

Better Together than Going Alone

A Game Theoretic Analysis of British and
Irish Integration

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Abstract

What conditions lead nation-states to believe that they are better cooperating with others than going alone? My thesis studies this question by analyzing interactions between the UK and Ireland about the European Union over the past half-century. Specifically, I put forth a simple game-theoretic model that highlights the incentives of political actors to cooperate or defect over integration decisions. While games in the literature assign payoffs to achieve the ends necessary for the argument, authors rarely provide reasoning behind what values they assign to various outcomes. My approach seeks to develop an integrated analytic framework that identifies the fundamental underlying factors that drive decision-making by British and Irish political actors. I show that different payoff structures induce diverse optimal decisions by each actor. This approach generates clear testable hypotheses about when we should observe cooperation over integration decisions by Britain and Ireland. To evaluate these hypotheses, I focus on three major integration decisions: joining the EU; using the euro; and opting out of Schengen. Six areas of consideration—economy, monetary policy, fiscal policy, migration, the Troubles, and popular support—provide either an incentive to cooperate or defect for each state in each case study. The most significant finding is that Ireland always cooperates when the majority of these areas gave an incentive to cooperate, thereby acting rationally in all cases, and the UK acts in its best interest in two of the cases by also cooperating when a majority of the areas give an incentive to do so. I conclude that both states acted in a manner consistent with rational behavior based on their payoff structures when making bilateral cooperative decisions about European integration. Overall, my thesis highlights the fundamental factors that guide nation-states to cooperate or not in international organizations.

Dedication

To my mum and dad, this thesis would not have happened without your love and support. Thank you for your never-ending confidence in my abilities (and for giving me the inspiration for my topic).

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Chapter 1

Introduction

The creation of the European Coal and Steel Community, which would eventually become the European Union, helped to facilitate cooperation between the countries of Europe in the aftermath of World War II, namely France and Germany. Another major European power, the United Kingdom, did not join the organization until 1973, when it joined alongside the Republic of Ireland. Ireland had gained its independence from the UK less than forty years prior but now entered the EU as its political equal. Forty-three years after joining the EU, the UK began its exit following a referendum on its membership, leaving Ireland behind.

Brexit presents an opportunity to observe how states and international organizations bargain and reach agreements amongst themselves. This break from the European Union has already created tension between the UK and Ireland. Knowing how close these two states are and how much the decisions of one affect the other, it is difficult to understand why the UK put that relationship in jeopardy. There had to be some justification that convinced British leaders and citizens that defecting from the EU and thereby damaging their relationship with Ireland and the rest of Europe would be more beneficial than continued cooperation.

Research is already being done on the factors that led to Brexit, but I want to know what allowed the UK and Ireland to sustain cooperation up until 2016. The EU itself is a unique international organization, but within the EU, the relationship between the UK and Ireland is particularly interesting. Ireland is the only country that shares a land border with the UK, resulting in close ties between the citizens and the governments of these states. The UK's decisions had long-term effects on the British way of life, but they also impacted the lives of other European citizens, especially those living in Ireland. Similarly, Irish decisions over this period affected both Irish and British citizens. But Brexit means that for the first time in over forty years, the UK

and Ireland will not both be members of the same international organization, one which gave them a forum to negotiate and reach agreements.

The perspective of game theory gives new insight into how states such as these made decisions that had implications for their relationships with other entities. I will use three case studies based on cooperative games to explore what factors encouraged the UK and Ireland to cooperate and make the same decision regarding European integration or encouraged them to defect and choose a different course of action than their counterpart. These case studies are: the UK and Ireland joining the European Community, eventually the EU, in 1973; the decision on whether or not to use the euro in 1992; and whether to sign the Schengen Agreement in the Treaty of Amsterdam in 1997.

I argue that because the policymakers in both the UK and Ireland are rational actors, they will decide to cooperate with each other via a common action on European integration when it is in their best interest to do so. My assumption of the rationality of states and their policymakers is founded in the literature of game theory and in previous studies of states' behavior. I will construct their perceived payoffs using areas of consideration based on the most prominent factors policymakers looked to in their decision-making process. The model that I built follows from the literature on game theory but captures underlying fundamental factors that exist in all cases for British and Irish policymakers as they made these decisions on integration and allows all major interactions to be explained by one uniform theoretical framework.

1.1 Research Question and Motivation

This project investigates why the UK and Ireland cooperated for much of their time in the EU before Brexit, which at surface level appears to be a departure from the pattern established in the 20th century. The UK and Ireland are both countries that I have a personal interest in, and it has always fascinated me as to how two countries that are so interdependent manage their own interests in relation to the other, especially within the context of the European Union. However, the UK and Ireland did not always make the same decisions on whether or not to integrate, which is what leads me to ask—why did the UK and Ireland cooperate in some instances of European integration and not others? Did the states make rational decisions based on the factors policymakers took into consideration?

To answer these questions, I will use game theory models and cooperation games to construct and observe each state's perceived payoffs for three separate case studies: joining the EU, using the euro, and opting out of Schengen.

Constructing the payoff structures for the states in each case study will be done by observing indicators for the different sectors that the states were concerned with, which I will call areas of consideration. My dependent variable is whether the UK and Ireland chose to make the same decision on integration or not; my independent variables are the payoffs for each state.

I chose this question because I want to apply the already established literature on game theory in foreign policy to a relatively unique situation, that being the UK and Ireland in the European Union. These two states share a border and a contentious history around that border, like many other EU member-states, but Brexit presented a cooperation problem that is unique to the two islands. These problems with cooperation are also interesting to think about in the context of a supranational organization like the EU, since states need to cooperate bilaterally and multilaterally in the context of the organization.

I want to use game theory and cooperation combined with international relations theory to understand how states make difficult decisions about their own actions by creating a more simple model. Creating a model that can be applied to multiple scenarios deviates from the current literature, which tends to craft a specific model for one specific context. In contrast, I will apply my model to my three different case studies and use it to understand each one. I am using common areas of concern for states to understand their perceived payoffs, but these could change depending on the states and the political context to which the model is applied. I hope that in the future, this model could be used to study decisions before and after Brexit that affect both the UK and Ireland.

1.2 Definitions

For the purpose of this research, the terms “Great Britain” or “Britain” refer to England, Scotland, and Wales, excluding Northern Ireland whereas the “United Kingdom” or the “UK” refers to all four countries. British-Irish relations, unless otherwise specified, concern the relationship between the Oireachtas in Dublin and the UK Parliament in London because I am most concerned with the strategic interactions between the states, not the citizens. When using the term “state” to refer to the UK, I am referring to the nations within the UK as one political body.

EU always refers to any form of the organization that began as the European Coal and Steel Community and its various names through to its latest form as the European Union. It would be more accurate to call the organization the European Community at the time that the UK and Ireland joined,

but for continuity purposes throughout my thesis, I will just use the name “European Union” or “EU.”

Chapter 2

Theoretical and Empirical Foundations

2.1 IR and Game Theory

The idea of using game theory to study international relations and cooperation is not new. Arthur Stein, Robert Jervis, and Robert Axelrod, among other scholars, portray states as rational actors playing classic games like Prisoner's Dilemmas (Stein 1990; Jervis 1988; Axelrod 1984). Through these games, we can learn how states will react to the context they were placed in. Using models such as these can represent political games with more simplicity and more focus on the variables of interest. However, the literature tends to craft one model for one crisis being studied (Snidal 1985). In contrast, this project aims to create a general model that can be used to represent multiple decisions that the UK and Ireland made in the second half of the 20th century.

These scholars all make the assumption that states are rational actors within their respective games, which means they will make decisions where the benefits outweigh the costs, or where they get the greatest payoffs. I will be regarding the UK and Ireland and their respective leaders as rational actors. One reason is because of the basis in the literature of this assumption but also because having rational actors as players makes the game theory aspect simpler. If I decided that the UK and Ireland weren't rational, it would be much more difficult to predict their decisions. There is also little reason to consider states as irrational actors. To outside onlookers, leaders may appear to act irrationally, but they are often rational actors doing their best under complicating factors, including incomplete information, private information, and other players having incentives to misrepresent themselves

(Fearon 1995). With this in mind, if an equilibrium in a case study appears irrational given the data I found, I will do more to investigate if one of these factors caused state leaders to act differently than expected.

Because of this assumption of states as rational actors, almost all the literature on game theory in international politics is rooted in the theory of realism, in which states as rational actors who are independent and pursue their own interests (Jervis 1988; Snidal 1985). I am choosing to use realism as my theoretical basis rather than liberalism, another prominent international relations theory, because liberalism also studies firms and individuals as actors (Stein 1990). While I do believe that this theory has merit, for my research question, I am interested in how the state apparatuses interact. State leaders may take firms and individuals into consideration while making their decisions on cooperation, but for the purposes of my model, they will not be explicitly included to keep it more simple, which negates the need to use liberalism.

The study of international relations through game theory, while common, does not often address the asymmetry between states in their models. Discussion of asymmetry comes in the form of private or incomplete information (Fearon 1995) but not usually in terms of asymmetric political or economic power, which is the case for the UK and Ireland (Devenney 2010; Meehan 2000; Gillespie 2021). One study conducted on Germany and Poland in the EU does address asymmetry, but it is not a large variable or topic (Kirpsza 2020). The author tried to determine if policy positioning had an effect on the success of German or Polish policies in EU institutions, and one of the questions he asked was whether positioning a policy closer to the most powerful states guaranteed its success (Kirpsza 2020). The answer to this is relevant for me because with Ireland being a politically smaller state, it could be that it is more likely to position itself near the state or organization with the most power to help support its decisions.

Germany and Poland can represent the relationship between the UK and Ireland, since Germany is arguably one of the states with the most political power and sway in the EU whereas Poland is not such a major player. Kirpsza found that for Poland, holding a policy position similar to that of Germany's was extremely beneficial for achieving its own goals, and the same goes for Germany (Kirpsza 2020). This paper uses methods that interest me, but it still leaves out the bilateral relationship between Germany and Poland and instead studies them solely in the context of the EU. My project aims to study bilateral cooperation between the UK and Ireland with the EU as a secondary factor.

Turning to institutions, Kirpsza also found that Poland had a greater likelihood of success when its policies were close to those of the European

Parliament, but Germany's larger predictor of success was proximity to the European Commission (Kirpsza 2020). This might indicate that Ireland following the direction of the European institutions may be even more beneficial than prioritizing cooperating with the UK, especially as Ireland became less economically dependent on the British market. This would give Ireland some additional power in relation to the UK. Yet the fact remains that this study doesn't consider how the asymmetry between two states would affect their bilateral negotiations.

The consideration of sovereignty is also not discussed much in the literature, as this is relatively specific to supranational organizations like the EU. In itself, the EU is unique among international organizations since it does make policy decisions on behalf of its member-states (Fernandez Garcia, Clayton, and Hobley 2004). Member-states are often unhappy with these perceived infringements on their national autonomy, especially if they feel that it threatens their ability to dictate their national security policies (Fernandez Garcia, Clayton, and Hobley 2004). Not mentioning sovereignty when looking at the EU is frankly a huge problem because it is one of the main reasons its members may choose not to follow its initiatives. Incorporating this into my games might be difficult, but I believe it is an important part of understanding the decisions of the UK and Ireland around Schengen and the euro.

2.2 Cooperation

Even outside of game theory, international relations literature names cooperation and conflict as the two main options for states in bilateral relationships. I'm first going to look at why scholars believe that states would cooperate when given this choice.

Payoffs and expected utilities determine how states will act in games where their choices are to cooperate or defect, which in turn determines whether the states of interest will cooperate or be in conflict. States cannot choose which outcome they will get, but they can choose a strategy based on their perception of their expected utility and the expected actions of the other state playing (Stein 1990). The classic outcomes in the literature include war, arms races, deterrence, trade agreements, among others (Jervis 1988; Fearon 1995; Schelling 2020; Stein 1990; Abbott and Snidal 1998). For states to evaluate which outcome would be the best for them, they often consider international and domestic factors based on the situation at hand. On the international side, there is the possibility of war or peace, the possibility for a trade agreement or compatible monetary policies, the possibility

of alienating allies or bringing them closer, and the possibility of loss or retention of sovereignty and autonomy (Fearon 1995; Abbott and Snidal 1998; Stein 1990). Domestically, state leaders are concerned with their own beliefs and values which are shared by their citizens, national security policy, economic and monetary policy, and their chances of reelection (Stein 1990; Mansfield, Milner, and Rosendorff 2002; Jervis 1988). These are not extensive or complete lists, but these considerations are the most relevant to my research.

Edward Mansfield, Helen V. Milner, and B. Peter Rosendorff Mansfield, Milner, and Rosendorff (2002) introduce the idea that democracies cooperate more often than states with other regimes, because state leaders in democracy have to worry about being reelected, and cooperation with other nation-states can increase their prospects in certain circumstances. Seeing as the UK and Ireland are both democracies, this work is especially relevant for me. The argument is that economic cooperation with other states is more appealing than non-cooperation because cooperating often produces products, like trade agreements, that appear in the media where they are visible to voters (Mansfield, Milner, and Rosendorff 2002). Domestic economic policy is not often visible in the same way, so it is less obvious to voters that their leaders are getting anything done. By engaging in cooperative bargaining with other states, leaders have a product they can point to in reelection campaigns (Mansfield, Milner, and Rosendorff 2002).

Robert Jervis (1988) argues that the question is not about whether self-interested states will cooperate or defect in a game but rather what set of circumstances will lead states to choose one strategy over the other. I agree with this idea, especially seeing as Ireland and the UK chose to defect and cooperate in different circumstances. The more interesting questions to ask don't focus on what decision a state made but rather what influenced them to make that particular decision, which is why I framed my question around the "why" and am choosing to focus on the perceived payoffs of these states. I will go deeper into more incentives to cooperate and the states' areas of consideration when making these decisions in my methods section.

2.3 Conflict

In game theory literature, conflict is the alternative to cooperation, and for much of history, states chose war more often than cooperating (Stein 1990). Thomas Hobbes, the eternal political theory pessimist, believed cooperation would not develop without a central authority, and therefore a strong central government was needed to facilitate cooperation (Axelrod 1984). Before

the development of the modern nation-states, states and their respective leaders did not have well-defined territory or jurisdiction or strong enough governments to enforce either. They often sought to capture land from others in their self-interest, because the benefit to them of taking this land by force outweighed that of working to define borders with nearby leaders.

The modern nation-state is not as concerned with conquering territory as its predecessor, but the fact remains that the alternative to cooperation is conflict—it just might not look like war or violent conflict. War has generally become more costly in recent decades with weapons of mass destruction, such as nuclear, chemical, and biological weapons (Rana 2015). Instead, “conflict” may take the form of economic or diplomatic sanctions or unfavorable security policies (Kiryluk-Dryjska 2012). Defection creates conflict in the case of the UK and Ireland because it means putting policies in misalignment, causing political and social tension.

Mirroring cooperation, rational states would have to perceive that the payoffs of defecting and creating the possibility of conflict are greater than those for cooperating with the other state (Jervis 1988; Stein 1990). But what if conflict was a consideration in states’ decisions about cooperation? Conflict is always possible in international politics, but even some of the strongest forms of cooperation sometimes depend on this possibility (Stein 1990). States may cooperate to prevent conflict, and thus it could become a motivating factor and change the payoffs enough for states to choose to cooperate with their partners.

Rather than viewing conflict as the result of defection, I am going to use it as something the UK and Ireland considered when making their decisions on integration. All three of my case studies occurred during or just after the Troubles in Northern Ireland. Within that context, the conflict wasn’t between the states but rather between a state and a non-state terrorist group with deep emotional ties to the other state. Conflict created by the Provisional IRA would have been much more likely during this period than Ireland or the UK declaring war on each other. So for my purposes, conflict is something that the UK and Ireland are trying to prevent because it would not be on their terms if it did occur. They may have believed that by cooperating bilaterally, their actions would send a signal to the IRA that they could not drive a wedge between the two states enough to achieve their goals.

2.4 Interdependence

The first overarching incentive to cooperate I will consider is interdependence. Interdependence in its general form means two entities rely upon each other.

In terms of international relations, this means that between two states, the actions of one state's leaders and other significant actors will affect the other and vice versa, specifically in the political, militaristic, and economic realms (Nye and Keohane 1987). Interdependence does not necessarily guarantee cooperation (Nye and Keohane 1987), but it ensures that states have to take the effects on others into account when they are making decisions about their strategies. A globalized world with interdependent states means that leaders do not use armed conflict as a threat as often (Rana 2015), because it has become less credible; attacking a state one is dependent on will hurt the attacking state in the long run. For relatively small states like Ireland, which have asymmetric relationships with larger states like the UK, this creates a bargaining tool because they know the larger states will be more hesitant to use force to push their political agenda (Rana 2015).

While interdependence aligns more with realism, scholars tried to reconcile realist and liberal perspectives with the idea of complex interdependence (Nye and Keohane 1987; Rana 2015). This is the idea that societies are interconnected in many different ways, down to the level of individuals as transnational actors (Nye and Keohane 1987; Rana 2015). The three components of this idea are that there are multiple channels of contact between states outside of the interactions between state leaders, that there is no hierarchy of issues, and that military force is not used by one state against the other (Nye and Keohane 1987). Within the context of cooperation, the idea that military force should not be used almost removes the likelihood of conflict, which scholars see as the alternative to cooperation. Because realism more accurately represents the game I will be playing, the most useful aspect of complex interdependence is that it shows that these societies are too intertwined to resort to conflict lightly.

Complex interdependence captures the complicated ways in which Ireland and the UK are connected and how they interact because of them. It recognizes how cultural, social, and historical connections tie the two states together in a way many other nations don't experience. A large proportion of sources that discuss British-Irish relations use the theory of complex interdependence to frame their interactions since the mid-20th century (Gillespie 2014; Keatinge 1982; Nye and Keohane 1987). These societies interact independent of their governments, and military force is not used by one against the other, nor is militaristic security dominating their agenda with the other in the period I am interested in (Gillespie 2014). Knowing this, the British and Irish governments respectively had increased incentives to cooperate with the other because their citizens relied on the other state.

2.5 International Organizations

The literature is beginning to study international organizations as another type of incentive for states within them to cooperate. We know that rational states will use an international organization when the value of its functions—including facilitating negotiation and implementation of agreements, resolving disputes, managing conflicts, carrying out operational activities, elaborating norms, shaping international discourse—outweigh the costs (Abbott and Snidal 1998). Indeed, states use international organizations as vehicles of cooperation through centralization and independence (Abbott and Snidal 1998). States can centralize their policies via collective actions, which are supported which the organizational structure and administrative apparatus of the organization (Abbott and Snidal 1998). According to Abbott and Snidal (1998), states also have some ability to act with autonomy within defined spheres.

I push back on this assertion slightly, as the loss of sovereignty is a large area of concern for many states in international organizations, especially for EU member-states, but this article highlights some of the other important benefits to states. These include, but are not limited to: creating norms and understanding; enforcing international commitments and settling disputes without the need for courts; managing significant areas of interstate relations like global health policy, European security, international monetary policy; pooling assets and risks; overcoming the free-rider problem; and reducing the likelihood of violent conflict among member states (Abbott and Snidal 1998). Combined, these benefits provide incentives to cooperate with the members of the international organizations.

While this literature is helpful for understanding why states join international organizations in general, it does not focus much on the EU specifically. Scholars point to the fact that the EU, or as it was known, the European Coal and Steel Community (ECSC), was primarily created to avoid further conflict in Europe after the World Wars (Gillingham 1991). States, being rational actors, continued joining the EU on their expected utility in four areas: interpreting treaties, monitoring compliance with Treaty obligations, reducing transaction costs through policy initiation, and producing policy credibility (Fernandez Garcia, Clayton, and Hobley 2004). With this comes the expectation that doing these activities within the EU is better than doing this bilaterally. For smaller states especially, being in international organizations like the EU closer the gap between them and the larger states with more political and economic power (Gillespie 2014). However, I am applying the game theory language to each of these conditions because these scholars have not considered EU membership through the lens of gamified models.

The other issue is that the EU is unique even in the realm of international organizations. Member-states must give up significant autonomy and sovereignty in order to join European institutions. For instance, states that use the euro have almost no control over the currency they use because the monetary policy is decided by the European Central Bank (Fernandez Garcia, Clayton, and Hobley 2004). In contrast to many other international organizations, the interdependent states that formed the EU must continually work together for the organization and its institutions to function (Laffan 2021). Should one stop, the effects would be devastating, as seen with the fallout from the Brexit decision.

2.6 Bargaining

When scholars do use game theory to look at interactions within the EU, they often use bargaining models (Kirpsza 2020; Ott and Ghauri 2019; Dür and Mateo 2010). These types of models are certainly more accurate for modeling international negotiations than Prisoner Dilemma games, because there are few occasions where states would decide on a policy or agreement simultaneously. Instead, bargaining games involve multiple rounds where one actor can propose an agreement and the other has a chance to refuse or accept it before offering a counter-agreement (Sutton 1986). This can go on for as many rounds as the game dictates until there is a breakdown if actors cannot reach an agreement (Sutton 1986; Fearon 1995). This may also provide an explanation for irrational-looking behavior, should I come across it in my data analysis.

James Fearon outlines multiple reasons why states may not reach a bargain: state leaders are irrational actors; leaders who enjoy the benefits of war can often shift the costs to their subjects; even rational leaders who consider the costs may end up fighting anyways; or some combination of the three (Fearon 1995). If we use the assumption that leaders are rational, they should analyze the benefits and costs of war, and only go to war when the benefits outweigh the costs (Fearon 1995). Fearon introduces a concept of a bargaining range, which is the range in which states are willing to bargain, where there exists a set of agreements that states would prefer over fighting each other (Fearon 1995). Problems arise however when states cannot anticipate what their counterpart's actions will be because of private or asymmetric information, because states have incentives to misrepresent information about themselves, including their willingness to fight, and because issues could be indivisible (Fearon 1995).

Literature looking specifically at the EU uses many of Fearon's ideas

when observing how states bargain within the organization and how states choose their strategies to avoid bargaining failure (Schneider, Finke, and Bailer 2010; Kirpsza 2020; Ott and Ghauri 2019; Dür and Mateo 2010). Dür and Mateo (2010) and Kirpsza (2020) both discuss the importance of actors in these scenarios having similar preferences and cultural influences, which might make states more likely to reach an agreement. The UK and Ireland have many similar cultural and historical influences, and I am examining the similarities in their preferences through my project with my methods being designed to understand what each state's preferred decision was.

Ott and Ghauri (2019) discovered that when the UK was engaged in post-Brexit negotiations like those detailed by the previous authors, trade and immigration concerned the British government the most, and thus these topics came to the forefront of their bargaining with the EU. These considerations gave me a starting point for determining my areas of consideration, but more factors than just trade and immigration exist. I will also be adding variables for monetary policy, fiscal policy, conflict driven by the IRA, and popular support.

