload, fiscal stress, and regional economic competition. Another relates to factors that led regional movements to demand greater political autonomy, such as unbalanced economic development, rising levels of political competence, and fear of cultural globalization (Bullmann 1996; Bullmann, Goldsmith, and Page 1994; Desideri and Santantonio 1996; Keating 1988, 1994, 1996a; Keating and Loughlin 1996; Loughlin 1996; Mény 1986; Newton 1985; Wright 1994). Studies of individual countries point to specific factors that have strengthened regional demands or the willingness of national governments to give in to them, such as the reaction to decades of enforced centralization under Franco in

Spain, the particular relationship between the north and south of Italy, or the decision of the Allies to weaken central state power in postwar Germany and Austria.

Viewed as a whole, the double-sided shift of authority away from national governments is described as "multi-level" or "multilayered" governance (Benz 1998; Benz and Eberlein 1999; Hooghe 1996b; Jachtenfuchs and Kohler-Koch 1995; Jeffery 1996; Marks 1993; Marks, Scharpf, 1996; Risse-Kappen 1996b; Marks, Hooghe, and Blank 1996; Scharpf 1994; Wallace 1994). Although a term has been coined to describe the outcome, there have been few attempts to explain European integration and regional empowerment as an integrated phenomenon. In this chapter we set out to develop an analytical framework to do just this.

First, some basic concepts and distinctions:

- We begin by distinguishing between political institutions and political actors. [2] Political institutions specify the structure and allocation of authority in a given territory. Political actors—individuals and groups of individuals—operate in the context of those institutions, but they may also try to change them. This may seem an obvious distinction, but a confusion between institutions and actors has bedeviled the study of state building and European integration. [3]
- A state is therefore a particular way of structuring authority.[4] The more a regime monopolizes authority in a particular territory, the more state-like it is. Multi-level governance, by contrast, is present to the extent that authority is shared by governments at different territorial levels.
- To explain change in institutions, one must pay attention to the preferences of actors who wield political power.
- Just because a politician is a government leader, this does not mean that he or she prefers the institutional form of the state over multi-level governance. We know, for example, that officials in the European Commission do not always want to strengthen the authority of the Commission (see chapter 9). The preferences of politicians with respect to how authority should be organized across levels of government is an empirical issue.[5]

Our approach is actor-centered in that it focuses on the decision making of human actors as the causal link between the large processes that feature in the literatures described above—economic internationalization, regional mobilization, and so forth—and change in the locus of political authority. In chapter 1, we made the case that politics in Western Europe is characterized by multi-level governance. The question that arises then is: why have government leaders in Western Europe allowed this to happen?[6]

In a liberal democracy, government leaders—the people who represent the national government in domestic and international negotiations—must win elections if they wish to remain in office. This demands that they build support among strategic constituencies and make programmatic appeals to the electorate. In Western European parliamentary democracies, the path to government office runs through political parties. Electoral competition is party competition.

To explain variations in the development of multi-level governance would demand a separate book, but one can seek to understand the mechanisms that have led to multi-level governance, and this is what we attempt to do here.

Logically, there are three circumstances in which authority can shift away from the central state. First, government leaders may actually want this to happen. Second, government leaders may not intrinsically prefer it but go along anyway because they feel it is in their best interest to do so. Third, for one reason or another, government leaders may be powerless to stop it. Together, these three logical possibilities encompass the range of mechanisms that have led to multi-level governance. Let us examine them in turn.

## GOVERNMENT LEADERS WISH TO SHIFT AUTHORITY OUT OF THEIR OWN HANDS

Why would a ruler willingly shift authority beyond his or her control? Isn't this a contradiction in terms? Influential theories of international relations would say so. Realism and its offshoots argue (or assume) that states are driven by the desire for power (Mearsheimer 1990, 1994; Milward 1992; Milward and Sørensen 1993; Waltz 1993). Alan Milward and Viktor Sørensen argue in their historical study of European integration that, when nation-states choose to transfer sovereignty, "their principal national interest will be not only to define and limit that transfer of sovereignty very carefully but also meticulously to structure the central institutions so as to preserve a balance of power within the integrationist framework in favor of the nation-states themselves" (1993, 19). The presumption that government leaders should want to strengthen, not weaken, the state has led some scholars to conclude that European integration, despite appearances to the contrary, must strengthen states in one way or another—otherwise government leaders would not go along with it (Moravcsik 1994).

But in a liberal democracy it is not at all implausible to believe that government leaders may want to shift authority away from the central state that they control. Unlike dictators, their political fate does not depend on their ability to centralize power in their own hands. Liberal democracies have an unusual and distinctive characteristic: maintaining authority (i.e., winning elections) does not demand that one centralize authority.[7] This represents a potential for multi-level governance.

There are several scenarios in which government leaders may be happy to diffuse authority away from the central state, even if we put aside the possibility that a leader may be ideologically committed to supranationalism or to regional empowerment. Diffusing authority may actually increase a government leader's bargaining leverage in international or domestic negotiations. Diffusing some aspect of authority away from the central state may insulate a particular policy from the efforts of the next elected government to change it. Finally, shifting some authoritative competence away from the central state may relieve a government leader from the burden of responsibility for it. We discuss these in turn.

A political system in which authority is fragmented away from the central state can strengthen the bargaining power of a government, as scholars of international relations have discovered. Robert Putnam (1988) has argued that the bargaining leverage of government leaders in international negotiations is actually enhanced if they are compelled to sell the agreement to domestic actors who have veto capacity. A similar logic applies in mutual assurance scenarios. Government leaders may be able to negotiate better terms if they can assure their counterparts that they cannot defect unilaterally. Dispersing political control for a particular set of decisions may allow government leaders to strategically precommit themselves to a line of policy and thereby win a commitment from another actor who would not otherwise be willing to go along (Martin 2000).[8]

This line of argument applies beneath the central state as well as above it. Government leaders can use international constraints to gain bargaining advantages in domestic politics just as they can use domestic constraints in international negotiations. One example is the Maastricht Treaty, which required governments to meet macroeconomic targets in order to qualify for entry into European Monetary Union. These targets for budget deficits, national debt, inflation, and interest rates committed government leaders to policies that they already supported for other reasons. The Maastricht Treaty provided government leaders with an external justification for resisting domestic pressures that most of them wanted to resist in any case (Oatley 1997).

Shifting decision making beyond the central state not only allows government leaders to tie their own hands, but even more usefully, it can enable them to tie the hands of their successors. Government leaders are often on the lookout for ways to inoculate policies against their adversaries. One way to do this is to reallocate authority for a particular policy to the supranational or subnational level and embed that reallocation in constitutional rules (i.e., rules that are difficult to change). European political parties that favor more growth-oriented monetary policy or state ownership of telecommunications cannot achieve these goals directly, even if they win election for office. They would have to change the constitution of the European Central Bank or constrain the European Court of Justice on competition policy (Scharpf 1999). Diffusion of authority beyond the reach of the central state can insulate a policy from democratic pressures—and establish a policy legacy that stretches beyond the tenure of its original proponents.

Finally, government leaders may wish to shift authority out of their own hands because they do not want to take responsibility for certain kinds of decisions. Some national leaders have sought to shift responsibility for taxation from the national to the regional or local level for this reason, even though the power to tax is one of the most important competencies of the national state. Sometimes politicians want to divest themselves of even the most consequential decisions if they believe that any decision they would make would be politically painful. This was almost certainly the reason why Prime Minister Harold Wilson and his Labour party cabinet decided in 1975 to shift the decision about whether to remain in the European Economic Community from the government to a popular referendum. Wilson realized that the leadership of the Labour party was bound to be split on the issue and that a cabinet decision on either side might force those opposed to leave the party. Instead he opted for a popular referendum, a constitutional innovation that implicitly challenged the legitimacy of parliamentary government. This set a precedent. Nowadays in Britain it is considered inappropriate for the government to decide the most important issues facing the country, such as membership of the European Monetary Union, without having a referendum. Prime Minister

Wilson, like most government leaders, was deeply concerned about the unity of his political party, and this seemed more immediate to him and his cabinet than abstract concerns about central government authority.