2.7 My Approach and Contributions

The literature on cooperation, specifically in a game theory sense, all comes to the same conclusion; rational actors will choose to cooperate with another actor when it is in their best interest to do so. Conversely, actors will choose to defect from an agreement if they feel that it does not satisfy their preferences or beliefs at the time. This framework is well-established and has been applied many times to various political situations around the world. I am adapting this framework to study two interdependent countries that shared membership in the same supranational organization and see how they made their decisions about cooperation based on a wide set of indicators.

Modeling these three case studies as sequential, cooperative games advances the practice of using game theory to study political interactions. While the literature relies on Prisoner's Dilemma-type games and bargaining models, my use of a sequential game gives a more realistic and yet still simple representation of the actors and actions being studied. In addition to this model, my main contribution through this research is a comprehensive, adaptable payoff structure that captures the underlying factors in political decisions. Games in the literature assign payoffs to achieve the ends necessary for the argument, but authors rarely provide reasoning behind what values they assign to various outcomes. The areas of consideration I developed turn these factors into numerical values that represent payoffs in the

sequential game. The exploration of policymakers' motivations allows for deeper study of how these components determine international relations. As such, this framework explains all of the major interactions between the UK and Ireland in the 20th century as they integrated into the EU.

It is obvious to observers that Ireland and the UK are two states that are very closely connected, economically, socially, politically, culturally, and historically. Because of this, they maintain some relationship between themselves that reflects their interdependence, and therefore it should be in their best interest to cooperate as often as possible. As rational actors with incentives to cooperate, the UK and Ireland will come to unilateral decisions based on their individual payoffs, but these payoffs are dependent on the actions of the other actor. The EU and integration provided opportunities for the UK and Ireland to make decisions about their bilateral relationship within the context of the EU; they made a decision on whether to join the EU in the first place, they made decisions about the euro, and they made decisions about Schengen.

I am choosing to use a game to model my case studies firstly because it allows me to represent three complex political situations more simply with just one model, and secondly, because the rich literature of international relations game theory provides a solid theoretical basis for my project. This literature on incentives to cooperate, including interdependence and being in the EU, gives insight into why the UK and Ireland made certain decisions in each case study. Applying these concepts to my model will produce my hypotheses for the conditions of cooperation.

Each of these case studies will be treated as contained games because so many factors change between each case that it is difficult to say the states are the exact same actors or hold the exact same beliefs between each interaction. The context of the EU also changed fairly often over this period, including changes to mandates and enlargements with new member-states. I'm going to use the case studies of the UK and Ireland joining the EU and the UK defecting from the euro because they're some of the most significant events in the states' time in the EU. I also find the mutual decision to opt out of Schengen to be of interest because it is an instance in which the UK and Ireland cooperated, but they did so by both defecting from the decision of the rest of the EU. These case studies are also being used generally to test the utility of my model.

Joining the European Community, or EU, theoretically was the best decision the UK and Ireland could have made since they both felt it was in their self-interest to join. If only one had joined without the other, the policies of the EU could have created trade barriers between the UK and Ireland. The trade relationship between the two is extremely important to Ireland,

and while not as important to the UK, the Irish market is still a large factor in the British economy. In addition, joining the EU opened the European market for both states. This decision also happened amid the Troubles, so staving off conflict may have been another motivation for the UK and Ireland to cooperate. The bottom line is that in this case, it seems better for both Ireland and the UK to cooperate rather than try to go it their own.

Joining the EU did present a cooperation problem for the UK and Ireland; it would not be beneficial for one not to join while the other did. That left the decision of whether to integrate or stay out together. There were many benefits to both states for joining, but as a smaller state, Ireland would gain much more from joining the economic community than the UK. In that case, it depends if Ireland would want to risk joining without the UK or seek assurance. The UK would likely join if Ireland did since it wouldn't benefit them to stay out if Ireland joined. Irish consumers and producers may turn away from British markets in favor of easier access to the European market, so the UK would want to keep itself in the equation.

The decisions on the euro are particularly interesting because the UK and Ireland didn't cooperate on their decisions; Ireland chose to use the euro, and the UK chose to stay with the pound. Since the euro is inherently a monetary policy issue, the UK and Ireland would have to think about their domestic policies and how they would interact with the other state and the rest of Europe. Since the UK had a relatively strong currency in the pound, they weren't as enthusiastic about joining the eurozone as Ireland. However, using the same currency would have some advantages such as encouraging trade and investment and the ability to support and be supported in times of financial crises. For a smaller state like Ireland, these benefits would help its economy grow in an increasingly global market and have greater access to the European market. For the UK, which has a larger economy than Ireland, these benefits still exist, but the pound has substantial strength on its own. Joining the eurozone would also mean that the states would lose control over their own monetary policy and would instead be at the mercy of Brussels.

Coordination did not occur in the decision of whether to use the euro, so we know it's not a simple coordination game. But what would make the UK and Ireland choose separate paths for this? There are a lot of factors to consider, including economics, monetary policy, and sovereignty, and it appears that they combined to make the UK believe it would be better off outside the eurozone. Ireland also had to decide about whether to use the euro without knowing how the UK was going to act. This dis-coordination could also be a result of bargaining failure; perhaps Ireland and the UK tried to reach a bilateral agreement on monetary policy that broke down before they made their final decision.

The British and Irish decision to opt-out of Schengen shows cooperation between themselves but defection from the rest of the European Union. Since Schengen was a question of immigration and movement of people, not economics, the UK and Ireland may not have been as inclined to follow Europe's lead. Both states are islands, and the only border they have that is not at sea is the land border between Northern Ireland and the Republic of Ireland. This gives both states more control over who comes in than other European countries, many of which share multiple land borders with other EU member-states. It appears that the UK and Ireland decided that their sovereignty and autonomy over migration and security policy were too much to give up in this instance and thus chose to defect from the EU's decision. This problem also happened during the Troubles, so it gave the UK and Ireland an even greater incentive to keep tight control of their border. However, they would need reassurance from each other that their domestic migration policies would respect the borders of the other if they didn't have the standard, unified policy from the EU.

Like the case with joining the EU, the greatest benefits for both states would come from coordinating their decision on Schengen. If one signed on while the other did not, it leaves the other's borders vulnerable to the movement of people in the Schengen-signed state. Again, their rational choices are to either integrate or defect together and work out an agreement of their own. Bargaining, in this case, must have been successful in reaching an agreement for mutual defection, because both the UK and Ireland opted out of joining the Schengen Area.

Each of these situations poses a question for the UK and Ireland: do they cooperate with each other or do they defect? What if bargaining fails? This is not simply a coordination problem, because if it was, the dis-coordination with the euro would not have occurred. If it were truly a coordination game, the payoffs should have reflected that coordination would be the best outcome, so either the UK or Ireland would have switched their strategy to align with the other. Joining the EU and opting out of Schengen are still cooperation problems because both states took the same action, but both likely involved some level of bargaining as well.

Chapter 3

Theory

3.1 Model

To model my three case studies, I will be using this model that appears in figure number 3.1 on page 27. The use of game theory is supported by the literature, especially because the UK and Ireland had to make decisions on whether to cooperate or to create conflict. This model eliminates outside actors and influences from the actual decision-making process and narrows it down to the actions of just two players, the states of Ireland and the UK respectively. It shows sequential moves by the players, which means the second mover has the chance to observe the decision of the first before making its own choice. This is a more accurate representation of how these states come to decisions than the simultaneous games often preferred in the literature because it reflects the ability of whichever state makes a decision second to react to the first state's decision. Using a sequential model also allows me to investigate the payoffs and what motivated the UK and Ireland to choose the things they did. In contrast to a bargaining model which focuses on the agreements proposed by each state before reaching a decision, this model relies on payoffs structures to understand the players' decisions. The visual nature of a sequential model also makes it easier to check the results after the case studies.

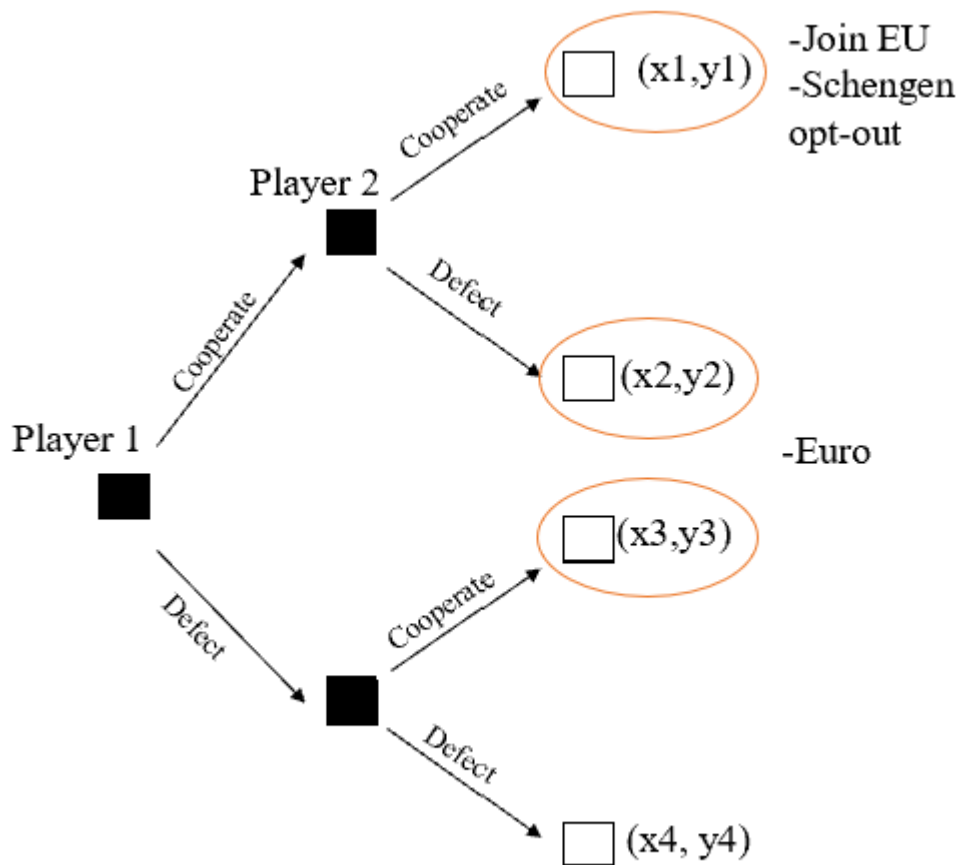


Figure 3.1: Sequential Model

3.1.1 Game Setup

This base game has two players: Player 1 and Player 2. I have intentionally left these as generalized names and not labeled one as the UK and one as Ireland because the first-moving state may change with each case study. As shown, each player has the choice between two actions, cooperate or defect. The nature of sequential games means the second player has the opportunity to observe the actions of the first player before making their move. Assuming the players, in this case, the UK and Ireland, are rational actors, they will take the action they believe will give them the best payoff. These expected payoffs are represented by the Xs and Ys in parentheses and are also left

generic to be adapted for each case study. Player 1 has the option to cooperate or not, but Player 2 can observe Player 1's choice and adjust theirs accordingly. Thus Player 2 needs to create strategies that act as contingency plans for each possible action of Player 1. These strategies are listed below in the format of Player 1's action; Player 2's action given Player 1's action, Player 2's action given Player 1's other possible action: {Cooperate; Cooperate, Cooperate} {Cooperate; Cooperate, Defect} {Cooperate; Defect, Cooperate} {Cooperate; Defect, Defect} {Defect; Cooperate, Cooperate} {Defect; Cooperate, Defect} {Defect; Defect, Cooperate} and {Defect; Defect, Defect}. So for example, {Cooperate; Cooperate, Defect} means that Player 1 will cooperate, and Player 2 will cooperate if Player 1 does, but they will defect if they see that Player 1 has defected.

Knowing this background information, the potential games of the case studies can be examined and predicted. Solving these sequential games requires using backward induction, and to begin this process, we must compare Player 2's payoffs for each action that Player 1 may take. Given Player 1 cooperates, Player 2 has the option to also cooperate or to defect, and these actions are associated with payoffs Y_1 and Y_2 respectively. Should Player 1 choose to defect, Player 2 has the same choice of actions, but this time the payoffs are represented by Y_3 and Y_4 . Once Player 2 chooses its preferences between Y_1 and Y_2 as well as Y_3 and Y_4 , Player 1 must choose which action it will take based on the anticipated strategy of Player 2. For example, if Player 2 will cooperate no matter what, Player 1 has the choice between payoffs X_1 and X_3 .

I will later use indicator values to show the relative value each state places on a particular outcome, but for now, Xs and Ys will stand in for the payoffs.

3.1.2 Joining the EU

Using this model as our guide, the equilibrium for joining the EU is {Cooperate, Cooperate}. In order for both states to make this decision, they needed to believe that it was their best option given the decision of the other. The payoffs listed for this equilibrium are (X_1, Y_1) . To play the game to this equilibrium, Player 2 must choose between their two actions for each action Player 1 may choose. If Player 1 chooses to cooperate, Player 2 chooses between the payoff associated with cooperating as well, Y_1 , and the payoff associated with defecting, Y_2 . Y_1 must be greater than Y_2 so Player 2 will choose that action given Player 1 plays cooperate. If Player 1 chooses to defect, Player 2 chooses between Y_3 and Y_4 , associated with cooperating and defecting. The values of these do not matter as much as the payoffs to Player 1. Assuming Y_1 is larger than Y_2 , Player 1 will anticipate that Player 2 will

choose to cooperate if Player 1 does first. X_1 needs to be greater than both X_3 and X_4 to create the incentive for Player 1 to choose to cooperate, which then prompts Player 2 to choose to cooperate as well, given Y_1 is greater than Y_2 .

3.1.3 Using the Euro

For the second case study, I will examine how cooperation between Ireland and the UK failed when the UK opted out of using the euro for its currency. This case is the most complicated to describe using the model because depending on which state moves first, the equilibrium could either be {Cooperate, Defect} or {Defect, Cooperate}.

If Player 1 is the one to choose to defect, this means the equilibrium would be {Defect, Cooperate} with payoffs of (X_3, Y_3) . To reach this equilibrium, Player 2 still needs to value cooperating and not coordinating with Player 1 over coordinating with them. This is reflected in a payoff of Y_3 which has to be greater than Y_4 . Player 1, anticipating this, needs X_3 to be larger than X_1 or X_2 . if X_1 or X_2 were larger, Player 1 would have reason to cooperate rather than choosing to opt-out, or defect. If these conditions are met, we would observe Player 1 choosing to defect while Player 2 cooperates. Now we must consider the case that Player 1 does choose to cooperate while Player 2 decides to defect. In this situation, for an equilibrium of {Cooperate, Defect}, the payoffs of (X_2, Y_2) need to lead the players to that point. Again, Player 2 must find Y_2 more appealing than Y_1 , given Player 1 is cooperating. If Y_2 is greater than Y_1 , Player 2 will choose to defect if Player 1 does. Player 1 needs to value X_2 over X_3 and X_4 , which are their payoffs of defecting.

{Defect, Cooperate} is the less likely of the two proposed equilibria because Player 2 might not want to continue to cooperate if they have already observed Player 1's defection. Player 2's payoffs may create a situation in which they value cooperation and possibly integrating over everything, even if that means that they lose their partner, but this is unlikely.

3.1.4 Opting Out of Schengen

In this case, the UK and Ireland ended up cooperating but not integrating. They both decided that going it alone together was better than joining the Schengen Area, an area that allows for the free movement of people. This equilibrium is represented by {Cooperate, Cooperate} with associated payoffs of (X_1, Y_1) . To play the game is the same process as joining the EU. We begin by looking at Player 2's payoffs for cooperating or not given each possible action of Player 1. Reaching the equilibrium we see with Schengen means

that Player 2 must find their payoffs associated with cooperating to be higher than defecting if Player 1 chooses to cooperate. In terms of the game, Y_1 must be greater than Y_2 for Player 2 to choose cooperation if Player 1 does so. But for Player 1 to choose cooperation, X_1 must be greater than X_3 for Player 2 to use the strategy of {Cooperate if Player 1 Cooperates}. Knowing that Player 2 will choose to cooperate if they do, Player 1 needs to think that the payoff for also cooperating would be the highest out of their options, meaning X_1 has to be greater than X_3 and X_4 .

3.2 Hypotheses

The literature shows that rational states will only cooperate when their payoffs for doing so are higher than those for defecting. Based upon this theory and the assumption that the UK and Ireland are rational actors as asserted in the literature, these hypotheses detail my predictions on how the UK and Ireland reached each equilibrium observed in the model.

1. A player will cooperate if, and only if, the number of areas of consideration that give incentives to cooperate outnumber those that give incentives to defect.

2. A player will defect if, and only if, the number of areas of consideration that give incentives to defect outnumber those that give incentives to cooperate.

Chapter 4

Empirical Methodology

4.1 Areas of Consideration

To understand the decisions the UK and Ireland made and test my hypotheses, I will be looking at six areas of consideration. I chose these based on the most relevant topics of discussion I found while doing my research. These were the factors that the states were publicly concerned about when making each decision. I will analyze the data collected for each of these areas using these tables to then aggregate an overall decision on whether it makes sense for each state to cooperate. This section will detail each area of consideration and how I plan to make determinations on whether cooperation would be beneficial. For many of these areas, the political and economic sovereignty of each state also plays a large role, so it will be a part of the discussion of each area of consideration but will not be an area on its own.

For each area, I will use individual results tables to show each indicator in an area of consideration and present my conclusions based on gathered data. This allows me to break down each area of consideration even further and come up with an aggregate for each area on whether cooperation was favorable for the state in question. After I have analyzed all of the individual areas of consideration and their relevant indicators, I will construct a table with all the areas of consideration for the UK and Ireland and the overall decision that the data indicates each state would make. For each indicator, when at all possible, I will look at the data from the year of the decision, from 5 years before, and from 10 years before to see the general trends and determine if decision-makers were incentivized to cooperate based on said trends. When there is no obvious incentive to defect, I will regard an indicator as an incentive to cooperate based on the logic that the state will be as well off as before with no visible negative consequences.

Not all of these areas may be relevant for each case study. If a state does not consider one area for its decision in one case study, I won't include it in the calculus for its overall decision. I will double-check with records of legislative debate in the case where I suspect irrelevancy of an area and see if legislators discuss that particular area in the decision-making process. Part of the reason I'm using multiple variables for each case study is to proactively adjust for the situation in which one is not relevant or if it is not clear what effect the variable would have on cooperation.

If data conflicts with decisions, my theory is not necessarily disproven. Because I believe states to be rational actors, and the literature agrees, data that is inconsistent with the states' decisions does not mean they purposefully acted irrationally. Instead, behavior that seems irrational could indicate that one of Fearon's factors for the breakdown of bargaining was present: issue indivisibility, private or asymmetric information, or if one state misrepresented themselves (Fearon 1995). I also acknowledge that for many of these indicators, I am using retroactive data that the state leaders obviously did not have access to at the time. I know what happened in each case and how it affected these areas; the states did not. Thus, an explanation could lie in the fact that the decision did not create the effects that a state anticipated, so looking back, the decision to cooperate or defect was irrational based on what we know now.

To calculate my initial decisions on whether the areas of consideration amount to a decision to cooperate, I will equally weigh all the areas and see how many give an incentive to cooperate versus how many give an incentive to defect. A majority supporting cooperation would indicate that the state should have cooperated, and a majority opposing cooperation should result in defection. For all case studies, but especially in instances where the areas appear to give an incentive to do the opposite of the state's observed action, I will reweigh the areas proportional to survey responses on what the most important issue was at the time to the best of my ability. For example, if 40% of the population surveyed said the economy was the area of greatest importance, I would give the economic area a weight of 1.4, indicating an increase of 40%, as opposed to the weight of one it had in the first round. I will also cross-reference the results from the survey with debates in Parliament or the Oireachtas to see what areas of consideration are deemed the most important by the national decision-makers in the cases where survey data is not available. Having these two steps in my calculus will help me more accurately model the concerns and considerations in these decisions while respecting the relative importance of each consideration.

4.1.1 Economy

The first area is the economy which includes trade, GDP, unemployment, and foreign investment. For each of these, I will be primarily focusing on the interactions between the UK and Ireland in addition to the interactions between each respective state and the EU. Because the EU is an economic union, having something that measures the economic benefits to the states is highly important to reflect one of their top motivating factors in these games.

I am using the amount of trade between the UK and Ireland and between these states and the EU as a percentage of their overall trade since raw numbers can increase and decrease with the size of the economy without showing actual changes in the amount of trade. Similarly, the percentage change in GDP will show momentum in the economy more accurately than the overall GDP. I will include the respective British and Irish GDPs in constant local currency units (LCUs) as an additional reference point. Unemployment will be represented by the unemployment rate in labor markets, and foreign investment comes from data on net inflows of foreign direct investments as a percentage of GDP.

I will determine if it makes sense for one state to cooperate based on whether these statistics show economic improvement in the lead-up to the decision. It may be a dramatic change from one year to the next, but the most compelling would be a sustained change over time before the decision. Policymakers would have an incentive to cooperate if they observed improvement and prosperity or stability in these indicators. Increases in the rate of GDP growth and foreign investment and decreases in unemployment will be regarded as improvements.

In terms of trade, increased trade between the UK and Ireland gives British policymakers an incentive to cooperate. For Irish policymakers, a decrease in trade with the UK could be an incentive to cooperate, especially if it is coupled with an increase in GDP growth because this reflects a decrease in Ireland's dependence on the UK. The interpretation of increased trade with the EU will change depending on what cooperation entails for the UK and Ireland. If the decision to cooperate leads to further integration, increased trade with the EU is an incentive to defect. If cooperation does not result in integration, an increase in trade with the EU becomes an incentive to defect because the state would want to maintain the status quo economically.

4.1.2 Monetary Policy

The next area of consideration is monetary policy, which has to do with exchange rates, inflation, and interest rates. Monetary policy is most relevant

for the euro case study, but it could also play a role in the other two cases, especially around the purchasing power British and Irish citizens would have in the rest of the EU. Having a common currency also has economic benefits ensuring equal purchasing power between the UK and Ireland and other EU member-states. However, member-states have limited control over their monetary policy because it's been handed to the European Central Bank over time, and this may be a deterring factor from cooperation. Inflation and interest rates are more economic indicators, but these are ones that the governments have increased control over and have policies to expand and contract their economies as needed. Changes in these, specifically in interest rates, could indicate the governments' reactions to the decisions and the state of the economy leading up to it.