There are numerous instances in which government leaders have sought to shift responsibility for unpopular decisions to external actors, even if this dilutes the authoritative control exercised by central state institutions. Andrew Moravcsik (1994) notes that efforts on the part of government leaders to shift blame are a potent source of integration (see also Smith 1994). For example, he observes that French government leaders sought to maneuver the Commission of the European Coal and Steel Community

> into a position of responsibility for inevitable domestic production cuts. When seeking to reduce steel production, [de Gaulle] quietly informed the Commission: “We want to fire 3,000 workers in the Bassin de Longwy and it is up to you do it.” Structural adjustment was presented as a “European” policy, not a French one, with the Commission, like the High Authority before it, cast as the scapegoat.[9]

Government leaders do not, of course, act only to diffuse authority. Rulers have often tried to concentrate decision making in the central state. Historically, the creation of nation states in Western Europe enabled rulers to mobilize and enhance their resource base. State building was a means to more effectively make war, create larger and more efficient markets, and collect taxes. But the fit between the institution of the state and the preferences of rulers is not written in stone. If states are viewed as sets of commonly accepted rules that specify a particular authoritative order, then one should ask how such rules may change over time, and whether and how they will be defended.

It is surely no coincidence, as we argued in chapter 2, that European integration in the second half of the twentieth century coincided with a prolonged period of peace in Western Europe. Two broad pressures have been particularly strong over that period, partly because they have not been overshadowed by the war. First, minority national groups have been able to legitimate demands for self-rule that are difficult for democratic leaders to resist. Second, concern for economic welfare has led governments to cooperate internationally even if this compromises national sovereignty. Few if any leaders have proposed multi-level governance as a vision of the good polity, but in responding to these and other pressures, they have constructed such a system piecemeal.

## GOVERNMENT LEADERS UNWILLINGLY SHIFT AUTHORITY AWAY FROM THE CENTRAL STATE

Even a government leader who is dead set against multi-level governance may find herself consenting to institutional reforms that diffuse authority away from the central state to governments at other levels. If they wish to stay in power, politicians have to make compromises, and even politicians who are committed to central state monopoly of authority—the former British Prime Minister Margaret Thatcher and her Spanish counterpart José Maria Aznar, for example—have found themselves willing to sacrifice some of it to achieve other objectives.

This issue came to a head on the debate concerning the Single European Act (SEA) of 1986, which introduced qualified majority voting in the Council of Ministers on policies related to market integration, the environment, and social policy. Under qualified majority voting, a government opposed to a piece of legislation can be outvoted if the measure gains the support of approximately 70 percent of the votes cast. As we pointed out in chapter 1, the SEA was a breakthrough for supranationalism because EU law no longer depended on the consent of each and every national government. Why did Thatcher agree to such a reform?

There are two answers to this question, but they are not mutually exclusive. The first is that Thatcher felt compelled to go along with qualified majority voting because Britain might have been excluded from the single market if she did not. The second answer is that Thatcher was in two minds about qualified majority voting. On the one hand, she detested it for the reasons mentioned above, but on the other she realized that without it, market liberalization might be held hostage to governments that would demand concession after concession to let it progress. Unanimity is a good rule for preserving national sovereignty, but it is a bad rule for enacting complex reform. There is no doubt that Thatcher was determined to lower nontariff barriers in the European Union. So when it came to a choice between national sovereignty and market reform, Thatcher chose the latter.