The inflation data I am using is the annual percentage of inflation of consumer prices. Exchange rates come from the period average official exchange rates of LCUs per US dollar. When Ireland adopts the euro, this switch will be captured by using LCUs. I will be using the money market rate, which reflects the part of the financial market that includes highly liquid, low-risk assets, because the data for Ireland's real interest rate is not readily accessible ("Determining Money Market Interest Rates," n.d.). The UK's real interest rate will be referenced, but for a consistent comparison between the two states, I will rely on the money market rate.

A stable or more favorable exchange rate before a cooperative decision was made would show that cooperation was beneficial for monetary policy. It would show that the purchasing power of their currencies either had not been affected or had improved before a decision on cooperation. Similarly, inflation and interest rates would show the largest incentive to cooperate when they remained stable, indicating that the government had little need to adjust the economy in the lead-up to the decision.

4.1.3 Fiscal Policy

Closely related to monetary policy is fiscal policy, which allows a state to control the pace of its economy. Examples of fiscal policy include government spending, tax rates, and borrowing of debt. Being in the EU and under the direction of the European Central Bank could limit the control the UK and Ireland had over their fiscal policy, specifically when looking at the compulsory contributions member-states have to make and their ability to take on debt. Government spending is also impacted by being in the EU since member-states have to provide support and resources for EU initiatives. Having the EU have some say in the states' budgets also indicates a loss of sovereignty that might make states hesitate to integrate or cooperate.

I will look at the contributions the UK and Ireland made to the EU and the amount of debt Ireland and the UK have and see if it is compliant with EU fiscal policies. I'll also be looking at taxes for fiscal policy that is determined domestically.

As members of the EU, Ireland and the UK are required to make contributions to the EU budget, but they also get benefits in return. I will first look at the gross contribution each state made but then will compare it with their net contribution. If this number is positive, it shows that the state contributed more than they received in benefits from the EU. On the other hand, if the net contribution is negative, or the state has positive net receipts, this means the state received more benefits, or receipts, than it contributed to the budget. Policymakers will have an incentive to cooperate if their government receives more funds from the EU than it is asked to contribute.

Incurring debt, while not typically seen as a good thing, shows that the state has the ability to take out money for its own projects. The autonomy of EU member-states is restricted in this regard because as a part of the Treaty on the Functioning of the European Union, otherwise known as the Treaty of Rome, which was signed in 1958, member-states agreed to the excessive deficit procedure ("Fiscal policies" 2021). Compliance with this procedure means that signatories agree to keep the general government deficit below 3% and gross debt in relation to GDP below 60% ("Fiscal policies" 2021). The Treaty on the Functioning of the European Union also included the Stability and Growth Pact, which requests that member-states coordinate their budgetary policies and "avoid excessive deficits" ("Fiscal policies" 2021). Knowing this, each state would have an incentive to cooperate if their deficit was under the limits set by the EU and if it did not appear that their deficit was trending in a way that would put them in danger of violating these procedures.

An incentive to cooperate in terms of the tax rate is similar to monetary policy in that stability would be the most beneficial. If the tax rate stays stable, the states would have an incentive to cooperate because it shows that the government felt little need to intervene in the economy either by increasing or decreasing the tax rate. Fluctuations in the rate can show instability and may create an incentive to defect.

4.1.4 Migration

Migration comes into play especially with Schengen because it was one of the main concerns of the UK and Ireland in that decision process, but the consideration of migration was not limited to the decision on the Schengen opt-outs. With that, migration was akin to national security in the eyes of

the two states and may have played a role in the other two case studies. To measure this I will use metrics on immigration between the UK and Ireland but also overall net migration. I will also see if domestic laws were enacted around the time of the three decisions regarding restricting or opening immigration in the UK and Ireland. Another important factor is the agreements that the UK and Ireland came to after choosing to opt out of Schengen and other policies aimed at changing the rate of migration into their territories.

Deciding whether migration statistics provided an incentive to cooperate will rely on which policies the governments enacted and when and what their goals were. Increased migration could be a positive in the eyes of the state or a negative based on the political agendas of the governments. If, for example, the UK enacted a policy to limit migration before deciding to join the EU, but the data shows an increase in migration after the decision, this would tell me that migration was not sufficient for the British government to decide to cooperate. This area will be slightly more subjective than others, although, using quantitative data in conjunction with qualitative evidence and reasoning will eliminate as much bias as possible.

4.1.5 The Troubles

A different security concern for the UK and Ireland during all of these case studies was the Troubles in Northern Ireland. The Troubles is the name generally given to the conflict between the provisional IRA, a terrorist organization, and the British Army as the IRA tried to reunify the island of Ireland. I'm looking at the Troubles as a consideration of the UK and Ireland because there's a possibility that the state leaders believed if they couldn't come to an agreement, it would play into the political goals of the IRA and possibly create more conflict in the Isles. The consideration of the Troubles may have given the UK and Ireland incentives to cooperate to show a united front or at least united enough that the IRA couldn't divide them. Measuring the Troubles means looking for data on attacks and deaths attributed to the violence. I will be looking at data on the number of deaths attributed to the violence between unionist, or pro-British, forces and republican, or anti-British, forces. I will also try to construct a timeline of significant violent events. If a significant number of deaths were caused by one event in one year, I want that to be reflected in my research so as not to bias the data on the total deaths.

In this case, a decrease in deaths related to the Troubles preceding a decision in each case study would signal to me that conflict had decreased, which would certainly have been a goal of the British and Irish governments. It's difficult to determine if these changes in violence can be directly attributed

to a decision on cooperation and integration, but the Troubles were one of the most pressing problems facing these governments, so I would be ignoring a large part of the political context if I didn't have some variable to account for it. I will present this data alongside a list of significant events in the procession of the Troubles. My goal with this is to acknowledge the potential confounding variables and see if these other events may have also affected changes in the amount of death.

4.1.6 Popular Support

Lastly, I will study how popular support may have affected state leaders' decisions on whether to cooperate. As politicians in democracies, British and Irish leaders are beholden to their voters, and any decision they make could affect them in the voting polls (Mansfield, Milner, and Rosendorff 2002). If the voters are in favor of integrating into the EU, the UK and Ireland are more likely to choose to integrate individually. I will use survey data on how British and Irish citizens feel about each other, which could also affect politicians' willingness to cooperate with the other state.

I will look at public opinion in Ireland and the UK around citizens' satisfaction with the EU or desire to join. I would consider a majority of public opinion in support of European integration to be an incentive for the UK and Ireland to decide to cooperate with the other. The inverse would indicate that it might not be in the best interest of the state to cooperate.

To observe how British and Irish citizens felt about the other state, I will use their opinions on Northern Ireland. Survey questions often asked how Irish and British citizens felt about the presence of British troops in Northern Ireland, which can be interpreted as how the Irish felt about British intervention near their border and how the British felt about their army's presence on the island of Ireland (Lyons 2008).

Additionally, the percentage of votes won by political parties such as Sinn Féin, a party that supports the reunification of Ireland, could be used to show Irish opinion of the UK; an increase in Sinn Féin's support shows an increase in support for unification, a position that the UK opposes, which gives Irish policymakers an incentive to defect. Sinn Féin's representation in the British Parliament also indicates how British citizens feel about Ireland; an increase in the number of seats or votes won by Sinn Féin in the UK shows a positive view of Ireland and thereby creates an incentive to cooperate. In contrast, the Ulster Unionist Party is a party that favors a separation between Northern Ireland and the Republic, so an increase in their seats or votes in the UK indicates a less favorable perception and gives an incentive to defect. In Ireland, one of the two major parties, Fianna Fáil, advances a nationalist

platform striving for the reunification of Ireland, so a rise in their popularity would give Irish policymakers an incentive to defect by the same logic.

4.1.7 Sovereignty

As mentioned previously, sovereignty is a large concern for many EU member-states during the process of integration. By integrating, they must give up some level of autonomy to fall in line with European policies. Sovereignty will most likely be lost when the UK and Ireland make decisions that integrate them further into EU institutions. I originally thought about making sovereignty its own area of consideration but came to realize that sovereignty underlies many of these areas, so it would be difficult to untangle it from the other considerations. Instead, I have decided to examine sovereignty when relevant as I evaluate the areas of consideration and see how questions related to the states' sovereignty might have impacted their decision for each area.

4.2 Data Sources

4.2.1 Economic and Monetary Indicators

The majority of statistics I will be using from the economic indicators will come from the IMF's International Financial Statistics database. I decided to use this data because some statistics go back to the 1940s, which is much more comprehensive than most other data sources I found. The IMF is also a well-established organization, and I trust its data to be as impartial as possible while still providing the information I need. I can compare the UK and Ireland against each other and with other European states easily with the data from the IMF.

The downside to having this much data at my fingertips is that the IMF has multiple sets of data for the same indicator, so I have to be careful about which ones I use for my case studies. The other problem that I have to grapple with is that for as much data as the IMF has, some of it does not cover the entire period I need it to. For example, unemployment data for Ireland only goes back to the 1980s.

I am using the World Bank's World Development Indicator data to supplement the data from the IMF. The World Bank gets its data from the IMF's International Financial Statistics, but it picks out the most relevant statistics from each category, making it easier to find. The World Bank has additional sources, including its own national accounts data, national account data files from OCED, and data from the United Nations Population

Division. Because the World Bank pulls its statistics from a large number of institutions and organizations, it makes it easier for me to aggregate data, and I know that all the data can be trusted.

4.2.2 Fiscal Policy

To find the public spending and contributions to the EU for each state, I used EU financial reports and reports from the states' respective governments. The EU financial reports told me what the UK and Ireland each contributed every year, and I paired that data with calculations of their individual net contributions from the Irish Department of Finance and the UK's Office of National Statistics.

I measured the UK's compliance with the EU's fiscal policies by studying data on the British debt-to-GDP ratio provided by the Office of National Statistics. Ireland does not have this specific dataset available, so I did the calculations myself using data on Ireland's gross national debt from a report by John FitzGerald and Seán Kenny and data on Ireland's GDP from the World Bank. The Irish Department of Finance cited this report by FitzGerald and Kenny in lieu of data directly from the government, so I trust its accuracy.

I used the World Bank for the data on taxes in the UK and Ireland.

4.2.3 Migration

The Determinants of International Migration (DEMIG) is the name of research within the International Migration Institute at the Amsterdam Institute for Social Science Research. This database compiled immigration policies for various states between 1945 and 2013. I used their research on Irish and British policies to determine the overall immigration policy each state held and to see what bilateral agreements the UK and Ireland had negotiated. DEMIG also coded each policy as more or less restrictive which helped me understand what direction domestic policies were headed.

For migration between Ireland and the UK, I used primarily census data. The Irish censuses from the past century are available online through the Central Statistics Office, and I compiled the relevant information into an Excel spreadsheet for my use. The UK has a law that individual entries in the censuses are inaccessible for 100 years, which made finding immigration data difficult, but Migration Watch UK found these censuses and published data on Irish immigration to the UK. While I was skeptical at first, I found that Migration Watch UK cited the Office of National Statistics and that their net migration data matched that from the World Bank.

Lastly, for the data on net migration, I used the World Bank's interface. The data they presented was from the United Nations Population Division.

4.2.4 The Troubles

The Conflict and Politics in North Ireland database, otherwise known as CAIN, has statistics on the number of deaths per year between 1969 and 2020 that are connected to the Troubles. The data from 1969 to 2002 come from a book called *Bear in mind these dead: An Index of Deaths from the Conflict in Ireland 1969-1993* by Michael Sutton. After 2002, Martin Melaugh, a research fellow at Ulster University, began maintaining and updating the database. Sutton recorded the details of every death related to the conflict by using articles from 27 different newspapers, funeral information, coroners' court records, and cemeteries among other sources to verify the personal information of victims and the circumstances around their deaths, including which organization was responsible. Once Sutton confirmed that someone had died as a direct result of the Troubles, he added them to the record.

Deaths caused by certain incidents like accidental shootings and health problems, such as heart attacks, brought on by conflict-related incidents were excluded from the record. Sutton believed they introduced too much subjectivity over the true cause of death. In contrast, hunger strikes were left in as they were protests conducted by Republican prisoners for the cause against the British that resulted in their deaths. This attention to detail leads me to trust the data presented by CAIN, which I will use to study trends in the amount of violence and construct a timeline of significant events during the Troubles. A decrease in deaths over time would give policymakers an incentive to cooperate, and events showing cooperation between the two governments would offer the same effect.

4.2.5 Popular Support

For both the UK and Ireland, I used survey data from the Eurobarometer, which is a series of public opinion surveys conducted on behalf of the European Commission, and multiple are taken each year. The specific questions in the survey differ from year to year and survey to survey, but the Eurobarometer does consistently ask respondents about whether they think EU membership is a good or bad thing for their country. The Eurobarometer also asks what people believe is the most important issue for them, which will give me a starting point for reweighing the areas of consideration.

More specific data for the UK came from the British Election Study. It was these surveys that asked participants how they felt about troops in

Northern Ireland. The British Election Study is a well-established project from the University of Oxford and the University of Manchester and is comparable to the American National Election Study. Because of its reputation and the number of participants in their surveys, I believe the data is a good indicator of British public opinion.

To counterbalance the additional data from the British Election Study, I used a book by Pat Lyon called *Public opinion, politics and society in contemporary Ireland*. In this book, Lyon aggregated Irish public opinion data on a variety of topics. Data on Irish opinion of the EU came from the Eurobarometer. Survey data on opinions about troops in Northern Ireland came from an ERSI survey, and data on opinions about a United Ireland came from a survey by Irish newspapers. Because this data comes from reputable sources, I trust its presentation by Lyons.

I found data on the UK's general elections in a report published by the House of Commons Library and on a more comprehensible website called UK Political Info. The website offered a summary of the elections that were corroborated by the report from the House of Commons Library. Irish election data came from ARK, a hub that brings together researchers from Queen's University Belfast and Ulster University. ARK's projects include the CAIN database that I used for the Troubles.

Chapter 5

Historical Background

This chapter is intended to give more detailed historical context to these case studies before diving into the data.

Ireland and the UK have a long and violent history between them beginning in medieval times and continuing through to the 20th century. When Ireland gained its independence from the UK in 1937, the relationship between the two states shifted from that of colonizer and colonized to that of two equally sovereign states. Their bilateral relationship evolved again when both states joined the European Community in 1973, thereby joining what would eventually become the European Union. Joining the Community created a forum in which they could coordinate their policy decisions, both between each other and with the rest of Europe.

Despite being legal equals since Irish independence, the literature seems to agree that colonial rule in Ireland still affected its politics decades later. Historically, asymmetry in political power, geographical scale, and economic wealth defined the Republic's relationship with the UK (Gillespie 2021). The gap between these two states in these aspects was exacerbated by British colonialism on the island of Ireland and created tension between them that eventually resulted in Irish independence. As Andrew Devenney points out in his article "Joining Europe: Ireland, Scotland, and the Celtic Response to European Integration, 1961-1975," Ireland was one of only two Western European countries that gained its independence in the 20th century, and Ireland's fight against Britain caused more trauma than occurred in Norway, the other country that gained independence when it fought against Sweden (Devenney 2010).

Subjugation to British rule remains fresh in the minds of Irish citizens, especially with the question of Northern Ireland and the subsequent terrorism from the Provisional Irish Republican Army (IRA) continuing through the rest of the century. Britain's continued military intervention on behalf of

Northern Ireland in the late 1960s, given the government's inability to keep order, reinforced the colonial mindset on the island (Fanning 1985). Since Irish independence, little violence occurred between the governments, but the terrorism by the IRA created a difficult question. The British did not take direct military action against the Irish government, yet they engaged with a force that fought for an independent Ireland from the British government.

In the mid to late 1970s, the IRA campaign had started in Northern Ireland against the British government, and both the Irish and British governments' diplomatic behavior depended on day-to-day security issues (Keatinge 1982). Even after Dublin began advising London on the situation in Northern Ireland in 1973, accusations and counter-accusations obscured diplomacy until 1978 (Keatinge 1982). Military security remained high on the agendas of both governments because of the continuing violence. Ireland and the UK eventually reached a point where both governments issued official policies of seeking reunification via peaceful means of cooperation, agreement, and consent between all Irish people while rejecting the use of force (Gillespie 2014). The UK government now consults the Irish government and Northern Irish parties about any parliamentary activity and responses pertaining to violence in Northern Ireland (Meehan 2000). This conflict will be relevant later when the states considered the threat of violence in their strategic interactions with each other.

Given this information on the colonial history linking the British and Irish governments, it should come as no surprise that the prosperity of the states is intertwined in many ways, especially economically, despite violent terrorist and anti-terrorist campaigns. Trade data between Ireland and the UK highlights this dependence; as of 2019, Ireland was the UK's fifth-largest export market and seventh-largest source of imports, with UK exports of goods and services to Ireland being worth £40.0 billion (5.8% of all UK exports), while imports were worth £30.0 billion (4.2% of all UK exports) (Ward 2021). This is a good indication of their current trade relationship, but this data comes after Brexit, so data from the late 20th century and early 21st century is needed to further develop this point.

Data from September 2000 shows that the UK made up 32% of Ireland's imports and 21% of their exports (*Evaluating the value of the economic relationship between the United Kingdom and Ireland: Volume 1* 2013). The rest of the EU made up 20 and 38% of Irish imports and exports respectively, with the US and Canada accounting for 18% and 21% (*Evaluating the value of the economic relationship between the United Kingdom and Ireland: Volume 1* 2013). With these other blocs as comparison points, it becomes obvious that the UK is one of, if not the largest, trading partner that Ireland has, even with the rest of the EU. The UK is not as reliant on Ireland, but

Ireland is also one of its larger trading partners.

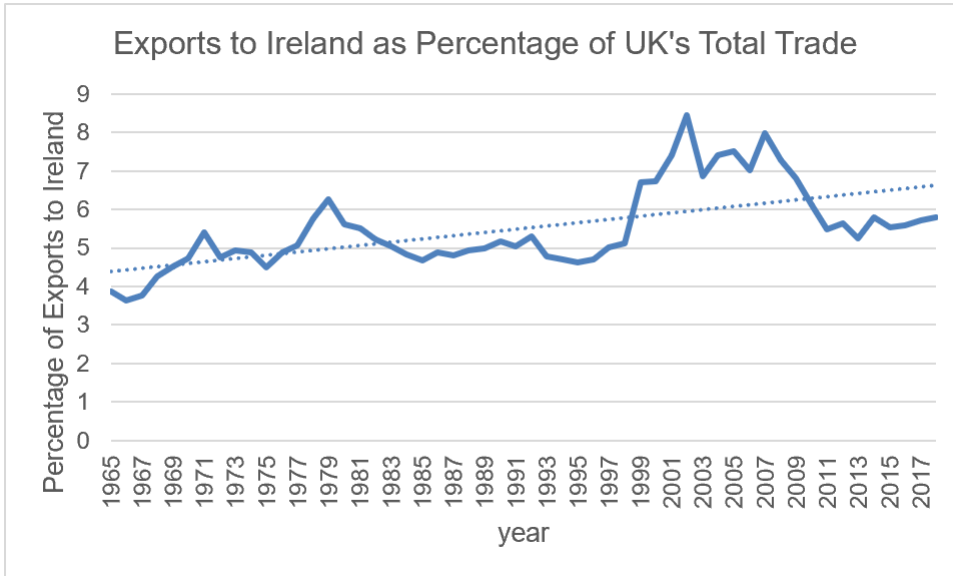


Figure 5.1: British Exports to Ireland 1965-2018 (IMF)

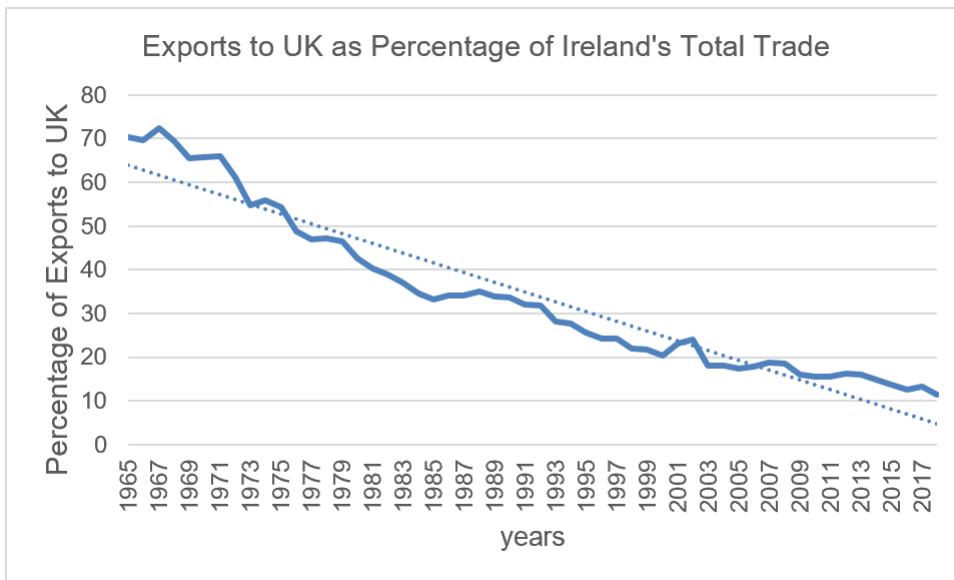


Figure 5.2: Irish Exports to the UK 1965-2018 (IMF)

As shown by figures 5.1 and 5.2, constructed using IMF data, Ireland became a larger recipient of British exports throughout its membership in

the EU whereas the UK became a smaller trading partner for Ireland over time. In the 1960s, Ireland received about 3.7% of the UK's exports as opposed to about 5.7% in 2018. For context, during the same period, about 30% of British goods went to the eurozone as a whole in the 1960s and about 41% in 2018. The UK received about 70% of Ireland's exports in 1965 and about 11% in 2018, which is a drastic difference. Irish dependence on the eurozone and the UK dropped overall during this time, with 84% of exports going to these states in 1965 and only 47% in 2018.

Authors who discuss the theory of interdependence in the British-Irish context do not address how the foundation of complex interdependence begins to uncoil because by joining the EU, Ireland has gained more footing as a global power and is balancing the asymmetry of power that has existed for centuries. As it rises relative to the UK, Ireland has become less dependent on its neighbor, exemplified by the trade statistics mentioned previously. Balance in the EU is essential to the legitimacy and stability of integration into European institutions (Fabbrini 2015), but this balance upsets the conventional relationship between the UK and Ireland. As this independence begins to cut some of the channels of influence, especially as Ireland becomes more economically integrated into Europe and thus less economically dependent on the UK, it forces their relationship to adjust to working around their memberships in the EU. The effects of this change on cooperation between states within the EU are still unclear, but it is something I wish to explore with the model I have developed.