Spanish Prime Minister Aznar and the People's party had long been in favor of greater centralization of authority in Madrid and opposed to the flow of competencies to the autonomous communities, the Spanish regions. Aznar and the conservative media in Madrid had been incensed when, after the 1993 general election, the nationalist Catalan Union party (CiU) cut a deal with the Socialists under Felipe Gonzalez that transferred back to the regions 15 percent of direct tax revenues collected there and gave the CiU a significant role in decision making, in exchange for its support of a Socialist government. But after the following elections in 1996, Aznar was in a similar situation. The People's party became the largest party in the legislature, but unless it collaborated with the Radical Left Unity party—an unlikely prospect—it needed the support of CiU to form a government. Putting aside his previous misgivings, Aznar courted the Catalan nationalists and began negotiations.[10] In the end, he agreed to reallocate resources and authority to the regions in exchange for parliamentary support. Madrid would transfer back to each region 30 percent of the direct taxes collected there. Regional governments would be able to use the money in any way they wished. Like Margaret Thatcher, José Maria Aznar did not want to deepen multi-level governance, but the alternative—a new general election—was so painful that he agreed to swallow this medicine.

As we emphasized in chapter 2, multi-level governance, like state building, is largely a by-product. It is the outcome of political pressures that, in most cases, do not have multi-level governance as their objective. Ethno-territorial movements campaign for regional autonomy. Export industries press for free trade and institutions that can reduce transaction costs of international exchange. Social democrats argue for stronger social protection at the European level and for institutions that have the authority to provide it. Such demands may lead to multi-level governance because collective decision making is constrained by the allocation of authority across governments. Conflicts over issues that do not directly bear on authority nonetheless have implications for where authority should be located. In part III of this book, we show that ideologies that have long shaped domestic politics in Europe also structure preferences on European integration. Even when political leaders care about central state authority and want to maintain it, there are plenty of occasions when this is inconsistent with some other goal, in which case they may decide, like Aznar or Thatcher, to sacrifice some central authority.

## GOVERNMENT LEADERS LOSE CONTROL

We have seen that multi-level governance can arise because government leaders willingly or unwillingly go along with it. It can also arise because government leaders are unable to control the activities of the subnational or supranational organizations they have set up. There may be a world of difference between the formal constitutional powers of central-state actors and the control they can exert in practice.

Principal—agent literature, referred to in chapter 1, provides a theoretical framework for understanding the degree to which national governments, as principals, can control the behavior of their agents, in this case, subnational and supranational organizations (Pierson 1996; Pollack 1996, 1997; Scharpf 1988). Under what circumstances might multi-level governance arise because government leaders are unable to rein in organizations that they have created? To answer this question one must pay attention to the preferences of principals, the institutional context in which they act, and the political costs that agents can impose on principals.

- How many principals are there, and do their preferences conflict? Conflicts among multiple principals may be exploited by an agent to enhance its autonomy. On this criterion, unitary governments (i.e., centralized states) have greater scope for control than federal states or confederal associations, where authority is divided among several principals. Margaret Thatcher had a far easier time constraining subnational governments within Britain than constraining the European Commission because she did not have to contend with other principals.
- Do principals face institutional barriers in bringing agents to heel? What are the decision rules for sanctioning or reforming (or eliminating) the agent in question? If an agent depends on agreement among its principals to continue in existence, it is more easily controlled. At the other extreme, if all principals must agree to sanction, reform, or eliminate an agent, this facilitates agent autonomy (Scharpf 1988; Pollack 1997). Generally speaking, the more an agent is institutionally locked-in, the more difficult it is for a principal or principals to control it.
- The European Union, with its fifteen principals (member states), each of which has a formal veto in treaty negotiations, is a recipe for weak principal control. If a supranational organization, such as the European Commission or the European Court of

Justice, is able to gain the support of one or more member state governments, it can block reform.