Chapter 6

Case Study 1: Joining the EU

6.1 Introduction

The decision point for this case study will be the year 1973. This was the year that the UK and Ireland officially joined the EU, despite applying for memberships years prior. This means that for my calculus, I will use the years 1963 and 1968 as my ten-year and five-year benchmarks for comparisons within the data. I chose this date because it gives me a common decision point for both states, and it will allow me to better capture the politics around the time that the UK and Ireland joined while still giving me context for their application periods.

6.2 UK

6.2.1 Economy

Trade

To begin, we must observe British trade with the relevant actors, those being Ireland and other members of the European Union, then known as the European Community. For the purpose of consistency, I am using the IMF's data for the UK's trade with the eurozone members to measure trade with the EU. In 1965, Ireland was 3.87% of the UK's exports and 2.99% of the UK's imports (*International Financial Statistics* 2022). These numbers grew to 4.26% and 3.39% in 1968 and 4.95% and 3.28% in 1973 (*International Financial Statistics* 2022). This data shows that while Ireland wasn't the UK's largest trading partner, it was growing in importance as the UK approached the decision on joining the EU, so it would have been beneficial to join an economic agreement with them.

Trade with the future eurozone members followed a similar trend. Exports to the eurozone in 1965 were 30.73% of the UK's overall exports and imports from the eurozone were 25.40% (*International Financial Statistics* 2022). Exports were 30.60%, and imports were 28.85% in 1968 (*International Financial Statistics* 2022). By 1973, exports were 35.93%, and imports were 35.71% (*International Financial Statistics* 2022). As opposed to bilateral trade with Ireland, these percentages made it obvious that the countries that made up the eurozone constituted a large portion of the UK's trade, and the growing percentage showed that these countries were becoming larger partners. Using the same logic as before, it would benefit the UK to enter an economic arena that allowed freer trade between these states. The UK had an incentive to cooperate because of trade with Ireland and the EU.

GDP

GDP offered a more domestic-focused indicator to complement the trends in international trade. In 1963, the United Kingdom had a GDP of 556 billion local currency units (LCU) or in this case, pounds sterling (*World Development Indicators* 2020). In 1968, the British GDP had risen to £660 billion, and by 1973 this number had risen again to £824 billion (*World Development Indicators* 2020). The statistics showed an obvious increase in the strength of the British economy leading up to the time when the UK was deciding on the EU.

For more perspective, I am including the percentage change of GDP. These statistics reflect the change year to year, so each of the following numbers reflects the GDP change from the year immediately before. In 1963, the British economy had grown by 5.53% as compared with the previous year (*World Development Indicators* 2020). In 1968, the economy had grown again by 5.44% (*World Development Indicators* 2020). Finally, in 1973, the UK saw a growth rate of 6.52% (*World Development Indicators* 2020). Taken together, the raw GDP and the percentage growth showed that leading up to 1973, the UK's economy was growing and was likely to continue to see such growth. Therefore the UK decision-makers should have seen GDP as an incentive to cooperate because their economy was growing larger and stronger up to this point, and they had no reason to believe that joining the EU could hinder that growth.

Unemployment

Unfortunately, unemployment was one of the areas I had trouble finding data online. The British data begins in 1971 and tells us that in this year, the

United Kingdom experienced a 3.3% unemployment rate in labor markets (*International Financial Statistics* 2022). The rate had dropped to 2.6% in 1973 and remained at the same percentage in 1974 (*International Financial Statistics* 2022). Although the data from before the decision is limited, the overall downward trend from before the decision should have indicated to policymakers that their economy was strong and healthy, and thus they had an incentive to cooperate and join the EU with Ireland, especially in the absence of an incentive to defect.

Foreign Investment

The data I found on foreign direct investment for the UK begins in 1970, so I'm unable to do the full calculus but will do the best with what I have. Net inflows of foreign direct investment as a percentage of GDP were 1.14% in 1970 and saw a slight increase to 1.41% in 1973 with a rise again in 1974 to 2.12% (*World Development Indicators* 2020). This steady increase in foreign direct investment coupled with the trends in trade and GDP showed the UK becoming an even more globally connected economy, more than it had been even in the post-war years. Part of this transformation would be joining the EU, which could help it on its path to becoming a global power again. Being in the EU and being open to such investments would help the UK continue this trend it had seen up to the decision point. For that reason, I believe that in this case, foreign direct investment should have been an incentive to cooperate for policymakers.

Economic Area of Consideration	Does Data Support Cooperation?
Trade with Ireland	Yes
Trade with EU	Yes
GDP	Yes
Unemployment	Yes
Foreign Investment	Yes
Overall Decision	Yes

Table 6.1: Joining EU: UK: Economy

6.2.2 Monetary Policy

Inflation

Inflation in the UK had been on the rise as the policymakers were looking to make a decision on whether or not to cooperate with Ireland and join the EU.

In 1963, the UK experienced an inflation rate of 2.02%, which is generally seen as a healthy amount of inflation (*World Development Indicators* 2020). However, this number rose to 4.70% in 1968 and rose again to 9.20% in 1973 (*World Development Indicators* 2020). Inflation continued to rise after 1973, reaching a peak in 1975 with a rate of 24.21% before starting to decline into the 1980s (*World Development Indicators* 2020). Based on this general trend, there was an incentive to defect because the rate was not staying steady nor was it becoming more favorable as the UK made its decision.

Exchange Rates

Interestingly, the UK and Ireland exactly mirrored each other in the data from 1960 until 1978. The UK experienced an official exchange rate of .357 pounds sterling per U.S. dollar as a period average in 1963 (*World Development Indicators* 2020; *International Financial Statistics* 2022). This had changed to .417 in 1968 (*World Development Indicators* 2020; *International Financial Statistics* 2022). By 1973, a decrease had occurred with a pound now being worth .408 to the US dollar (*World Development Indicators* 2020; *International Financial Statistics* 2022). The data showed a slight decrease in the value of the pound between 1963 and 1968 but appeared stable between 1968 and 1973. By my methods, a stable exchange rate is an incentive to cooperate, so in this case, British policymakers should have regarded it as such.

Interest Rates

I was able to find multiple interest rates for the United Kingdom and will be using the market money rate from the IMF to directly compare with Ireland. I will also be using the real interest rate collected by the World Bank as an extra measure. Firstly, in 1969, the first year with available data, the money market rate for the UK was 3.95% per year (*International Financial Statistics* 2022). In 1973, this had dropped to 1.92% (*International Financial Statistics* 2022). The real interest rate in comparison was 2.08% in 1968 and .55% in 1969 but dropped to -.38% in 1973 (*World Development Indicators* 2020). The data of the real interest rate reflected that of the inflation rate from before, showing that by 1973, interest was effectively negative as a result of the UK's rising inflation. These money market rates may be decreased to help the economy out of a recession, but they could also drop as investors move assets around in response to an uncertain market ("What Is the Money Market?," n.d.). Because the economics of joining the EU offered an incentive to cooperate, cooperating would help address the

areas that underlie the changing interest rates.

Monetary Area of Consideration	Does Data Support Cooperation?
Inflation	No
Exchange Rates	Yes
Interest Rates	Yes
Overall Decision	Yes

Table 6.2: Joining EU: UK: Monetary Policy

6.2.3 Fiscal Policy

Public Spending and Contribution

For obvious reasons, the UK did not start contributing to the EU until 1973, and in this year UK's national contribution was 425.3 million units of account (UA) (Directorate-General for the Budget 2009). A UA was a way the EU measured the relative value of payments, and would later be replaced by the European currency unit (ECU) and the euro (Directorate-General for the Budget 2009). This does not give us much perspective because there is nothing to compare the UK's contribution to besides the fact that the UK did not have this expense in its budget prior to joining the EU. Policymakers would have known that before agreeing to join the EU and could only hope to get as much benefit out as they had put in.

Based on data from the British government, UK's net contribution in 1973 was £1.087 billion (Keep 2022). Because the net contribution is positive, it means that the UK contributed more than they received from the EU. This would be an incentive to defect because they are not getting back enough from the EU to cover the extra costs they added to their budget.

EU Budget Policy

Data on the UK's debt-to-GDP does not begin until the 1974 to 1975 period, so I will use this in the absence of data from the 1960s and early 70s. In the 1974-5 period, the UK's debt-to-GDP ratio was 54.7% (Munro 2021). I also looked at the 1975-6 period for a comparison point, and by then the ratio had decreased slightly to 54.4% (Munro 2021). British policymakers have a small incentive to defect because their amount of debt is close to that permitted under EU rules, but there's little the EU can do to enforce them. The UK would have probably also been hesitant to give up this amount of autonomy to the organization, which added to the incentive to defect.

Taxes

Data on British taxes starts in 1972, so the comparison and calculus are slightly difficult. The tax revenue as a percentage of GDP in 1972 was 23.02% (*World Development Indicators* 2020). The next year, in 1973, the rate had dropped to 21.07% before rising back up to 23.75% in 1974 (*World Development Indicators* 2020). This metric can be seen as a measure of the government's attempts to control the economy by raising and lowering tax rates, so the amount of revenue from taxes can represent the government trying to intervene (Horton and El-Ganainy 2022). For the purposes of my study, I regard a stable rate as an incentive to cooperate mostly on the logic that it is not an incentive to defect. Therefore, I regard this trend in tax revenue as an incentive to cooperate and join the EU because it stayed relatively stable, indicating that the government felt little need to intervene.

Fiscal Area of Consideration	Does Data Support Cooperation?
Public Spending	No
EU Policy	No
Taxes	Yes
Overall Decision	No

Table 6.3: Joining EU: UK: Fiscal Policy

6.2.4 Migration

Domestic Policy

To understand the following statistics on migration, context is needed on the general attitudes of the British government towards migration. In the years leading up to the UK's decision about whether or not to join the EU, the British government was steadily restricting its borders for people from former British colonies and people who were residents of the Commonwealth (DEMIG 2015). For example, the Commonwealth Immigrants Act of 1962 ended free mobility for Commonwealth citizens by introducing immigration control and requiring immigrants to possess an entry voucher (DEMIG 2015). With the Immigration Act of 1971, this immigration control was extended to people from former British colonies and thus extended immigration control to all non-UK passport-holders (DEMIG 2015).

By joining the EU, the UK would also have to agree to immigration policies set by the organization. These policies prohibited discrimination against European citizens based on nationality who wish to immigrate to

the UK, granted the right of family reunification to European nationals, and prohibited any discrimination against British nationals who wished to work in any other EU member-state (DEMIG 2015).

These policies ran contrary to the goals of the UK's other policies. They also forced British policymakers to give up some control over who can enter and exit the UK. This may have given some policymakers pause when considering whether or not to integrate into the EU.

Bilateral Agreements

British immigration policy towards Ireland went against the trend of its general immigration policy. As of 1953, the British parliament enacted the Aliens Order of 1953 which reestablished the Common Travel Area between Ireland and the UK, and this agreement meant that immigration controls were lifted between the two islands (DEMIG 2015). This showed that the British government was open to accepting Irish immigrants to the UK and had little to no qualms about their presence.

Migration from Ireland

The number of Irish migrants to the UK had steadily declined over time. The first reference point is from the 1961 British census which stated that 645,000 people residing in the UK were born in Ireland (Green 2014). The second reference point is from 1971 which showed that 585,000 Irish people were living in the UK (Green 2014). This showed a drop in the migration flow from Ireland to the UK even with the reestablishment of the Common Travel Area in 1953. There was no obvious incentive to defect, which leads me to believe that this was still an incentive to cooperate. The UK had not enacted policies to entice Irish immigrants but merely opened the door for those who wanted to come. This likely suited British policymakers since the UK was trying to restrict immigration from Commonwealth countries and other former colonies.

Net Migration

Over the period I am interested in, the UK appeared to have generally positive net migration, according to statistics from the World Bank. In 1962, British net migration was 143,068 people, but the UK saw a drastic decrease in 1967 with a net migration of $-84,853$ (*World Development Indicators* 2020). The number returned to the positives in 1972 with 106,415 but dropped slightly by 1977, which saw a net migration of 39,119 (*World Development Indicators* 2020). According to British censuses, the percentage of

immigrants in the British population was 4.98% in 1961 and 6.37% in 1971 (*World Development Indicators* 2020). It showed a percent increase of 1.39% between the conduction of the two censuses.

Because the UK was generally trying to restrict immigration through its policies, these trends in net migration could be regarded as an incentive to defect, but without data on where these immigrants were coming from specifically, it is difficult to determine if the origins of the immigrants entering the UK fell under the countries affected by the new policies. By my calculations, Irish immigrants made up about 18.87% of the immigrant population in the UK in 1973, meaning that the majority of immigrants were from other countries, and I do not know which countries the other immigrants came from. This uncertainty leads me to believe there was an incentive to defect.

Migration Area of Consideration	Does Data Support Cooperation?
Migration from Ireland	Yes
Net Migration	No
Overall Decision	Unclear

Table 6.4: Joining EU: UK: Migration

6.2.5 The Troubles

Deaths

Deaths related to the Troubles in Northern Ireland reached their peak in the early 1970s. The death count in 1969 was 16 but had risen to 171 in 1971 (Sutton and Melaugh 2020). The year before the UK made the decision to join the EU, there were 480 deaths (Sutton and Melaugh 2020). In 1973, the year of the decision, that number had been almost halved to 255 (Sutton and Melaugh 2020). The dramatic decrease was an indication that conflict was reduced between 1972 and 1973, and although this can't be completely contributed to the decision to join the EU, the correlation would give the British government some hope. All they knew at the time was that deaths were on the rise. Because the amount of death does not provide an obvious incentive to defect in this decision, and could rather offer a new way for the British and Irish governments to negotiate over the situation in Northern Ireland, this will be regarded as an incentive to cooperate.

Significant Events

The UK's decision on whether or not to join the EU fell during the time of the Civil Rights Campaign in Northern Ireland and a period known as the Internment, which was a series of raids across Northern Ireland in which almost 350 people were arrested and taken to makeshift camps (Melaugh 2022). 1972 also saw two deadly events with the occurrence of Bloody Sunday in January and Bloody Friday in July (Melaugh 2022).

Bloody Sunday got its name when violence broke out at a march protesting the internment in Derry, a city in Northern Ireland in January of 1972 (Melaugh 2022). The British Army killed protesters and bystanders and also blamed the IRA for inciting violence (Melaugh 2022). As retaliation, supporters of the IRA burnt down the British embassy in Dublin the following month (Melaugh 2022). On July 21st of the same year, the IRA set off 22 bombs in Belfast, killing 9 people and injuring over 100 others; this day would be known as Bloody Friday (Melaugh 2022).

The amount of death and violence might have convinced the UK government that something needed to change as they were looking for solutions. The decision to join the EU is also in the lead-up to the Sunningdale Agreement of 1973, where for the first time since 1925, the Prime Minister of the UK, the Taoiseach, and the Northern Irish government had all attended the same set of talks on the future of Northern Ireland (Melaugh 2022). This was evidence that the two governments were working towards a peaceful solution, and entering into the EU signals to the world that these two governments were willing to work together even before the Sunningdale Agreement had occurred. Like with the amount of death, the incentive to cooperate here is linked to the ability to continue to negotiate. There remains a bit of doubt though because the British embassy had directly been attacked, which might have made policymakers think twice.

The Troubles Area of Consideration	Does Data Support Cooperation?
Deaths	Yes
Significant Events	Yes
Overall Decision	Yes

Table 6.5: Joining EU: UK: the Troubles

6.2.6 Popular Support

Support for Integration

The UK has a service called the British Election Study, which took data beginning in the 1960s on opinions in British society. Their survey taken in 1963 showed that 30% of British citizens approved of joining the Common Market, or the EU, in the future while 26% disapproved and 44% have no opinion (Butler and Stokes 1979). There's a spike in approval in 1966 when 55% of respondents said they approved of the possibility of joining the Common Market in the future while 17% approved and 28% had no opinion (Butler and Stokes 1979). Three years before the UK joined the EU, approval had fallen again to 20% with 59% of respondents disapproving of joining the Common Market and 21% having no opinion (Butler and Stokes 1979). Eurobarometer survey data from 1973 showed that 36% of British respondents approved in that year while 39.1% disapproved (European Communities 1973). While disapproval had a plurality, a large number of respondents held no opinion. However, the data collected in 1970 by the British Election Study indicates that a majority of respondents would not like to enter the EU. As democratically elected officials, British policymakers would want to be responsive to the wishes of the public, and because approval had been declining over time, public opinion showed an incentive to defect.

Opinion of Ireland

To measure the British opinion on Ireland, I am using a proxy question on the discussion of whether troops should be removed from Northern Ireland during the Troubles. During the time that the British government was looking to decide on joining the EU, the British Election Study was not yet asking its respondents about the situation in Northern Ireland. There is no readily available data in this area at this time, so it will not be included in the calculus.

Sinn Féin and Ulster Unionist Vote Share

To measure another part of the popular support for cooperation with Ireland, I am looking at smaller parties in the UK who have very specific policies on the conflict in Northern Ireland. The most well-known of these parties is Sinn Féin, which is a party that was initially led by a person with suspected ties to the IRA, Gerry Adams, but this party did not have much support in the UK in the 1970s. Instead, the Ulster Unionist Party was able to win seats in Parliament in this period. This party was founded mostly to represent

the viewpoint that Northern Ireland should be connected with Great Britain and not with the Republic of Ireland. As such, the success of this party can be interpreted as negative attitudes towards the Republic of Ireland.

In 1970, the Ulster Unionist Party won six seats in Parliament, and in the next general election in February of 1974, Ulster Unionists won seven seats (Watson, Uberoi, and Loft 2022; “1970 UK General election results,” n.d.). It is also important to note that a member of the Republican Labor Party, a pro-unification party, won a seat in Northern Ireland in 1966 (Rutan 1967). The success of this candidate showed some support for Ireland but the success of the Ulster Unionists exhibited a mostly negative view of the Republic. Because the legislators from these parties represented the views of their constituents, policymakers had an incentive to defect because of the increasing support for the Ulster Unionist Party.

Most Important Issue

The British Election Study conducted in 1966 asked respondents what the most important issue was for them in upcoming elections and coded their responses. Of those who gave an opinion on which issue was most important to them, the first most important was a category summarized as being concerned with the economy, debt, financial issues, budgetary policy, and having sound finances (Butler and Stokes 1979). 20.76% of respondents who named a specific issue named this as their most important issue (Butler and Stokes 1979). The second most important issue from the same survey was mortgages, housing, and housing for young people with a response rate of 15% (Butler and Stokes 1979). The Eurobarometer asked the same question in 1973 to citizens of Great Britain, excluding Northern Ireland, and answers had changed. At this time, 42.1% of British respondents said that rising prices were the most important issue, followed by poverty and unemployment with a response rate of 14.8% (Butler and Stokes 1979).

Although the specifics of these answers differed, they showed that British citizens were most concerned with the economy of their country. From looking at the results of the economic area of consideration, it became clear that the areas that British citizens were concerned about offered incentives to cooperate to policymakers, which leads me to believe that the weight the public placed on these issues created an additional incentive to cooperate.

Popular Support Area of Consideration	Does Data Support Cooperation?
Support for Integration	No
Opinion of Ireland	N/A
SF and UU Vote Share	No
Most Important Issue	Yes
Overall Decision	No

Table 6.6: Joining EU: UK: Popular Support

Area of Consideration	Does Data Support Cooperation?
Economy	Yes
Monetary Policy	Yes
Fiscal Policy	No
Migration	Unclear
The Troubles	Yes
Popular Support	No
Overall Decision	Yes

Table 6.7: UK Areas of Consideration for Joining EU

6.2.7 Results for the UK

Equal Weighting

Looking at the results when each area of consideration has equal weight, the UK has three incentives to cooperate and join the EU alongside Ireland and two incentives to defect with one area being unclear. Having a majority of areas be incentives to cooperate aligns with what happened in reality. This also shows that the UK was a rational actor in this scenario because it made the decision that would bring it the most benefit. With the results from this study, it would be irrational for the UK to choose to defect if policymakers gave the same level of importance to each consideration.

Reweighed Areas

Reweighting the areas with values according to the public opinion at the time could yield different results because popular support was one area where policymakers had a clear incentive to defect from an agreement to join the EU. Because the most important issue in 1973 was rising prices, I will reweigh the inflation within the area of monetary policy to 1.42, correlating with the response rate from the Eurobarometer (European Communities 1973). Unemployment in the economic area will receive a weight of 1.15 for the

same reason (European Communities 1973). Other areas in this case are weighted to 1.

This strengthens the case that the UK was rational in choosing to cooperate with Ireland because the reweighed areas show that 3.57 areas were in support of cooperation. Defection had only two areas with migration still being unclear. The other interesting finding here is that while popular support did not approve of the idea of cooperating with Ireland or joining the EU, the issues that survey respondents were most concerned about were already strong incentives to cooperate and gave policymakers an additional incentive when more weight was added to these issues.

6.3 Ireland

6.3.1 Economy

Trade

Given its colonial past, it is not surprising that the UK was one of Ireland's largest trading partners. This was reflected in the data, which started in 1965 and showed that the UK received 70.29% of Irish exports and was responsible for 50.77% of Irish imports (*International Financial Statistics* 2022). In 1968, these numbers fell to 69.47% of exports and 50.65% of imports (*International Financial Statistics* 2022). This trend of decline continued into 1973 when 54.69% of Irish exports went to the UK and 50.51% of imports came from the UK (*International Financial Statistics* 2022).

When calculating the percentage of imports and exports that came from the eurozone, I included the UK as one of those states because Ireland had been included in the eurozone members when I calculated the UK statistics. So for the sake of consistency, these statistics detail Ireland's trade with the future eurozone members in addition to the United Kingdom. With that said, in 1965, 84.5% of Irish exports went to the eurozone countries, and it received 68.84% of its imports from there (*International Financial Statistics* 2022). In 1968, Ireland exported 79.52% of its goods to the eurozone and received 69.63% of its imports from there (*International Financial Statistics* 2022). Finally, in 1973, the eurozone was responsible for 77.93% of Irish exports and 73.63% of its imports (*International Financial Statistics* 2022).

Even though both categories of these percentages were decreasing, I believe this reflected something beneficial for the Irish economy. The large majority of Irish trade was with the UK as Ireland was deciding about joining the EU, but these percentages decreased as Ireland got closer to the decision date. As a former colonial holding of the UK, Ireland's economy was deeply

connected to the British economy, but that also meant they had to depend upon the UK for much of its economic growth. As the percentage of trade that Ireland had with the UK declined, it showed Ireland becoming more independent of its former colonial oppressor and becoming a more global economy. As we will see in the next section, Irish GDP did not dip as its trade with the UK declined, so it was pulling in revenue from other states' economies. Therefore, joining the EU would be an incentive to cooperate for Ireland because it would introduce the Irish economy to more markets besides the British one and allow it to further its separation from the UK.

GDP

Data on Ireland's GDP does not go back as far as the UK, so I'll be starting my analysis in 1970. In this year, the Irish GDP was 32 billion LCU, or at this point, the Irish pound, noted as IR£ (*World Development Indicators* 2020). By 1973, it had grown to IR£37 billion (*World Development Indicators* 2020). This increase was not as drastic as the British examples, so again I'm going to refer to the percent change in GDP. As of 1971, the Irish GDP had grown by 3.47% from the year before, and in 1973 it had grown by 4.72% from the year before (*World Development Indicators* 2020). It's important to note here is that the Irish economy was growing, granted not at the same rate as the British economy, but growing nonetheless. This might give Ireland more incentive to cooperate and join the EU because it opens up the possibility of using the European resources to its own advantage to continue to grow its GDP. Like with the British case, Irish decision-makers had no reason not to join the EU based on their GDP and probably had an incentive to join to further grow their GDP.

Unemployment

As I said in the British section, data on unemployment was very difficult to find, specifically for Ireland. The IMF has employment data for Ireland, but it does not start until 1983, ten years after Ireland had decided to join the EU. The earliest data point I found was in a report by Rudiger Dornbusch and showed that in 1975, Ireland experienced an unemployment rate of about 7.7% (Dornbusch 1988). Without a data point prior to the Irish decision on joining the EU, a comparison using the 1975 data cannot be made. I was also unable to find data that would achieve the same ends. Therefore, I cannot use unemployment to understand the calculus in the minds of Irish decision-makers at the time and will be excluding it from my own calculus of this area.

Foreign Investment

As before, Ireland had similar issues with data for net inflows of foreign direct investment as a percentage of GDP. The data for Ireland starts in 1970 and reflects a .73% inflow of foreign direct investment (*World Development Indicators* 2020). This number fell to .70% in 1973 and fell slightly again in 1974 to .65% (*World Development Indicators* 2020). In this case, Ireland experienced slight declines each year in the inflows of foreign direct investment. It is not until 1975 that the data shows an increase in foreign direct investment as a percentage of GDP when it rises to 1.67% (*World Development Indicators* 2020). However, Irish policymakers at the time would not know how the future would unfold in the next few years, and they had to work with the data at hand. It is possible that policymakers would see the EU as a potential to increase the percentage of their GDP that comes from foreign direct investment, and this would certainly be reflected in the data that we have looking back, but they would not have that guarantee at the time. The uncertainty created a weak incentive to defect, especially because these rates follow a pattern of decline. Policymakers might be optimistic that this trend would change, but they would have no guarantee.

Economic Area of Consideration	Does Data Support Cooperation?
Trade with UK	Yes
Trade with EU	Yes
GDP	Yes
Unemployment	N/A
Foreign Investment	No
Overall Decision	Yes

Table 6.8: Joining EU: Ireland: Economy

6.3.2 Monetary Policy

Inflation

Ireland experienced a similar trend to the UK in terms of inflation during the 1960s to the 1980s. Ireland saw a rate of 2.45% inflation in 1963 which increased to 4.68% in 1968 (*World Development Indicators* 2020). By the time Irish policymakers joined the EU, the inflation rate was 11.41% (*World Development Indicators* 2020). Ireland also saw a peak in its inflation rate in 1975 with a rate of 20.88% (*World Development Indicators* 2020). This indicates to me that Irish policymakers would have had to employ monetary

policy measures to keep inflation under control, and joining the EU may have not been advantageous at this point. This offered an incentive to defect, and I will regard it as such in my results.

Exchange Rates

Because the UK and Ireland have the same exchange rates during this period, this section will be very familiar. The official exchange rate of an Irish pound per U.S. dollar was .357 in 1963, .417 in 1968, and .408 in 1973 (*International Financial Statistics 2022*; *World Development Indicators 2020*). At the risk of repeating myself, Ireland experienced the same slight decrease in value between 1963 and 1968 as the UK, but the stability between 1968 and 1973 is reason enough for me to believe that the Irish policymaker should have regarded this stable exchange rate over five years as an incentive to cooperate.

Interest Rates

The data on Irish interest rates is not extensive during the time Ireland was looking to join the EU, so the only data I have to work with is the money market rate going back to 1972. In this year Ireland had a market money rate of 6.99% which saw a jump to 12.12% in 1973 (*International Financial Statistics 2022*). This interest rate on highly liquid assets was beneficial to consumers but indicated that the government needed to entice people to save and tighten the money supply. The government trying to slow the economy down in some way was not quite compatible with the trends we saw with trade, GDP, and foreign direct investment in the economic area, so in this instance, interest rates were an incentive to defect because we would expect the economy to continue to grow and expand as Ireland entered the EU.

Monetary Area of Consideration	Does Data Support Cooperation?
Inflation	No
Exchange Rates	Yes
Interest Rates	No
Overall Decision	No

Table 6.9: Joining EU: Ireland: Monetary Policy

6.3.3 Fiscal Policy

Public Spending and Contributions

Ireland would also take on an additional expense in its budget by joining the EU and making the contributions that all member states do. In 1973, the national contribution from Ireland was 28.5 million UA (Directorate-General for the Budget 2009). This additional expense would be offset by the economic benefits of the EU, which was proven by data from the Irish Department of Finance that shows that the net receipt per capita was in the positive in 1973, meaning that Ireland received more in resources than it spent in its contribution (*Annual Report on Ireland's Transactions with the EU in 2018* 2020). Taking on this additional expense was repaid by the EU, and therefore policymakers should see it as an incentive to cooperate despite adding the expense to the budget.

EU Budget Policy

Data on Ireland's debt ratios is available year-by-year starting in 1998, but this is far too late for my analysis. Instead, I will be relying on a report by John FitzGerald and Seán Kenny that details Irish debt during the 20th century. This report in conjunction with GDP data from the World Bank allows me to calculate Ireland's debt-to-GDP ratio for the relevant years.

In 1970, which is the first year the World Bank had GDP data for Ireland, the debt-to-GDP ratio was 41.00% (FitzGerald and Kenny 2018; *World Development Indicators* 2020). This increased by more than 10% to 51.62% in 1973. This rising rate gave Ireland an incentive to defect because the debt-to-GDP ratio was growing and getting close to the EU's limits. However, this was still a weak incentive because the EU had little ability to enforce these standards.

Taxes

Ireland does not have data available on its tax rates or revenue before 1972, so this is where I will start my analysis. In this year, Ireland's tax revenue was 21.86% of its GDP, and in 1973 this percentage rose to 22.17% (*World Development Indicators* 2020). It dropped again the year after, in 1974, to 22.00% (*World Development Indicators* 2020). The stability in the percentage of tax revenue indicated that like the UK, the Irish government felt little need to intervene and attempt to control the economy. Because this was not an incentive to defect as the revenue the government was bringing in was

stable, I would regard it as an incentive to cooperate and join the EU in the eyes of Irish policymakers.

Fiscal Area of Consideration	Does Data Support Cooperation?
Public Spending	Yes
EU Policy	No
Taxes	Yes
Overall Decision	Yes

Table 6.10: Joining EU: Ireland: Fiscal Policy

6.3.4 Migration

Domestic Policy

Irish immigration policy leading up to 1973 seemed to indicate that Ireland was willing to open its borders to incoming people. The Irish Citizenship Act of 1956 granted every person born in Ireland citizenship but also extended Irish citizenship to those born of an Irish grandparent or parent outside Ireland (DEMIG 2015). Ireland participated in the 1956 UNHCR Hungarian refugee program which was a resettlement program for refugees and asylum seekers (DEMIG 2015). Beginning in 1963, Ireland also gave foreigners the opportunity to vote in its elections guaranteed that they fulfilled a sixmonth residency requirement (DEMIG 2015).

Joining the EU would require that Ireland adopted immigration policies set by the Treaty of Rome. The first of these requirements forbid the Irish government from discriminating against any European citizen from working in Ireland based on nationality (DEMIG 2015). Secondly, all European citizens had the right of family reunification (DEMIG 2015). Lastly, these policies added that Irish nationals could not be discriminated against if they sought employment in any other EU member-state (DEMIG 2015). Based on the direction of domestic policy, I would expect Irish policymakers to accept these terms as they do not undermine the goals of their own laws.

Bilateral Agreements

With the lifting of immigration controls between the UK and Ireland in 1953 with the reestablishment of the Common Travel Area, it becomes apparent that the Irish government was also willing to accept British immigrants. Immigrants from Britain would enjoy the rights and privileges granted to all

immigrants by Ireland's increasingly less restrictive policies through the 60s and 70s (DEMIG 2015).

Migration from UK

Migration from the UK to Ireland has generally been increasing over the latter half of the 20th century into the 21st. The Irish census conducted in 1961 states that 80,925 immigrants from the UK were living in Ireland, and this number rose to 110,221 in the 1971 census (*Historical Reports* 2021). This increase in the flow of British immigrants to Ireland fit the pattern established by the Irish domestic migration policy. As stated earlier, Ireland had been opening its borders to various groups of people, especially those who had recent Irish ancestry. It is safe to assume that many people who were born in the UK could be descended from Irish parents or grandparents and some of those people may have traveled back to Ireland. Because the increase in migration from the UK is in line with the policy goals of the Irish government, this increase over time was an incentive to cooperate since it was certainly not an incentive to defect.

Net Migration

In the 60s, Ireland generally saw a negative net migration, meaning more people were leaving the island than immigrating to it. For example, in 1962 Irish net migration was -105,837, and in 1967, net migration was -57,278 (*World Development Indicators* 2020). But by 1972, Ireland saw a positive net migration of 44,335, and the trend continued to 1977 with a net migration of 51,765 (*World Development Indicators* 2020). In 1961 3.51% of the population were immigrants, and by 1971 that had risen to 4.61% (*World Development Indicators* 2020). This was a change of 1.10%, marking a slight increase in the amount of immigrants relative to the Irish-born population (*World Development Indicators* 2020). Ireland had generally been opening its borders to people from all over the world, so it is not a surprise to see a slight increase in the number of immigrants to Ireland during this period. Because this trend fell in line with Irish policy goals, net migration before Ireland made the decision to join the EU is seen as an incentive to cooperate.

6.3.5 The Troubles

Deaths

The data on deaths in Troubles is the same for both the British and Irish considerations. In 1969 there were 16 deaths, in 1971 there were 171, in 1972

Migration Area of Consideration	Does Data Support Cooperation?
Migration from Ireland	Yes
Net Migration	Yes
Overall Decision	Yes

Table 6.11: Joining EU: Ireland: Migration

there were 480, and in 1973 the number had dropped to 255 (Sutton and Melaugh 2020). Like the British policymakers, Irish policymakers would have also been worried about this sharp increase in the deaths and violence related to this conflict. It would have likely also worried Irish policymakers that the British Army was responsible for multiple deaths every year, peaking at 87 deaths in 1972 (Sutton and Melaugh 2020). A solution had to be reached and soon, and joining the EU would give the British and Irish governments another forum to negotiate and work together for the good of both of their states. The drop-off in death totals between 1972 and 1973 indicated that something changed to help lessen this violence, and again while we cannot say for certain that joining the EU was responsible for this decline, it does not offer a strong incentive to defect. Therefore, I will regard the deaths related to Troubles and the decrease in these numbers as an incentive for Ireland to cooperate and join the EU.

Significant Events

Ireland was deciding whether or not to enter the EU also in the midst of a Civil Rights Campaign in Northern Ireland and the Internment (Melaugh 2022). The most significant events leading up to the Irish decision were Bloody Sunday and Bloody Friday, which as I stated before, both took place in 1972 and involved the deaths of protesters (Melaugh 2022). These two events would influence the total of deaths observed in 1972 in the last section, so that must be taken into account. The Irish government would also be very interested in peaceful solutions, and entering the EU alongside the UK would open another line of negotiations, especially as the government worked towards the Sunningdale Agreement (Melaugh 2022). Irish nationalists were in favor of joining the EU because they believed that joining would diminish the political significance of the border between the Republic of Ireland and Northern Ireland, thereby making it more likely that the island would be reunited (Ingraham 2022). So despite the violence, it seemed that the Irish public felt assured that joining the EU would have positive effects, and this sentiment, when extrapolated to policymakers, created an incentive to cooperate.

The Troubles Area of Consideration	Does Data Support Cooperation?
Deaths	Yes
Significant Events	Yes
Overall Decision	Yes

Table 6.12: Joining EU: Ireland: the Troubles

6.3.6 Popular Support

Support for Integration

I could not find an equivalent of the British Election Study in Ireland, so my data on Irish support for joining the EU begins in 1973 with the Eurobarometer in that year. The results showed that 60.7% of Irish citizens approved of joining the EU while 16.5% disapproved (European Communities 1973). Because there is no time-series data to compare this to, I can only assume that Irish policymakers observed this large majority that approved of joining the EU and viewed that as an incentive to cooperate and join the organization.

Opinion of UK

Data gathered by Pat Lyons tells us that in 1970, 67% of respondents in Ireland opposed the withdrawal of British troops from Northern Ireland (Lyons 2008). 25% favored withdrawal and 9% didn't know where their opinion fell (Lyons 2008). The survey was not taken again until 1978, so there's no comparison point closer to the decision date. Results from 1970 do not show an overwhelming hatred of British presence in Ireland. If this were the case, that would be an obvious incentive for the Irish government to defect from a deal with the UK. However, because a vast majority opposed withdrawal, this offered an incentive to cooperate.

Sinn Féin and Fianna Fáil Vote Share

While Sinn Féin held relatively significant political power in Ireland, one of the major parties in Ireland, Fianna Fáil, also has historically run on a platform of republicanism. In the context of the Troubles, this means that both Fianna Fáil and Sinn Féin were in favor of a united Ireland, and support for these parties indicated attitudes that were not favorable for the British and therefore not favorable for cooperation with the UK. The first election to consider was in 1965, when Fianna Fáil won 47.7% of the vote and 72 seats in the Oireachtas (Whyte 2007). In the next election in 1969, Fianna Fáil won less of the vote with 45.7% but won three additional seats,

bringing their total up to 75 (Whyte 2007). A general election was held in the year that Ireland made its decision, and in this election Fianna Fáil's support increased slightly with 46.2% of the vote earning them 69 seats (Whyte 2007). During these elections, Sinn Féin did not run candidates and consequently did not receive any votes or seats in the Oireachtas. The relatively consistent level of support and the fluctuating number of seats and percentage of the vote indicated that there were no significant changes in disdain for the UK that could be attributed to joining the EU as the decision date approached. Therefore there was no obvious incentive to defect, so this will be regarded as an incentive to cooperate.

Most Important Issue

Results for the most important issue in Ireland were spread across a multitude of issues according to the 1973 Eurobarometer. The issue that had a plurality of responses was drug addiction with a 19.7% response rate, which was primarily a domestic issue and would likely not be at the forefront of decision-makers when thinking about joining the EU (European Communities 1973). Closely behind with a 19.2% response rate was poverty and unemployment (European Communities 1973). Although I was unable to find data on Irish unemployment during this period, it showed that Irish respondents were primarily concerned with the economy and how well the Irish economy could help support citizens. The economic indicators from this period showed that the areas Irish citizens were concerned with were improving or at least remaining stable. It is difficult to evaluate the impact of the concern over unemployment in the absence of this data, but the other issues mentioned were incentives to coordinate for decision-makers, so having citizens name these issues would create an additional incentive to cooperate.

Popular Support Area of Consideration	Does Data Support Cooperation?
Support for Integration	Yes
Opinion of UK	Yes
SF and FF Vote Share	Yes
Most Important Issue	Yes
Overall Decision	Yes

Table 6.13: Joining EU: Ireland: Popular Support

Area of Consideration	Does Data Support Cooperation?
Economy	Yes
Monetary Policy	No
Fiscal Policy	Yes
Migration	Yes
The Troubles	Yes
Popular Support	Yes
Overall Decision	Yes

Table 6.14: Ireland Areas of Consideration for Joining EU

6.3.7 Results for Ireland

Equal Weighting

With equal weight given to each area of consideration, Irish policymakers had a strong incentive to cooperate. Out of six areas, only monetary policy offered an incentive to defect. Ireland proved itself to be a rational party in these negotiations, since the benefits well outweigh the costs in these circumstances. Observing an Irish defection after seeing these results from the data would be highly irrational. Instead, these areas prove that cooperation was the rational action, and this aligns with reality.

Reweighed Areas

Now the concerns of the public need to be taken into account because some areas may have more importance than others. The Eurobarometer survey of 1973 showed that drug addiction was the most prominent issue for Irish respondents with a response rate of 19.7% (European Communities 1973). Unfortunately, because this issue is more domestic and does not fit into the areas of consideration, I cannot use it to reweigh any of them. The second-most pressing issue for Irish nationals was poverty and unemployment (European Communities 1973). This also cannot be taken into account because data on Irish unemployment is not readily accessible, so I was unable to use it for my project. Poverty data on Ireland is also elusive, and online records of it do not begin until the 1990s.

Because of the lack of data associated with the concerns of the public, I turned to debates held in the Oireachtas to understand what policymakers thought were the most important considerations. Some members believed that being in the customs union of the EU would be extremely beneficial for trade, adding weight to the economic area of consideration (Oireachtas 1972). Policymakers also cited the unfair price discrimination the UK em-

ployed to favor British goods over Irish (Oireachtas 1972). By joining the EU, Irish goods would be protected and on equal footing as British. The opportunity for European subsidies also appealed to policymakers, because the Irish government would not need to provide them to critical industries like agriculture. On the other side of the debate, some legislators were worried about inflation, which did prove to be an incentive to defect in the initial results.

Reweighting these areas based on the preferences of policymakers is difficult because there are no neat percentages, so instead I will give an extra weight of 0.25 to each area that the legislators brought up. Because two economic concerns were brought up, this area gets a weight of 1.5 overall. Monetary policy will have a weight of 1.25 because of the concern over inflation, and fiscal policy will have a weight of 1.25 as well for the benefit of European subsidies. The new calculus shows that there are 5.75 incentives to cooperate and 1.25 incentives to defect, again showing that the most rational course of action was to cooperate with the UK.

6.4 Verdict: Cooperation Succeeds, Integration Wins

Both the UK and Ireland had strong incentives to cooperate and join the EU at the same time. When observing my model, this data proved that it was rational for the UK and Ireland to end up at {Cooperate; Cooperate} and that this would be an equilibrium because neither party has a strong incentive to defect.

Ireland was Player 1 in this case, as it submitted its first application to the EU in July of 1961, thereby making a credible commitment to a deal on joining the EU (*History of Ireland's Accession to the EU* 2020). The UK became Player 2 when it applied for membership in 1967; Ireland submitted its second application at the same time (*History of Ireland's Accession to the EU* 2020).

In reality, Irish accession was a foregone conclusion by 1973, since the state had held a referendum that passed by a large majority in 1972 (*History of Ireland's Accession to the EU* 2020). With Ireland making credible commitments, the data shows that the UK's only rational course of action was to cooperate and join as well.

Chapter 7

Case Study 2: Using the Euro

7.1 Introduction

In 1992, EU member-states had to decide whether or not to sign the Maastricht Treaty. One of the provisions of this treaty was membership in the Economic and Monetary Union (EMU) which compelled members to use the euro as their form of currency, thereby creating a single European currency. Because 1992 was the year the treaty was officially signed, I will be using it as my decision year with 1982 being the ten-year benchmark and 1987 being the five-year.

7.2 UK

7.2.1 Economy

Trade

Ireland had slowly become a larger and larger trading partner for the UK throughout their time in the EU together. Ten years before making a decision on the euro, Ireland received 5.21% of British exports, and five years before the decision, Ireland received 4.81% of British exports (*International Financial Statistics* 2022). In the year of the decision, 1992, 5.29% of British trade was exported to Ireland (*International Financial Statistics* 2022). In 1982, Ireland was responsible for 3.51% of British imports (*International Financial Statistics* 2022). By 1987 this number increased slightly to 3.72% and had risen again to 4.02% in 1992 (*International Financial Statistics* 2022). Because of the relative stability of British interaction with the Irish markets, there was an incentive to cooperate continue that economic stability for both countries.

Between 1982 and 1992, the UK's dependency on the EU also grew. 43.91% of British exports went to the eurozone in 1982, 39.86% in 1987, and 56.55% in 1992 (*International Financial Statistics* 2022). This trend can also be seen in British imports from the eurozone, beginning in 1982 with a rate of 46.88% (*International Financial Statistics* 2022). In 1987, this rate had increased to 53.45% and then dropped slightly in 1992 to 52.63% (*International Financial Statistics* 2022). Because of its connection with markets in eurozone countries, there was an incentive to cooperate and use the euro with Ireland to continue to grow this type of trade with both Ireland and the EU.

GDP

The British GDP grew in the lead-up to its decision on the euro, although the rate had slowed by 1992. In 1982, the British economy had a GDP of £894 billion and a rate of growth of 1.99% from the year before (*World Development Indicators* 2020). The GDP had reached the trillion mark by 1987 with an exact value of £1.079 trillion and a growth rate of 5.39% (*World Development Indicators* 2020). In 1992, the GDP had increased to £1.171 trillion but the rate of growth had decreased to 0.40% (*World Development Indicators* 2020). Hesitation may come from the fact that the British GDP's rate of growth was slowing, but because the GDP was still growing, this was not enough to constitute an incentive to defect. Because of this, there was an incentive to cooperate, although it was not particularly strong.

Unemployment

Unemployment remained at a slowly decreasing rate during this ten-year period. 10.9% of the workforce was unemployed in 1982 but dropped to 10.33% in 1987 (*International Financial Statistics* 2022). In 1992, the rate had dropped again to 9.77% (*International Financial Statistics* 2022). These rates were above the recognized normal levels of unemployment, but their steady decline brought reason for optimism. Because the rates were both steady and becoming increasingly favorable, the British policymakers should have seen them as an incentive to cooperate.

Foreign Investment

Similarly, foreign investment was both steady and increasingly favorable in the lead-up to the UK's decision on the euro. 1982 saw 1.05% of the British GDP come from net inflows of foreign direct investment (*World Development Indicators* 2020). Foreign investment rose to 1.75% in 1987 and rose again

to 1.95% in 1992 (*World Development Indicators* 2020). Again, while the increase in these rates was not dramatic, it showed steady improvement in the British economy. Because this was not sufficient grounds for an incentive to defect, it will be regarded as an incentive to cooperate.