- Can agents impose political costs on principals? Agents may gain the support of constituencies capable of punishing principals. Societal organizations adapt themselves to existing structures of opportunity, and for this reason alone such organizations may oppose the efforts of principals to reform or abolish a supranational or subnational agent.[11]

Principal—agent theory is complicated when applied in a setting of multi-level governance because it is not always clear which level of government is the principal and which the agent. The European Parliament legislates for the member states and is regarded by many citizens as legitimate in its own right. The same can be said of the Scottish Parliament and the Welsh Assembly. These institutions are, in a formal constitutional sense, creatures of national governments and can be reformed or even abolished by them. But, once established, supranational and subnational legislatures may cease to be agents in any recognizable sense. The notion that a principal can hire or fire an agent—say his or her lawyer—on grounds of competence does not apply in such cases. Faced with the diffusion of legitimacy, national governments may simply be unable to centralize authority.

## NATIONAL/SUBNATIONAL DYNAMICS AND EUROPEAN INTEGRATION

So far we have focused on government leaders in national states. No explanation of multi-level governance can ignore them because they remain decisive in determining how authority is organized in Europe. But they do not make decisions in isolation, and in some policy areas they have come to share authority with subnational and supranational actors. To the extent that multi-level governance characterizes decision making, one needs to look beyond government leaders in central states to understand its dynamics. In this section, we examine how multi-level governance may emerge as national leaders attempt to outflank subnational governments by shifting decision making to the European level.

### Act One: European Integration

Government leaders press for deeper market integration in Europe in order, say, to increase economic growth and reward powerful constituencies, such as export-oriented business groups that will gain from trade liberalization. At the same time, national politicians agree to qualified majority voting over a range of policy areas connected with market integration (i.e., they sacrifice some measure of national control) to ensure market integration against ad hoc demands for side payments from recalcitrant governments. Some government leaders press for the empowerment of the European Parliament in response to domestic pressures for the extension of liberal democratic norms to this emerging polity.

One obvious consequence of these reforms is that some authority to regulate the market has been shifted from the national arena to the European arena. At the same time, however, there has been some shift in agenda setting within states. The national legislature, domestically entrenched interest groups, and subnational actors are sidelined because government ministers and officials are the only national actors directly represented at the European level, in the Council of Ministers.[12]

However, this is the first move in an extended game, not the end of the story. Actors learn; they mobilize to counter last move outcomes.

## Act Two: Subnational Response

Those threatened with being cut out of decision making respond. Their responses are diverse, and their actions change the political landscape. Subnational actors, for example, do one or more of the following: establish their own offices directly in Brussels; intensify their contacts with each other by creating transregional associations; require information from the central government about upcoming EU initiatives; demand formal channels to influence ministerial representation in the EU; connect directly with Commission officials (e.g., in EU cohesion policy); campaign for direct representation in the Council of Ministers under Article 203 (ex-146); participate in the Committee of the Regions; constrain central government maneuver in treaty negotiations by, for example, erecting additional legislative hoops for treaties; and demand recognition of subsidiarity in EU treaties and legislation (Goetz 1995; Hooghe 1995a, 1996a; John 1994; Jones and Keating 1995; Mitchell 1995; Smyrl 1997; Jeffery 1996b).

This response, which Charlie Jeffery (1994) aptly summarizes for Germany as "The *Länder* strike back," is aided by supranational actors who wish to gain allies within member states to counterbalance central governments. Commission officials, in particular, are assiduous in upgrading subnational influence by giving subnational actors political access and by encouraging—and funding—subnational networks. The channels available for subnational authorities at the European level vary from country to country and from region to region, but they have broadened just about everywhere over the past two decades, as we detail in chapter 7 (Constantelos 1996; Marks 1996b; Marks and McAdam 1996; Ansell, Parsons, and Darden 1997).