Economic Area of Consideration	Does Data Support Cooperation?
Trade with Ireland	Yes
Trade with EU	Yes
GDP	Yes
Unemployment	Yes
Foreign Investment	Yes
Overall Decision	Yes

Table 7.1: Euro: UK: Economy

7.2.2 Monetary Policy

Inflation

Inflation began at 8.60% in 1982 before dropping to 4.15% in 1987 (*World Development Indicators* 2020). The UK saw an inflation rate of 4.59% in the year it made its decision on the euro (*World Development Indicators* 2020). The overall trend showed a decrease in the rate of inflation, meaning it was becoming more favorable for the British government. An incentive to defect did not manifest from the data here, so British policymakers, therefore, had an incentive to cooperate.

Exchange Rates

In 1982, the exchange rate was .57 pounds sterling to the US dollar (*International Financial Statistics* 2022; *World Development Indicators* 2020). The rate increased slightly to .61 pounds to the dollar in 1987 (*International Financial Statistics* 2022; *World Development Indicators* 2020). By 1992, the value of the pound in relation to the dollar had changed to .67 (*International Financial Statistics* 2022; *World Development Indicators* 2020).

This depreciation and instability of the pound sterling coincided with the lead-up to the UK's disastrous membership of the Exchange Rate Mechanism (ERM), which laid the foundation for the Economic and Monetary Union (EMU) and the single European currency ("The ERM and the single currency" 2013). The UK joined the ERM in 1990 but was forced to leave in 1992 because it could not maintain the pound at the mandated rate, leading

investors to sell the currency on foreign stock exchanges (“The ERM and the single currency” 2013). The crash cost the UK Treasury £3.3 billion (“The ERM and the single currency” 2013).

The lead-up to this crisis created the instability reflected in the pound’s exchange rate. Because being in the ERM was a condition of using the euro in the future, the UK knew that the policies set by the EU did not serve British monetary policy. This combined with the failure of the UK’s own policies within the ERM gave British policymakers an incentive to defect from an agreement to use the euro.

Interest Rates

The real interest rate in this period began at 4.2% in 1982 (*World Development Indicators* 2020). In 1987, it had dropped to 4.07% (*World Development Indicators* 2020). The rate rose again to 6.04% by 1992 (*World Development Indicators* 2020). In contrast, the money market rate repeatedly fell. The rate began at 11.97% in 1982 before decreasing to 9.5% in 1987 (*International Financial Statistics* 2022). It reached a rate of 9.37% in 1992 (*International Financial Statistics* 2022). Having the real interest rate be positive showed that inflation was not overwhelming returns for investors, which would be better than the alternative. The observation of decreasing money market rates indicated that the government could be trying to jump-start spending rather than saving and can also reflect investors responding to an uncertain market (“What Is the Money Market?,” n.d.). Because these interest rates, specifically the money market rate, showed that the economy was somewhat volatile, there was an incentive to defect from an agreement to use the euro so as not to add more uncertainty to the situation.

Monetary Area of Consideration	Does Data Support Cooperation?
Inflation	Yes
Exchange Rates	No
Interest Rates	No
Overall Decision	No

Table 7.2: Euro: UK: Monetary Policy

7.2.3 Fiscal Policy

Public Spending and Contribution

Since joining the EU, the UK continued to contribute to the EU budget as part of its membership conditions. According to EU financial reports, the UK contributed the equivalent values of 2.78 billion ECUs, the European currency that preceded the euro (Directorate-General for the Budget 2009). The British contribution increased to 3.23 billion ECUs in 1987 (Directorate-General for the Budget 2009). In 1992, when the UK was deciding about the euro, the state contributed 4.29 billion ECUs to the EU budget (Directorate-General for the Budget 2009). To measure how much the UK got in return, the British Office for National Statistics calculated the UK's net contribution. Subtracting the value that the UK received in benefits from the EU, the net contributions changed to £1.80 million, £3.96 million, and £3.44 million in 1982, 1987, and 1992 respectively (Keep 2022).

The UK contributed much more to the EU than it received in the ten years before deciding about the euro. Policymakers would take this into account when making their decisions, and resentment might persuade them to defect. A more quantitative reason would be that there would likely be no additional benefit for the UK if it decided to use the euro. Their net contribution was also growing, so policymakers would likely regard this as an incentive to defect and avoid further integration.

EU Budget Policy

In the 1981-2 period, the UK's debt-to-GDP ratio was 44.9% (Munro 2021). The ratio fell to 41.9% in the 1986-7 period (Munro 2021). By the 1991-2 period, the UK's debt ratio had fallen to 28.6% (Munro 2021). Seeing the declining trend in the debt ratio gave the UK government an incentive to cooperate. The debt complied with EU procedures, and the trend showed no indication that this would change.

Taxes

As a percentage of GDP, tax revenue stayed relatively stable over this period. In 1982, the percentage of GDP that came from tax revenue was 25.87% (*World Development Indicators* 2020). The amount of revenue dropped to 23.16% in 1987, then rose to 24.28% in 1992 (*World Development Indicators* 2020). Like with my case study on joining the EU, the stability of the tax revenue showed an incentive to cooperate. Government intervention via taxes remained consistent, so policymakers did not feel a need to change the course

the UK was on. This became an incentive to cooperate because it was not an incentive to defect.

Fiscal Area of Consideration	Does Data Support Cooperation?
Public Spending	No
EU Policy	Yes
Taxes	Yes
Overall Decision	Yes

Table 7.3: Euro: UK: Fiscal Policy

7.2.4 Migration

Domestic Policy

The British government instituted restrictive immigration policies in the lead-up to their decision on the euro. Immigration Carriers' Liability Act of 1987 made airlines and other carriers liable for checking documentation, including ensuring that the passenger had valid documentation, was the holder of the document they present, and had the correct visa(s) (DEMIG 2015). This act also introduced sanctions for carriers who transported passengers without valid documentation or visas (DEMIG 2015).

Multiple previous immigration acts were changed with the Immigration Act of 1988, mostly with the intent of being more restrictive. One amendment reinforced provisions of a 1971 act and made it more difficult for Commonwealth citizens to bring their families to the UK (DEMIG 2015). Another major change came when an amendment in the Immigration Act of 1988 made overstaying a visa an offense (DEMIG 2015). In this act, the British government repealed a provision from an earlier law that exempted the wives and children of British men from serving "a probationary year before being granted settlement" (DEMIG 2015).

The only less restrictive amendment passed in this year allowed for EU nationals, who were granted rights of residence under the UK-signed Treaty of Rome, to enter and remain in the UK without needing to obtain leave (DEMIG 2015).

In 1991, the British Parliament voted on an asylum bill, but it was not enacted until 1993 (DEMIG 2015). When the Asylum and Immigration Appeals Act did come into effect, it limited how people could seek asylum (DEMIG 2015). Firstly, the act defined claiming asylum by the obligations put upon the UK by the 1951 UN Conventions and the 1967 Protocol on the Status of Refugees (DEMIG 2015). Within these obligations, the UK

found loopholes and used them to reduce the benefits granted to asylum-seekers and their dependents (DEMIG 2015). The Asylum and Immigration Appeals Act additionally gave authorities the power to fingerprint asylum-seekers and their dependents and to detain these people while their asylum claim was being decided (DEMIG 2015).

The policies were mostly restricting immigration, especially from the Commonwealth, and asylum-seekers, but relaxed restrictions on EU nationals.

Bilateral Agreements

The Aliens Order from 1953 still stood when the UK was making its decision with regard to the euro, allowing for free migration between the UK and Ireland. Since then, the British Nationality Act of 1981 allowed “people entitled to British nationality, such as Commonwealth citizens and citizens of the Republic of Ireland” to claim citizenship (DEMIG 2015). The amendment of the Immigration Act of 1988 pertaining to the ability of EU nationals to enter the UK without leave also applied to Irish citizens. All of these pieces of legislation, especially those from the 1980s, showed that British policymakers were carving pathways to citizenship for Irish nationals. Their actions indicated that the UK was open to Irish immigration, especially as policymakers worried about a potential brain drain of British professionals (DEMIG 2015).

Migration from Ireland

In 1971, the UK had a total of 585,000 immigrants from Ireland (Green 2014). The number had dropped to 500,000 in 1981, and dropped again to 570,000 in 1991 (Green 2014). The UK did not enact policies in this period aimed at reducing the amount of immigration from Ireland, but immigration nevertheless decreased. In this situation, there was no incentive to defect; rather, cooperating and making an agreement with Ireland to use the euro might have increased the rates of immigration to the UK from Ireland. Immigration from Ireland was an incentive to cooperate for UK policymakers because defecting would not help their policy goals.

Net Migration

The number of immigrants in the UK as a percentage of the population grew by 1.39% between 1961 and 1971 by my calculations. Between 1971 and 1981, the change was 0.27%. The portion of immigrant increased again by 1.50% between 1981 and 1991 (Green 2014). Net migration showed a similar

trend of a small drop in the late 1970s before rising again. In 1982, the net migration in the UK was -97,495, so almost 100,000 more people emigrated from the UK than immigrated to the state (Green 2014). Net migration was back in the positives by 1987 with a surplus of 98,758 immigrants (Green 2014). By 1992, the UK was receiving 205,443 more immigrants than people leaving (Green 2014).

By enacting restrictive policies, the UK was signaling that it was trying to decrease the amount of immigration to its shores, especially those who came as asylum-seekers and refugees. Despite these policies, net migration remained positive in the five years leading up to the UK's decision on the euro. Irish immigrants also made up less and less of the immigrant population; in 1981, Irish immigrants were 18.0% of the immigrant population, and this dropped to 15.72% in 1991 (Green 2014). This indicated that the majority of immigrants to the UK were likely coming from countries that the UK was trying to limit immigration from. This gave the UK an incentive to defect so it could continue to close itself off.

Migration Area of Consideration	Does Data Support Cooperation?
Migration from Ireland	Yes
Net Migration	No
Overall Decision	Unclear

Table 7.4: Euro: UK: Migration

7.2.5 The Troubles

Deaths

The number of deaths attributed to the Troubles was steadily decreasing over time. In 1982, 111 people died as a result of the conflict (Sutton and Melaugh 2020). This number dropped to 98 in 1987 and again to 88 in 1992 (Sutton and Melaugh 2020). While it is obvious that there was still violence happening, it is encouraging that the number of deaths was going down. Because of this decreasing rate, British policymakers had an incentive to cooperate with Ireland and continue the peace process.

Significant Events

Random attacks were common during the Troubles, but these usually occurred on the island of Ireland, either in Northern Ireland or in the Republic. Significant attacks happened twice on British soil in the lead-up to their

decision on the euro. First, in July of 1982, the IRA set off two bombs across London, one close to Hyde Park and the other in Regent’s Park, killing eighteen British soldiers and injuring about two dozen citizens (Melaugh 2022). Later that year, Prime Minister Margaret Thatcher made a statement saying that the British government is not required to “consult the Irish government on matters affecting Northern Ireland,” demonstrating the strained relations at this time. Another attack occurred at a base for the British Army in Kent in September of 1989, killing ten members of the staff band of the Royal Marines (Melaugh 2022).

Despite these attacks, the Irish and British governments were able to meet and make progress towards peace in this period. The Anglo-Irish Agreement was signed in 1985 between PM Thatcher and Taoiseach Garret FitzGerald (the Irish PM), stating that any change in the status of Northern Ireland had to be consented to by the Northern Irish people, and should Northern Ireland decide to rejoin the Republic, both governments agreed to support the effort (Melaugh 2022). This agreement also established the Inter-Governmental Conference, giving the Irish government a consultative role on matters relevant to the conflict (Melaugh 2022).

The Brooke/Mayhew Talks took place between April of 1991 and November of 1992 and involved two consecutive Secretaries of State for Northern Ireland, Peter Brooke and Patrick Mayhew (Melaugh 2022). These talks were mostly between the political parties of Northern Ireland and a delegation from Ireland. Despite some hope for reconciliation following the Anglo-Irish Agreement, negotiations ended in 1992 without a deal but held out the possibility of a settlement in the future.

Both the Anglo-Irish Agreement and the Brooke/Mayhew Talks created hope for peace on the island, but this had not yet been achieved. Especially with the attacks on British soil, policymakers would have been less inclined to cooperate with Ireland, as evidenced by the statements by PM Thatcher. But the British government knew it would need to work with Ireland if it did want to achieve peace in Northern Ireland. Because of the dropping death totals, the UK had a weak incentive to cooperate in order to encourage cooperation in the future as the two states began the peace process.

The Troubles Area of Consideration	Does Data Support Cooperation?
Deaths	Yes
Significant Events	Yes
Overall Decision	Yes

Table 7.5: Euro: UK: the Troubles

7.2.6 Popular Support

Support for Integration

Support for the UK's membership in the EU grew over the ten-year period before the government decided on the euro, contrary to my expectations. According to data from the Eurobarometer survey, Great Britain and Northern Ireland had a 28.82% approval rating of the EU in 1982 with 45.52% of respondents disapproving and 25.66% being neutral by my calculations (European Commission 1982). Approval rose to 45.98% in 1987 with disapproval dropping to 25.81% and 28.22% of respondents being neutral (European Commission 1987). By 1992, the year of the UK's decision, 59.88% of respondents from the UK thought EU membership was a good thing with only 12.32% disapproving and 27.79% being neutral (European Commission 1992).

On the other hand, the British Election Study asked people about their opinions on whether the UK should adopt the European currency, taking one poll in 1992 and another in 1997. 1992 was the year the UK made its decision, and 1997 was the hal-way point between the decision and 2002, when the euro entered into circulation for many countries. Although policymakers would not see this data for five years, it showed the general direction of public opinion immediately following the decision. In 1992, the majority of respondents, 53.82%, said that the UK should keep the pound (Heath, Jowell, and Curtice 1993, 1998). 21.15% said the UK should replace the pound with a European currency, and 20.81% said the UK should use both (Heath, Jowell, and Curtice 1993, 1998). By 1997, support for exclusive use of the pound grew to 67.98% (Heath, Jowell, and Curtice 1993, 1998). Only 12.86% of people said the UK should use the European currency, and 15.46% said the UK should use both (Heath, Jowell, and Curtice 1993, 1998). The Eurobarometer asked people a similar question in 1997. 33.61% of British respondents said that one European currency was necessary whereas 66.3% said it was not, and 19.08% did not know (European Commission 1997).

This survey data showed that while British citizens were content with being in the EU, they were not willing to give up the pound and use the euro. Most of the data on the surveys asking about the euro would be retroactive, but it shows that the British public did approve of the decision of policymakers. Public opinion both at the time and in the time afterward gave British policymakers an incentive to defect from an agreement to use the euro.

Opinion of Ireland

In the 1980s, the British Election Study fielded two surveys asking respondents to give their opinion on whether the British Army should pull its troops out of Northern Ireland. Asking this question gave some insight into how willing British citizens were to see their government cooperate with the Irish government as the Troubles continued. In the survey of 1983, 45.1% said the army should pull its troops while the majority of respondents, 53.2% said the troops should remain, and 1.7% said it didn't matter (Heath, Jowell, and Curtice 1999, 1993). In 1986, 44.03% of respondents said the British Army should remove troops from Northern Ireland, 47.61% said they should not, and 1.65% said it didn't matter (Heath, Jowell, and Curtice 1999, 1993).

The questions asked by the British Election Study on this topic changed in their 1992 survey, so responses were a bit more varied. 24.97% of respondents said they strongly supported pulling troops from Northern Ireland, and 19.90% supported this course of action "a little" (Heath, Jowell, and Curtice 1999, 1993). 24.41% and 23.27% opposed a little and opposed strongly respectively (Heath, Jowell, and Curtice 1999, 1993). 4.42% didn't know, and 3.03% responded that it didn't matter (Heath, Jowell, and Curtice 1999, 1993). If the support and oppose options are added together, 44.87% supported the removal of troops and 47.68% opposed in total. Opposition to the removal of troops had the plurality, but the two sides were only differentiated by about 2.81%.

Overall, the support for British troops staying in Northern Ireland declined slightly from 1983 to 1992. The amount of support for British troops did not increase during this period because the amount of respondents who did not have an opinion or did not feel that the removal of troops mattered grew over the course of these surveys. Because of the almost identical amounts of support for both leaving troops in and removing troops from Northern Ireland as well as the percentage of people who felt neutral, British policymakers had little incentive to defect from a deal with Ireland on the euro. This gave them a weak incentive to cooperate.

Sinn Féin and Ulster Unionist Vote Share

Sinn Féin's prominence in the British Parliament stayed stagnant between 1982 and 1992, only winning one seat in the general election of 1983 and one again in 1987 (Watson, Uberoi, and Loft 2022; "1970 UK General election results," n.d.). In 1992, Sinn Féin chose not to run a candidate, leaving them with no voice in Parliament.

The more interesting story was the prominence of the Ulster Unionist

Party, a political party that was opposed to a Unified Ireland and worked to strengthen the ties between Great Britain and Northern Ireland. In 1983, the Ulster Unionist Party won 1.1% of the vote, earning them eleven seats (Watson, Uberoi, and Loft 2022; “1970 UK General election results,” n.d.). They lost two seats in the election of 1987 with 0.8% of the vote, giving them nine, but they retained these seats in 1992 (Watson, Uberoi, and Loft 2022; “1970 UK General election results,” n.d.).

Having a party in Parliament with a more negative view of the Republic of Ireland was a manifestation of the attitudes of some British citizens. Without a delegation from Sinn Féin to counter these views, the British government had an incentive to defect from an agreement with Ireland, especially as the Ulster Unionist Party represented voters who would hold negative views of Ireland.

Most Important Issue

The Eurobarometer asked respondents what was most important to them out of four options: maintaining order in the country; giving the people more say in important government decisions; fighting rising prices; and protecting freedom of speech. For respondents in 1982, out of these options, the plurality of British respondents, with a response rate of 33.52%, believed that giving people more say in important decisions was the most important issue (European Commission 1982). The second most important was protecting freedom of speech, with a response rate of 26.32% (European Commission 1982). In 1987, giving the people more say dropped to the second most important with a response rate of 30.13% while maintaining order in the country became the most important issue in the minds of British citizens with a rate of 42.47% (European Commission 1987). By the time the UK was making a decision in 1992, the most important issues had not changed, receiving response rates of 41.00% for maintaining order and 29.27% for giving the people more say (European Commission 1992). Because giving more people a say in important government decisions remained a consistent concern for the British respondents, British policymakers would want to make sure they were responsive to their constituents, if for no other reason than to remain in power (Mansfield, Milner, and Rosendorff 2002). Referring back to the data on popular support for the euro, it benefited policymakers most to follow the wishes of the public and defect from using the euro.

Popular Support Area of Consideration	Does Data Support Cooperation?
Support for Integration	No
Opinion of Ireland	Yes
SF and UU Vote Share	No
Most Important Issue	No
Overall Decision	No

Table 7.6: Euro: UK: Popular Support

Area of Consideration	Does Data Support Cooperation?
Economy	Yes
Monetary Policy	No
Fiscal Policy	Yes
Migration	Unclear
The Troubles	Yes
Popular Support	No
Overall Decision	Unclear

Table 7.7: UK Areas of Consideration for Using the Euro

7.2.7 Results for the UK

Equal Weighting

In equal weighting, the UK has an unclear decision on whether or not it should cooperate with Ireland and use the euro. There were three clear incentives to cooperate and two clear incentives to defect with one area not yielding conclusive results—the migratory area was split in its incentives to defect or cooperate. This means that equal weighting does not give us enough information to decide if British cooperation in this instance is rational or irrational, and we must turn to reweighing the areas of largest concern. From the comparison with equal weighting, British policymakers could go either way and would be consistent with rational behavior regardless of the decision made.

Reweighed Areas

Of the options presented to survey respondents in the 1992 Eurobarometer, the plurality of respondents believed that giving people a larger say in government decisions was the most important with a response rate of 41.00% (European Commission 1992). This means that an additional weight of 1.41 overall needs to be given to the popular support area of consideration. The

next most important issue was maintaining order, with a rate of 29.27% (European Commission 1992). The area that is closest to this concern is the Troubles, so this section will get a weight of 1.29 overall. Ignoring the area with inconclusive results, the reweighed areas show that there were 3.29 incentives to cooperate and 2.41 incentives to defect.

Because this decision hinges on the euro, I am going to reweigh the monetary policy area to the results of the Eurobarometer and British Election Study questions on it. I will use a weight of 66.5% because the disapproval of the euro was 66% in the Eurobarometer survey and 67% in the British Election Survey, both taken in 1997 (European Commission 1997; Heath, Jowell, and Curtice 1998). With that, there were now 3.075 incentives to defect and 3.29 incentives to cooperate.

This showed that in order to act in a manner consistent with rationality by my hypotheses, the UK should choose to cooperate with Ireland and use the euro, although the relatively similar magnitudes of the incentives to cooperate and defect show the decision would be a close call.

7.3 Ireland

7.3.1 Economy

Trade

Ireland's dependence on the UK continued to decline over the years leading up to the decision on the euro. In 1982, 38.94% of Irish exports went to the UK, but this percentage dropped to 34.15% in 1987 and again to 31.72% in 1992 (*International Financial Statistics* 2022). In terms for imports, the UK provided 48.07% in 1982 (*International Financial Statistics* 2022). This dropped to 41.74% in 1987 before climbing to 42.56% in 1992 (*International Financial Statistics* 2022).

Trade with the EU over this period remained at about the same levels the entire time. In 1982, Ireland sent 72.66% of its exports to the eurozone including the UK and received 71.78% of its imports from this group of states (*International Financial Statistics* 2022). 74.07% of exports went to the eurozone and 66.07% of imports came from the eurozone in 1987 (*International Financial Statistics* 2022). 1992 saw both percentages increase to 75.04% for Irish exports and 66.89% for imports (*International Financial Statistics* 2022).

Overall, because there was no obvious incentive to defect, even as Ireland's dependence declines, policymakers had an incentive to cooperate. Using the euro, especially if the UK also used the euro, should not limit Ireland's

ability to trade and might make it easier to trade with other countries in the eurozone.

GDP

Irish GDP statistics reflected consistent growth in the lead-up to the decisions on the euro. The calculus begins in 1982 when the Irish GDP sat at 53.77 billion Irish pounds (noted as IR£) with a growth rate of 2.28% from the year before (*World Development Indicators* 2020). Five years later, the GDP had risen to IR£60.13 billion (*World Development Indicators* 2020). This was a product of a growth rate of 4.66% (*World Development Indicators* 2020). The year of Ireland's decision saw a GDP of IR£76.49 billion with a growth rate of 3.34% from the year before (*World Development Indicators* 2020). The consistent growth of Irish GDP showed an incentive to cooperate and use the euro. Using this currency could help facilitate the further growth of the Irish economy, and the observed trends would make Irish policymakers optimistic.