# CONCLUSION

Multi-level governance is both an international and a domestic phenomenon. The European polity that has been created over the past several decades stretches beneath and above the central state. An actor-centered approach focuses on key political actors and the institutional constraints they face in different arenas. Government leaders are important decision makers in both international and domestic contexts, and their preferences, including their policy goals and their private desire to do well at the next election, travel with them whether they are negotiating with other government leaders, with other party leaders, or with leaders of subnational governments. In the European Union, domestic and international politics are almost seamless. Our ambition is to develop a theory that can cope with this.

The preferences of political actors cannot be deduced from their institutional location. That is to say, government leaders do not always strengthen the central state, just as Commission officials do not always wish to empower the European Commission. Political actors have normative goals and private preferences (e.g., for reelection) that may actually lead them to weaken the institutions in which they are located. This, we argue, is the key to explaining multi-level governance.

## NOTES

1 We would like to thank Thomas Oatley and Charlie Jeffery for comments on an earlier draft.

2 This follows Douglas North's pathbreaking work (1990), though we think it useful to assimilate individual leaders alongside North's "organizations," and so we use the term "political actor."

3 One reads about the preferences of *states* in the process of European integration. Writers who speak of state preferences usually have in mind the preferences of national governments, i.e., the preferences of those politicians who are in positions of central state authority in a particular country. Institutions, in our conception, do not think, have preferences, or act, but are sets of commonly accepted formal and informal rules that constrain political actors (individuals and groups of individuals) who are the only agents capable of goal-oriented action.

4 The notion of states as actors can be useful in the field of international relations. States are the legally constituted units of representation in the United Nations and most international regimes. States operate in many areas of international relations as if they were individuals in an anarchic environment, and even where this is not empirically valid, one may argue that models based on this assumption capture the essential dynamics of the system. Our point of departure is that this notion is flawed if one wishes to explain European integration or subnational empowerment.

5 Individuals who hold positions in an institution may or may not reflect that institution's interests. In general, the extent to which an officeholder will be socialized to identify with an institution depends on the degree to which the institution structures the totality of that individual's life (Verba 1965; Searing 1985). This, in turn, is shaped by several factors, including the extent to which an institution structures the totality of that individual's life, which depends, among other things, on the extent to which institutional loyalty shapes a person's career, the strength of contending institutional, personal and ideological loyalties, and the length of time the individual has spent within the institution.

6 It may also be the case that such actors may be unable to control political outcomes, a possibility that is examined by Paul Pierson (1996). Our point of departure here is to allow for the possibility that those in government actually wish to shift competencies away from central states.

7 For purposes of simplicity we lay aside distinctions among vote-maximizing, office-seeking, and policy-realizing strategies.

8 These are just two types of situation among several in which external constraints can

strengthen an actor's bargaining power. In game-theoretic terms, the chief examples are mutual assurance, chicken, battle of the sexes, and nested or two-level games. In each of these situations, it can pay for an actor to have some explicit external constraint, though the other side of the coin is that this can also increase the probability of deadlock.

9 Moravcsik conceptualizes benefits for government leaders in terms of extending their "control," which allows him to claim that integration merely involves the exchange of one kind of control for another. Here we argue that institutional control is only one possible inducement for government leaders, alongside electoral, party-political, constituency, and policy goals.

10 Aznar's courtship went from the sublime to the ridiculous when he claimed in an interview that he loved the Catalan language and even spoke it in private circles. We thank Ivan Llamazares for this and other information relating to this case.

11 This may happen when "initial choices encourage the emergence of elaborate social and economic networks, greatly increasing the cost of adopting once-possible alternatives and therefore inhibiting exit from a current policy path" (Pierson 1996, 145).

12 Philip Norton observes that British membership in the EU entails "increased demands on ministers' time, especially in attending meetings of the Council of Ministers, but it also has given a greater role to bureaucrats. Most of the documents discussed by the Council are prepared by officials; contact between civil servants in the member states and officials in the European Commission is extensive. The dispersal of power also makes it increasingly difficult for governments to monitor the implementation of policy, especially that which is carried out through EC officials in Brussels" (1994, 201).