Unemployment

Unemployment in Ireland began high and stayed high in the run-up to making its decision on the euro. In 1983, the earliest year with data, the unemployment rate was 13.91% (*International Financial Statistics* 2022). It rose to 16.63% in 1987 before dropping to 15.39% in 1992 (*International Financial Statistics* 2022). Because these three benchmarks do not show a consistent trend, it is difficult to determine whether there was an incentive to cooperate for Irish policymakers. The decrease in unemployment between 1987 and 1992 leads me to believe that there was a slight incentive to cooperate as the situation was improving, but it would not have been particularly strong.

Foreign Investment

In 1982, foreign direct investment made up 1.13% of Ireland's GDP (*World Development Indicators* 2020). Its share dropped to .95% in 1987 before rising again to 2.61% in 1992 (*World Development Indicators* 2020). Although there was a drop in 1987, I do not regard this as an incentive to defect because the percentage reached a higher level by 1992 than previously achieved (*World Development Indicators* 2020). The difference between the share of foreign investment in 1982 and 1987 was also not so significant to make me believe that it worried Irish policymakers, especially as GDP continued to grow overall. Therefore, foreign direct investment provided an incentive to cooperate and use the euro.

Economic Area of Consideration	Does Data Support Cooperation?
Trade with UK	Yes
Trade with EU	Yes
GDP	Yes
Unemployment	Yes
Foreign Investment	Yes
Overall Decision	Yes

Table 7.8: Euro: Ireland: Economy

7.3.2 Monetary Policy

Inflation

Irish inflation began this period with a high rate of 17.15% (*World Development Indicators* 2020). It decreased significantly by 1987 to 3.16%, which is much closer to the rate economists consider normal (*World Development Indicators* 2020). Inflation dropped again to 3.07% in 1992 (*World Development Indicators* 2020). This trend showed vast improvement in the amount of inflation that Ireland experienced in the lead-up to the decision on whether or not to use the euro. Because Irish inflation had reached much healthier levels over this period, policymakers likely saw the stability of its rate between 1987 and 1992 and regarded it as an incentive to cooperate.

Exchange Rates

The strength of the Irish pound increased over the ten-year period before it made its decision on the euro, setting itself up to find an incentive to cooperate and use the European currency. The exchange rate in 1982 was .70 Irish pounds to the US dollar (*International Financial Statistics* 2022; *World Development Indicators* 2020). The rate dropped by 1987 to .67 Irish pounds to the dollar (*International Financial Statistics* 2022; *World Development Indicators* 2020). Between 1987 and 1992, the exchange rate dropped to .59, meaning there was an overall appreciation of .11 Irish pounds to the US dollar in the ten-year period (*International Financial Statistics* 2022; *World Development Indicators* 2020).

The prosperity of the Irish pound was a result of Ireland’s membership in the ERM, which gave the currency a relatively fixed exchange rate and aimed to reduce instability (Taylor 2019). Ireland had joined the ERM in 1979, which allowed it to break “the one-to-one link with sterling which had existed since independence” (Taylor 2019). Because Ireland experienced more stability with its exchange rate than the UK, and its membership in

the ERM allowed it to further severe its dependency on the UK, Ireland had a strong incentive to use the euro. Therefore, Irish policymakers had an incentive to cooperate because they could create a deal with the UK to both use the euro in the future.

Interest Rates

Beginning in 1982, the money market rate in Ireland was 17.65% (*International Financial Statistics* 2022). Five years later, the rate had dropped to 10.84% (*International Financial Statistics* 2022). Finally in 1992, the money market rate had returned to 15.12% (*International Financial Statistics* 2022). This fluctuation makes it difficult to determine whether the trends indicate an incentive to cooperate or an incentive to defect. After 1994, the data showed a general trend of decline, but the interest rates between 1982 and 1992 were too turbulent to even point to a general trend. While this was certainly not stable, the lack of a trend in either direction gave an incentive to cooperate because there was little incentive to defect.

Monetary Area of Consideration	Does Data Support Cooperation?
Inflation	Yes
Exchange Rates	Yes
Interest Rates	Yes
Overall Decision	Yes

Table 7.9: Euro: Ireland: Monetary Policy

7.3.3 Fiscal Policy

Public Spending and Contribution

Ireland's national contribution as recorded by the EU was 107.7 millions ECUs in 1982 (Directorate-General for the Budget 2009). In 1987, the Irish contribution had risen to 207.7 million ECUs (Directorate-General for the Budget 2009). For the final year in the calculus, Ireland contributed 306.1 million ECUs in 1992 (Directorate-General for the Budget 2009). Because Ireland received more from the EU than it contributed, it defined its net contribution as net receipts. The Irish Department of Finance recorded its net receipts in 1980, 1985, and 1990, so I will be using these years in this part of the calculus. First, Ireland received €600 million more in EU receipts than it contributed in 1980 (*Annual Report on Ireland's Transactions with the EU in 2018* 2020). In both 1985 and 1990, Ireland received €1.2 billion more

in benefits than they contributed to the budget (*Annual Report on Ireland's Transactions with the EU in 2018* 2020). Ireland certainly had an incentive to cooperate because it stood to gain from an agreement that would bring it closer to the EU. The benefits Ireland received far outweighed the costs it incurred, so using the euro and having the possibility of gaining an even more favorable position gave Irish policymakers an incentive to cooperate.

EU Budget Policy

Using Fitzgerald and Kenny's report in addition to the World Bank data, I was again able to calculate Ireland's debt ratio for this period. In 1982, debt was 28.11% of Ireland's GDP (FitzGerald and Kenny 2018; *World Development Indicators* 2020). The ratio rose to 51.69% in 1987 before falling to 45.03% in 1992 (FitzGerald and Kenny 2018; *World Development Indicators* 2020). The fluctuation in the ratio gave some reason for pause, but because it decreased between 1987 and 1992, I will interpret this as an incentive to cooperate, especially because Ireland's debt-to-GDP ratio stayed below the limits for the EU's procedures.

Taxes

Tax revenue as a percentage of GDP also stayed stable in Ireland between 1982 and 1992. In 1982, tax revenue contributed 26.38% of Ireland's GDP (*World Development Indicators* 2020). The percentage changed to 27.45% in 1987 (*World Development Indicators* 2020). When Ireland was making its decision on the euro, the tax revenue was 25.93% of the GDP (*World Development Indicators* 2020). The consistency of the tax revenue showed that the government kept its level of intervention the same during this period. This stability indicated an incentive to cooperate because of the lack of incentive to defect.

Fiscal Area of Consideration	Does Data Support Cooperation?
Public Spending	Yes
EU Policy	Yes
Taxes	Yes
Overall Decision	Yes

Table 7.10: Euro: Ireland: Fiscal Policy

7.3.4 Migration

Domestic Policy

Ireland joined the UNHCR Iranian Resettlement Program in 1985 to help resettle refugees (DEMIG 2015). In the same year, Ireland removed the six-month residency requirement for foreigners to vote in its elections, thereby allowing British citizens a vote in Irish national elections (DEMIG 2015). The Irish Nationality and Citizenship Act of 1986 allowed both men and women to obtain citizenship upon marriage to an Irish national, but the non-Irish spouse had to go through a three-year waiting period before being naturalized (DEMIG 2015).

Immigrants to Ireland were given another path to citizenship in 1989 when the Irish government created an investment-based naturalization scheme (DEMIG 2015). The US has a similar program, which allows people who make large enough investments in the US to obtain special visas; Ireland's program allowed those who made investments to be naturalized citizens ("Immigrant Investor Visas" 2022; DEMIG 2015). Because of the amount of investment involved, these programs were directed at wealthy immigrants who are expected to stimulate the economy of their new country.

Focusing on immigrants who did not have this amount of wealth, Ireland participated in another UNCHR refugee program in 1992, this one being aimed at the resettlement of Bosnian refugees.

All Irish policies in the ten years leading up to their decision on the euro allowed for less restrictive immigration practices. This was partly because the Irish economy had an unprecedented demand for labor after a period of rapid growth that natural-born citizens could not fulfill (DEMIG 2015).

Bilateral Agreements

Both the UK and Ireland still abide by the Common Travel Area, which lifted immigration controls between the two states as of 1953 (DEMIG 2015). The policies that the Irish government passed in the lead-up to their decision on the euro would have applied to immigrants from the UK, allowing these people to vote in Irish elections without being a citizen or obtain citizenship by marrying an Irish national. Irish policymakers were open to immigration from the UK, especially as the country faced a labor shortage.

Migration from the UK

In 1971, Ireland was home to 110,221 immigrants from the UK (*Historical Reports* 2021). The next census, conducted in 1981, showed that 186,965

British immigrants were residing in Ireland (*Historical Reports* 2021). Five years later, the number had dropped slightly to 177,792 (*Historical Reports* 2021). In 1991, one year before Ireland decided on the euro, 173,851 British immigrants were living in Ireland (*Historical Reports* 2021). This gave Irish policymakers an incentive to cooperate and use the euro because if the UK and Ireland could reach a deal, closer relations between these two states might encourage British nationals to immigrate to Ireland.

Net Migration

The number of immigrants in Ireland as a percentage of the population grew by 2.14% between the 1971 and 1981 Irish censuses (*World Development Indicators* 2020). Between 1981 and 1986, net migration dropped by 0.42% before rising by 0.16% between 1986 and 1991 (*World Development Indicators* 2020). In raw numbers, the net migration in 1982 was -60,929, meaning almost 61,000 more people had emigrated from Ireland than people had immigrated to the island (*World Development Indicators* 2020). In 1987, net migration was -125,947, again showing exodus from Ireland (*World Development Indicators* 2020). The number changed to -15,374 by 1992, but this still showed a loss of population that would have worried Irish policymakers (*World Development Indicators* 2020). This created an incentive to cooperate and thus integrate to create closer ties with the EU. Ireland needed immigration to help with its labor shortage, and by using the euro and integrating further into the EU, it might be able to attract more immigrants from Europe to help stimulate the Irish economy.

Migration Area of Consideration	Does Data Support Cooperation?
Migration from Ireland	Yes
Net Migration	Yes
Overall Decision	Yes

Table 7.11: Euro: Ireland: Migration

7.3.5 The Troubles

Deaths

The numbers of deaths in the Troubles are the same as in the UK considerations, and the logic also remains the same. In 1982, 111 people were killed (Sutton and Melaugh 2020). 98 people died as a result of the Troubles in

1987, and 88 people died in 1992 (Sutton and Melaugh 2020). Irish policy-makers would find this encouraging especially as the peace process began. These decreasing deaths gave the Irish government an incentive to cooperate and create a deal with the UK to continue the improving situation in Northern Ireland.

Significant Events

The most significant event that happened for Ireland in relation to the Troubles during this period was the Anglo-Irish Agreement of 1985. This agreement, as stated previously, gave the Irish government a consultative role via the Inter-Governmental Conference on matters of “security, legal affairs, politics, and cross-border co-cooperation” (Melaugh 2022). This agreement also left open the possibility of a reunited Ireland.

The Brooke/Mayhew Talks, while they did not produce a tangible agreement, showed that there was some room for compromise. It also showed that interested parties from both Ireland and the UK were willing to come to the bargaining table.

Ireland had an incentive to cooperate because it had been given a valuable role in the affairs of Northern Ireland through the Inter-Governmental Conference. Because Northern Ireland is part of the UK, the Republic of Ireland has no legal say in its affairs. By cooperating and using the euro, Ireland would hope to draw closer to the UK and the EU at the same time and get support for the peace process in Northern Ireland.

The Troubles Area of Consideration	Does Data Support Cooperation?
Deaths	Yes
Significant Events	Yes
Overall Decision	Yes

Table 7.12: REuro: Ireland: the Troubles

7.3.6 Popular Support

Support for Integration

Support in Ireland for the EU dropped briefly in 1982 before returning to high levels. Eurobarometer responses to the 1982 survey showed that 48.2% of Irish respondents thought EU membership was a good thing while 20% thought it was a bad thing, and 31.8% were neutral (European Commission 1982). In 1987, support for the EU rose to 61.1%, and disapproval dropped

to 14.7% with 24.2% being neutral (European Commission 1987). Support reached 79% in 1992, and disapproval dropped down to 6% with 15.6% of responses being neutral (European Commission 1992).

The 1992 Eurobarometer also asked respondents whether they were in favor of having a single common currency replace national currencies; 76.1% of Irish respondents said they were in favor, and 23.9% were opposed (European Commission 1992). Participants in the 1997 Eurobarometer were asked if they thought having one European currency was necessary or not, and 74.3% of Irish respondents believed having this type of currency was necessary (European Commission 1997). 25.7% responded that it was not (European Commission 1997).

Both support for Ireland's membership in the EU and for using a single European currency gave Irish policymakers a strong incentive to cooperate. The public opinion was so strong on these issues that any action to the contrary would have angered voters. Instead, policymakers had an incentive to cooperate and use the euro, thus abiding by the will of their people.

Opinion of the UK

Data on the question of whether the UK should remove troops from Northern Ireland was more sparse in terms of Irish responses, but the surveys that do exist showed decreasing support for a United Ireland. In 1978, 78% of Irish respondents favored the withdrawal of British troops from Northern Ireland with 18% opposed and 2% not knowing (Lyons 2008). Ten years later, support for withdrawal dropped to 53%, and opposition rose to 38% (Lyons 2008). Surveys also asked Irish people about their support for a United Ireland (Lyons 2008). In 1983, when participants were asked "easy" questions, 76% supported a United Ireland (Lyons 2008). Support dropped to 67% in 1987. When asked "hard" questions, 41% of participants supported a United Ireland; for reference, this was the same level of support as in 1978 (Lyons 2008).

Declining support for a United Ireland and the reduction of UK interference on the island showed that Irish citizens were viewing the UK in a positive light. This gave Irish policymakers an incentive to cooperate because their citizens and residents would be in favor of such a deal. Public opinion did not offer an incentive to defect, so policymakers had an incentive to cooperate.

Sinn Féin and Fianna Fáil Vote Share

Both Fianna Fáil and Sinn Féin experienced slowly decreasing support in the lead-up to Ireland's decision on whether to use the euro. Beginning with the general election in February of 1982, Fianna Fáil won 47.3% of the vote, which translated to 81 seats (Whyte 2007). Sinn Féin - Workers Party won 2.3% of the vote and were awarded 3 seats; Sinn Féin had briefly combined its party with the Workers Party before splitting again (Whyte 2007). By November of that same year, support for these parties had already decreased. Fianna Fáil won 45.2% of the vote, meaning they lost six seats and dropped their total to 75 (Whyte 2007). Sinn Féin did not run any candidates and therefore did not have representation in the Oireachtas. In the general election of 1987, Fianna Fáil won 44.1%, which was a decrease from 1982, but they still received 81 seats (Whyte 2007). Sinn Féin won 1.9% of the vote, but this was not enough for them to be awarded any seats in the legislature (Whyte 2007). In 1992, Fianna Fáil's support had dropped to 39.1%, earning 68 seats while Sinn Féin won 1.6% of the vote and no seats (Whyte 2007).

The decrease in the support for Fianna Fáil and Sinn Féin, alongside public opinion on the UK observed by questions on Northern Ireland, indicated that Irish nationals held increasingly positive opinions of the UK. Parties that might protest a deal with the UK received fewer votes over time, giving other politicians in the Oireachtas the opportunity to push these forward. Irish policymakers overall had an incentive to cooperate with the UK because the lack of sustained support for Fianna Fáil and Sinn Féin showed that voters did not hold the same views as these parties, which opened the door for an agreement.

Most Important Issue

The Eurobarometer, when asking respondents what the most important issue was for them, gave people a list of options: maintaining order in the country; giving the people more say in important government decisions; fighting rising prices; and protecting freedom of speech. In 1982, 38.6% of Irish respondents said that giving people more say in important government decisions was the most important to them out of that list (European Commission 1982). 34.4% said that protecting freedom of speech was the most important (European Commission 1982). Priorities changed by 1987; now 39.5% of people said fighting rising prices was most important with maintaining order in the country being next at 27.4% (European Commission 1987). Giving people more say in decisions became the most important issue again in 1992, with 38.0% of respondents citing it as such (European Commission 1992). Maintaining

order was second again, with a response rate of 30.0% (European Commission 1992).

Because many respondents felt that giving the people more say in important decisions was the most important issue for them, the Irish government would know to be responsive to the wishes of its residents. The data on Irish popular support for both the EU and the use of the euro showed that the Irish people approved of both policies. In response to the public support for these European policies, Irish policymakers had an incentive to cooperate with the UK and make a deal to use the euro.

Popular Support Area of Consideration	Does Data Support Cooperation?
Support for Integration	Yes
Opinion of UK	Yes
SF and FF Vote Share	Yes
Most Important Issue	Yes
Overall Decision	Yes

Table 7.13: Euro: Ireland: Popular Support

7.3.7 Results for Ireland

Area of Consideration	Does Data Support Cooperation?
Economy	Yes
Monetary Policy	Yes
Fiscal Policy	Yes
Migration	Yes
The Troubles	Yes
Popular Support	Yes
Overall Decision	Yes

Table 7.14: Ireland Areas of Consideration for Using the Euro

Equal Weighting

When equally weighing Ireland's areas of consideration, we see that all areas show an incentive to cooperate. According to these results, Ireland had no incentive to defect for any reason listed. Any action besides choosing to use the euro would appear irrational. The use of the euro is an indivisible issue, but because Ireland's monetary policy areas offered an incentive to cooperate, Irish policymakers should still choose to cooperate.

Reweighed Areas

I will still complete the exercise of reweighing these areas for the sake of consistency, but it will not change the results. Nonetheless, the process of reweighing gives insight into the largest incentive to cooperate in the list.

When given the options from the Eurobarometer of 1992, 38.0% of Irish respondents said the most important issue to them was giving the people a larger say in government decisions (European Commission 1992). Popular support will get a weight of 1.38 to reflect this. The second most important issue was maintaining order with a response rate of 30% (European Commission 1992). Because the Troubles are the area of consideration most closely related to this issue, that area will get a weight of 1.3.

All together with the reweighed areas, Ireland had 6.68 incentives to cooperate and no incentives to defect. The decision Ireland made in 1992 to attempt to cooperate and use the euro was perfectly rational when studying these considerations.

7.4 Verdict: Cooperation Fails, Integration Splits

We know that the eventual outcome was {Cooperate; Defect}, meaning that the UK would defect and decide to continue to use the pound while Ireland would cooperate and use the euro with other member-states of the EU. The UK had first joined the Exchange Rate Mechanism (ERM) in 1990, which was the first step to joining the EMU and using the euro (“The ERM and the single currency” 2013). However, the UK left the ERM in 1992 and had obtained an opt-out from joining the EMU in 1991 before it had to sign the Maastricht Treaty. Ireland had joined the ERM in 1979, long before the UK (Taylor 2019). It officially became a member of the EMU in 1992 when policymakers signed the Maastricht Treaty without an opt-out clause (Taylor 2019). The euro was introduced in Ireland on January 1st, 1999 and has since been the official currency of the Republic.

Ireland was Player 1 again because it joined the ERM eleven years before the UK and thereby made a credible commitment to using the euro in the future. The UK took actions after Ireland that indicated it was willing to cooperate before ultimately defecting in 1991 by obtaining an opt-out from the euro.

The results of this study showed that Ireland made a rational decision whereas the UK’s decision appeared irrational. Based on my research, issue indivisibility could be a cause of this behavior that is inconsistent with the

literature's definition of rationality; the UK was not willing to accept a deal that forced them to give up the pound and therefore chose to defect even when other considerations indicated they should cooperate (Fearon 1995). However, all of these case studies involve indivisible issues; the UK could either join the EU or not, and the UK could sign a deal with Ireland to replace the Schengen Agreement or not.

A stronger alternative explanation for this apparent irrationality, in addition to the failure of the UK in the ERM, could be that national pride, both cultural–historical and economic–political, tipped the British policymakers towards defection following the uncertainty in my first comparison with equal weighing. Nationalistic pride and nationalism had a negative impact on the attitude towards the euro in a study conducted by Anke Müller-Peters (1998). With particular regard to the UK, Müller-Peters found that anti-European nationalistic sentiments and national patriotism held by British citizens could not “be reconciled with the acceptance of the euro” (Müller-Peters 1998). National identity explained almost 47% of the variance in British citizens' attitudes towards the euro, and the effect of national identity on these attitudes was more prominent in the UK than in any other European country studied (Müller-Peters 1998). This suggests that the British had an extraordinary amount of pride and nationalism centered on their currency, the pound sterling.

Coupled with the general anti-European sentiment shown by the Eurobarometer surveys in this period, it is entirely possible that sentiments against a single currency played a large role in how British policymakers made their decision in this case study. The replacement of the pound sterling would mean the “removal of an outward and visible sign of continued British independence,” and the strength of the emotions around it meant that policymakers were not prepared to have a rational discussion about it amongst themselves, let alone with the general public (Forster 1999). Should the issue be put to a referendum, which was an option considered, the decision to use a single European currency was almost guaranteed to fail as seen in survey data from the Eurobarometer and the British Elections Study (Forster 2002; European Commission 1997; Heath, Jowell, and Curtice 1998). While this behavior is not consistent with the definition of rationality, the perception of the loss of sovereignty and national identity, as well as public opinion, create a plausible alternative explanation for the actions taken by British policymakers.

Chapter 8

Case Study 3: Opting Out of Schengen

8.1 Introduction

The Schengen Agreement, previously signed in 1985, was to be incorporated into EU law via the Treaty of Amsterdam in 1997 (*Treaty of Amsterdam amending the Treaty on European Union, the treaties establishing the European Communities and certain related acts* 1997). The *acquis* in this treaty created the Schengen Area and would abolish visa and passport checks at the borders of member-states to allow for freer migration between these states (*Treaty of Amsterdam amending the Treaty on European Union, the treaties establishing the European Communities and certain related acts* 1997). If the UK and Ireland wanted to obtain opt-outs from this *acquis*, they would need to cooperate on a bilateral deal to replace the Schengen provisions. Because the Treaty of Amsterdam was signed in 1997, I will be using 1997 as my decision data with 1992 and 1987 being the five and ten-year benchmarks.

8.2 UK

8.2.1 Economy

Trade

Some of the same trends that can be observed in the data for Schengen are similar to those for the euro because the decisions took place about five years apart. To begin, in 1987, Ireland received 4.81% of British exports, and 5.29% in 1992 (*International Financial Statistics* 2022). This number had fallen slightly to 5.01% in 1997. 1987 saw 3.72% of British imports come

from Ireland (*International Financial Statistics* 2022). In 1992, this number had risen to 4.02% but decreased to 3.42% in 1997 (*International Financial Statistics* 2022). While these numbers don't show significant changes, they do show that Ireland and the UK were not as closely tied economically as they had once been. This can be interpreted as an incentive to defect because the incentive to cooperate was not very strong.

Trade dependence on the eurozone had also been decreasing over time for the UK. In 1989, the UK sent 49.86% of its exports to the eurozone (*International Financial Statistics* 2022). There's a large jump to 56.55% in 1992, but the percentage returned to 47.96% in 1997 (*International Financial Statistics* 2022). In 1987, 53.45% of British imports came from the eurozone, and this number dropped slightly to 52.63% in 1992 (*International Financial Statistics* 2022). By 1997, the year of the Schengen decision, the eurozone only received 45.49% of British exports (*International Financial Statistics* 2022). The eurozone remained a large percentage of British trade, but like with Ireland, the UK's dependence on this group of countries decreased throughout this ten-year period. Because the UK did not have an obvious incentive to further integrate into the EU, they had an incentive to cooperate with Ireland in finding a bilateral agreement outside of the Treaty of Amsterdam for its immigration proposals.

GDP

The UK's GDP grew over this interval, although its rate of growth slowed around 1992. Five years prior, the British GDP was £1.08 trillion and was growing at a rate of 5.39% (*World Development Indicators* 2020). 1992 saw a much slower growth rate at 0.40%, but GDP was still growing with a value of £1.17 trillion (*World Development Indicators* 2020). By 1997, the UK's GDP was £1.37 trillion and growing at a rate of 4.91% from the year before (*World Development Indicators* 2020). The continued growth of the British economy showed that there was no incentive to defect from a deal with Ireland, so this can be classified as an incentive to cooperate.

Unemployment

Unemployment showed further signs of a healthy economy since the rate fell between 1987 and 1997. In 1987, the UK experienced an unemployment rate of 10.33%, but this dropped to 9.77% in 1982 (*International Financial Statistics* 2022). The rate had dropped again by 1997 to 6.81% (*International Financial Statistics* 2022). A steady decline in unemployment would likely make policymakers more open to cooperating with Ireland. The methodology

that I am using dictates that if the unemployment rate became more favorable or stayed stable, policymakers had an incentive to cooperate. Because unemployment continued to drop over these ten years, British policymakers had a strong incentive to cooperate.

Foreign Investment

Foreign direct investment in the UK, measured in net inflow as a percentage of the British GDP, showed an upward trend as the UK approached the decision date on Schengen. In 1982, the UK saw foreign investment come out to 1.75% of GDP and increase slightly to 1.95% in 1992 (*World Development Indicators* 2020). In 1997, the share of GDP that foreign investment accounted for rose to 3.29% (*World Development Indicators* 2020). This again shows an incentive to cooperate because the amount of foreign investment in the UK was increasing. Even if the UK cooperated with Ireland and deviated from the EU, there was no reason to believe that these sources of investment would disappear. Without an incentive to defect, the UK would have an incentive to cooperate instead.

Economic Area of Consideration	Does Data Support Cooperation?
Trade with Ireland	No
Trade with EU	Yes
GDP	Yes
Unemployment	Yes
Foreign Investment	Yes
Overall Decision	Yes

Table 8.1: Schengen: UK: Economy

8.2.2 Monetary Policy

Inflation

Inflation followed a downward trend between 1987 and 1997 and followed a broader trend since inflation peaked in 1990 with a rate of 8.06% (*World Development Indicators* 2020). In 1987, inflation was at a rate of 4.15% (*World Development Indicators* 2020). It rose to 4.59% in 1992 before dropping to 2.2% in 1997 (*World Development Indicators* 2020). This return to a “normal” level of inflation is another sign that the British economy was healthy as it decided whether to cooperate with Ireland and create an agreement outside the Schengen conventions. The dropping rates of inflation provided another

incentive to cooperate because these rates are becoming more favorable over time.

Exchange Rates

The exchange rate of the pound sterling to the US dollar stayed stable over the ten-year period before the UK made its decision on the provisions of the Treaty of Amsterdam. The exchange rate was .61 pounds to the dollar in 1987 (*International Financial Statistics 2022; World Development Indicators 2020*). There was a slight increase to .67 pounds on the dollar in 1992, but the rate dropped back down to .61 in 1997 (*International Financial Statistics 2022; World Development Indicators 2020*). Stability by my methods equates to an incentive to cooperate. The pound demonstrated its strength over this period, and British policymakers could have confidence that it would continue to hold this rate if the UK cooperated with Ireland.

Interest Rates

In 1987, the real interest rate in the UK was 4.07% (*World Development Indicators 2020*). At the same time, the money market rate was 9.50% (*International Financial Statistics 2022*). The real interest rate rose to 6.04% in 1992 while the money market rate fell to 9.37% (*International Financial Statistics 2022; World Development Indicators 2020*). 1997 again saw the real interest rate rise to 6.94% as the money market rate fell to 6.61% (*International Financial Statistics 2022; World Development Indicators 2020*). The increase in the real interest rate was related to the drop in the inflation rate since it was part of the calculations for this interest rate.

The sharp decline in the money market rate however shows that the government may be trying to encourage spending rather than saving. Because the agreement the UK and Ireland were trying to reach focused on migration and not economics, it is difficult to determine how policymakers would interpret the trends in the interest rates. Because there was little incentive to defect, especially because interest rates should not be heavily affected by a change in migration, policymakers could have an incentive to cooperate. The real interest rate also reflected the inflation rate during this period, which was an incentive to cooperate, so policymakers should regard these rates as such.

Monetary Area of Consideration	Does Data Support Cooperation?
Inflation	Yes
Exchange Rates	Yes
Interest Rates	Yes
Overall Decision	Yes

Table 8.2: Schengen: UK: Monetary Policy

8.2.3 Fiscal Policy

Public Spending and Contribution

In the ten-year period leading up to the UK's decision on Schengen, the British government continued to make national contributions to the EU's budget. The UK contributed 3.23 billion ECUs in 1987 and 4.29 billion ECUs in 1992 (Directorate-General for the Budget 2009). In the year of the Schengen decision, 1997, the UK contributed 5.88 billion ECUs (Directorate-General for the Budget 2009). In terms of its net contribution, the UK contributed £3.96 billion in 1987 more than it received (Keep 2022). Five years later, the UK's net contribution dropped to £3.43 billion, meaning they had received slightly more benefits since 1987 (Keep 2022). This trend continued since the UK's net contribution was £2.41 billion in 1995 (Keep 2022). Despite this, the UK's contributions gave it an incentive to cooperate with Ireland and find an agreement outside of the EU mechanism. The UK did not receive enough benefits to offset its contributions and therefore did not have an incentive to defect from a bilateral agreement with Ireland.

EU Budget Policy

The UK's debt-to-GDP ratio fluctuated during the buildup to the decisions, beginning with a ratio of 41.9% in the 1986-7 period (Munro 2021). The ratio decreased to 28.6% in the 1991-2 period but rose to 43.4% in the 1996-7 period (Munro 2021). Because the UK was looking to make a bilateral agreement with Ireland and opt out of an EU treaty, the UK's debt gave it an incentive to defect from said agreement. The UK's debt ratio grew between 1992 and 1997 and is getting closer to the limits imposed by the EU's fiscal policies. Should the EU be looking for an area where the organization could retaliate against a British decision to opt out, the UK's debt ratio might give them that opportunity. For that reason, I believe British policymakers had an incentive to defect.

Taxes

Tax revenue as a percentage of GDP came out to 23.16% in 1987 (*World Development Indicators* 2020). 1992 saw this percentage rise to 24.28% before falling to 23.70% in 1997 (*World Development Indicators* 2020). Like my other case studies, having stable taxes creates an incentive to cooperate. Little to no change in the percentage of tax revenue as a portion of GDP indicated that policymakers felt little need to intervene in the economy. This created an incentive to cooperate because the British policymakers are showing that they felt confident in the direction of the economy and therefore had little need to defect by not drastically adjusting taxes.

Fiscal Area of Consideration	Does Data Support Cooperation?
Public Spending	Yes
EU Policy	No
Taxes	Yes
Overall Decision	Yes

Table 8.3: Schengen: UK: Fiscal Policy

8.2.4 Migration

Domestic Policy

A shift in government in 1997, the year of the UK's decision, gave the Labour party control over immigration policy, which they directed to be "selectively open" (DEMIG 2015). The previous year, the Conservatives had enacted the Asylum and Immigration Act of 1996, which extended the penalties of being an "illegal entrant" to those just seeking to enter or remain, withdrew some benefits for certain asylum seekers, introduced penalties for employing an undocumented person, and created the concept of a "safe country" from which asylum applicants were unlikely to be successful (DEMIG 2015). This act also increased the rights of immigration officers to search people and arrest them without a warrant (DEMIG 2015). The Asylum and Immigration Appeals Act of 1993 and its restrictive stances on how asylum seekers were treated still stood as the EU approached its decision date. The British government also introduced visa requirements for a list of countries in accordance with the EU common visa list (DEMIG 2015).

Once Labour took power in 1997, the party introduced the Special Immigration Appeal Bill, which gave individuals the right to appeal their deportation (DEMIG 2015). According to Determinants of International Migration,

this bill was in response to a ruling in the European Court of Human Rights that stated that the UK's previous appeals process did not meet the standards set by the European Convention on Human Rights (DEMIG 2015). The last major change to British immigration policy in 1997 happened when the Dublin Convention came into effect. This convention had been signed seven years prior in 1990 and outlined the responsibility of states in assessing asylum claims, which would make it easier for the government to restrict the entry of refugees and asylum seekers (DEMIG 2015).

The policies leading up to the UK's decision on Schengen indicated that British policymakers were trying to restrict immigration. Even with the transition of power to the Labour party, the new government was still in favor of restricting some immigrants and only being open to immigrants who could add economic value (DEMIG 2015).

Bilateral Agreements

The same bilateral agreements from before the decision on the euro still stood. The UK and Ireland were still members of the Common Travel Area and were both still subject to the EU's policies on the rights of immigrants. The British policy on immigrants from the Commonwealth also had not changed, giving immigrants from Ireland special treatment.

Migration from Ireland

580,000 Irish immigrants were living in the UK as of the 1981 census (Green 2014). The number had dropped to 570,000 immigrants from Ireland in 1991, but a large drop occurred between 1991 and 2001 when the number was 475,000 (Green 2014). The trend in British immigration policy showed that the government was looking to restrict immigration and more harshly punish those who broke immigration laws.

The UK's policies towards Ireland showed that British policymakers were open to immigration from the state despite the fact that the immigrants were not coming. The lack of immigration from Ireland did not go against British policies, and creating a deal with Ireland outside of the Schengen provisions might encourage increased immigration from the island. This created an incentive to cooperate because there was no incentive to defect.

Net Migration

In terms of net migration, the UK saw 98,758 more immigrants arrive than residents leave in 1987 (*World Development Indicators* 2020). By 1992, 205,443 net immigrants arrived (*World Development Indicators* 2020). The

number was even larger in 1997 with a total of 513,361 (*World Development Indicators* 2020). These large numbers of net migration coincide with increasing percentages of immigrants as a portion of the British population. Between 1971 and 1981, the percentage of immigrants in the UK increased by .27%. This increased to a change of .63% between 1981 and 1991. Over the time that the UK was deciding on Schengen, the percentage change in the portion of immigrants in the population was an increase of 1.50%.

These statistics may have worried British policymakers since their policy goals were to keep immigration selectively open. If there was data readily available on what these immigrants' countries of origins were, it would be easier to say if they fit the Labour party's goals of being open to select countries. However, because I could not find this data, it is difficult to determine if this is an incentive to cooperate or to defect. Cooperating with Ireland would help restrict immigration from the EU, but the UK's policies in the 1990s mostly targeted asylum seekers and countries outside the EU. Part of the Immigration Act of 1988 relieved EU nationals of the requirement to obtain leave before entering or remaining in the UK, which could be seen as an incentive to defect and follow EU policy.

I certainly think this is a valid point, but I believe that because the UK was instituting strict immigration policies and punishments between that piece of legislation and the Schengen decision date, British policymakers were aiming to reduce overall immigration, including immigrants from the EU. For that reason, I will regard net migration as an incentive for the British policymakers to cooperate with the Irish government and create an agreement outside of Schengen to slow migration.

Migration Area of Consideration	Does Data Support Cooperation?
Migration from Ireland	Yes
Net Migration	Yes
Overall Decision	Yes

Table 8.4: Schengen: UK: Migration

8.2.5 The Troubles

Deaths

The trend of a decreasing number of deaths continued as the UK made its decision on the Schengen provisions. 98 people in 1987 and 88 people in 1992 were killed as a result of the Troubles (Sutton and Melaugh 2020). By 1997, the number of deaths was reduced to 22 (Sutton and Melaugh 2020). This

trend gave the UK an incentive to cooperate and work closely with the Irish government on an agreement outside of Schengen because goodwill created in this process could also improve the peace process for Northern Ireland.

Significant Events

The peace process began in 1993 in the wake of the Brooke/Mayhew Talks (Melaugh 2022). The Irish and British governments made a statement known as the Joint Declaration on Peace, otherwise known as the Downing Street Declaration, asserting that the ultimate goal of both governments was to end the conflict and “heal the [resulting] divisions” (Melaugh 2022). The IRA announced a cessation of military action in 1994 but would later bomb Canary Wharf in London in 1996 (Melaugh 2022). Political leaders from Ireland, Northern Ireland, and Great Britain continued to negotiate despite the actions of the IRA (Melaugh 2022). The peace process would produce the Good Friday Agreement in April of 1998, the year after the UK would make its decision on Schengen, and set the terms by which Northern Ireland would be governed (Melaugh 2022).

This process for peace gave the UK an incentive to cooperate with the Irish government to continue to improve relations between the two states. There was also no incentive to defect because defecting from an agreement on Schengen could put a deal on Northern Ireland at risk.

The Troubles Area of Consideration	Does Data Support Cooperation?
Deaths	Yes
Significant Events	Yes
Overall Decision	Yes

Table 8.5: Schengen: UK: the Troubles

8.2.6 Popular Support

Support for Integration

Eurobarometer data showed a peak in British approval of the EU in 1992. 45.98% of British respondents thought EU membership was a good thing in 1987 whereas 25.81% of British respondents disapproved, and 28.22% felt neutrally (European Commission 1987). The peak came in in 1992 when 59.88% of British people approved of EU membership; 12.32% disapproved and 27.79% were neutral (European Commission 1992). From there, approval

dropped off to 43.85% with 24.76% disapproval and 31.39% being neutral in 1997 (European Commission 1997).

The British Election Study asked a similar question in 1997 but included an element on how respondents thought the EU's power should be adjusted. 18.64% of people said to leave the EU, and 38.62% said they would stay in if the EU's powers were reduced (Heath, Jowell, and Curtice 1993, 1998). 18.39% would leave things as they were in terms of membership and the EU's power, but 8.31% said they would want to stay and see an increase in the power held by the EU (Heath, Jowell, and Curtice 1993, 1998). 6.13% responded that they wanted to see a single European government formed, and 9.91% did not know how they felt about the question (Heath, Jowell, and Curtice 1993, 1998).

The most obvious data for policymakers came from the Eurobarometer survey, which showed a trend of both decreasing approval and increasing apathy. The British Election Study also showed that the plurality of people did not want to see an increase in the power of the EU, so giving the organization more say over the UK's migration policies would not please those respondents. Public sentiment towards the EU gave British policymakers an incentive to cooperate with Ireland to create an agreement outside of the Treaty of Amsterdam and retain some of that power.

Opinion of Ireland

Five years before the UK decided on Schengen, opinion was split on how the British Army should proceed in Northern Ireland. 24.97% strongly supported the removal of troops from Northern Ireland, and 19.90% supported the action a little (Heath, Jowell, and Curtice 1993, 1998). 24.41% opposed removing troops a little, and 23.27% opposed the action strongly (Heath, Jowell, and Curtice 1993, 1998). 4.42% didn't know how they felt about the issue, and 3.03% felt that it did not matter (Heath, Jowell, and Curtice 1993, 1998).

By the year of the UK's decision, 1997, support for the removal of British troops from Northern Ireland had increased. 31.35% of respondents to the British Election Study strongly supported the removal of troops, and 24.79% supported it a little (Heath, Jowell, and Curtice 1993, 1998). Opposition had dropped to 17.12% opposing a little and 16.78% opposing strongly (Heath, Jowell, and Curtice 1993, 1998). 9.37% didn't know where they fell in these options (Heath, Jowell, and Curtice 1993, 1998). In addition, the British Election Study asked participants what they thought the long-term policy should be for Northern Ireland. 31.19% of respondents said that they believed Northern Ireland should remain as a part of the United Kingdom, but 56.24%

said they believed Northern Ireland should be reunited with the Republic (Heath, Jowell, and Curtice 1993, 1998). 12.57% did not know how they felt (Heath, Jowell, and Curtice 1993, 1998).

An increase in support for the removal of British troops from Northern Ireland and a majority of people believing in Irish unification indicated that British citizens held a more positive view of Ireland than they had at previous points in the integration process. The Schengen decision also fell towards the end of the Irish peace process, which likely created more goodwill. Because public opinion on Ireland did not offer an incentive to defect, British policymakers had an incentive to cooperate on a deal outside of the Treaty of Amsterdam.

Sinn Féin and Ulster Unionist Vote Share

The support for Sinn Féin rose slightly in the ten years before the UK decided on Schengen, but support for the Ulster Unionist Party rose at the same time. In 1987, Sinn Féin won 0.3% of the vote, giving them one seat in Parliament (Watson, Uberoi, and Loft 2022; “1970 UK General election results,” n.d.). The Ulster Unionists won nine seats with 0.8% of the vote in the same year (Watson, Uberoi, and Loft 2022; “1970 UK General election results,” n.d.). Sinn Féin did not run candidates in 1992, leaving them with no seats in Parliament while the Ulster Unionists retained their seats from the previous election. The general election of 1997 saw Sinn Féin win 0.4% of the vote, which was enough for them to get two seats (Watson, Uberoi, and Loft 2022; “1970 UK General election results,” n.d.). The Ulster Unionists were awarded ten seats after winning 0.8% of the vote (Watson, Uberoi, and Loft 2022; “1970 UK General election results,” n.d.).

The party with more negative feelings towards Ireland certainly outweighed the party with more positive feelings in Parliament. However, the sentiments of the Ulster Unionist Party were not reflected in survey data from the same time. As such, having a louder unionist voice in Parliament gave policymakers more of an incentive to defect, but it was not strong considering how people felt about Ireland.

Most Important Issue

When asking participants what their most important issue is, the Eurobarometer survey gave four options: maintaining order in the country; giving the people more say in important government decisions; fighting rising prices; and protecting freedom of speech. In 1987, the plurality of respondents, 42.47%, answered that maintaining order was the most important of the four

options, and 30.13% believed that giving people more say in important decisions was the top priority (European Commission 1987). These were the top two answers in the 1992 and 1997 surveys as well (European Commission 1992, 1997). Maintaining order had 41.00% of the responses in 1992 and 46.27% of responses in 1997 (European Commission 1992, 1997). Giving the people more say received 29.27% of responses in 1992 and 32.87% in 1997 (European Commission 1992, 1997).

Maintaining order was a more domestic concern, but it is reflected in the Troubles' area of consideration. When observing the Troubles, the significant events and decrease in deaths both gave British policymakers incentives to cooperate. British policymakers were able to maintain order when negotiating and making deals with Ireland. Giving people a say in important government decisions would mean that policymakers would refer back to public opinion data, which also gave an incentive to cooperate.

The aggregate decision from the concerns of British respondents would be an incentive to cooperate because the top priorities were consistently maintaining order and giving the people a larger say. To maintain order in Northern Ireland during the Troubles, the UK would need to cooperate with Ireland on a peace deal, and cooperating on a deal outside Schengen would aid that process. Giving people a larger say would mean policymakers would be paying close attention to the public, which indicated an incentive to cooperate with Ireland. In both regards, the most important issues for British citizens gave policymakers an incentive to cooperate.

Popular Support Area of Consideration	Does Data Support Cooperation?
Support for Integration	Yes
Opinion of Ireland	Yes
SF and UU Vote Share	No
Most Important Issue	Yes
Overall Decision	Yes

Table 8.6: Schengen: UK: Popular Support

8.2.7 Results for the UK

Equal Weighting

The UK had no areas of consideration that create an incentive to defect in this case study, meaning that the only rational course of action for British policymakers was to cooperate with Ireland. With six incentives to cooperate, one of those being the central issue of the negotiation around Schengen, in

Area of Consideration	Does Data Support Cooperation?
Economy	Yes
Monetary Policy	Yes
Fiscal Policy	Yes
Migration	Yes
The Troubles	Yes
Popular Support	Yes
Overall Decision	Yes

Table 8.7: UK Areas of Consideration for Defecting from Schengen

comparison to no incentives to defect, there was no reason to believe that the UK would choose to defect.

Reweighed Areas

Reweighting the most important areas should only confirm the fact that the UK should cooperate. The most important issue for British people participating in the 1997 Eurobarometer was maintaining order with a response rate of 46.27 (European Commission 1997). Because the Troubles made up the area of consideration most closely related to maintaining order, I will reweigh it as 1.46. The second most important issue was giving people more say, and with a response rate of 32.87%, creates a reweighed popular support consideration of 1.33 (European Commission 1997).

This means that the final calculation is 6.79 incentives to cooperate to zero incentives to defect. It would be completely irrational for the UK to decide to defect from a deal with Ireland and further integrate, so we should expect to see cooperation occur.

8.3 Ireland

8.3.1 Economy

Trade

Between 1987 and 1997, Irish trade with the UK followed a pattern of declining reliance. In 1987, the UK received 34.15% of Ireland's exports and sent 41.74% of its imports (*International Financial Statistics* 2022). Exports dropped to 31.72% in 1992, but imports rose to 42.57% (*International Financial Statistics* 2022). Both exports and imports fell in 1997 to 24.3% and

33.41% respectively (*International Financial Statistics* 2022). These statistics showed that Ireland is successfully becoming more and more independent of the UK.

Ireland's trade with the eurozone plus the UK showed a similar trend, which could be because I purposefully included the British statistics in my calculations. Firstly, in 1987, Ireland sent 74.07% of its exports to and received 66.06% of its imports from the eurozone (*International Financial Statistics* 2022). Next, in 1992, exports to the eurozone were 75.04% of Ireland's trade and 66.89% of its imports (*International Financial Statistics* 2022). Lastly, both statistics dropped in 1997 to 63.95% of exports and 52.68% of imports (*International Financial Statistics* 2022).

For both trade with the UK and the EU, Ireland had no real incentive to defect. Making a deal with the EU and moving away from the UK would mean weakening ties that Ireland still depended on. Although its dependency on the British market had been decreasing through all three of my case studies, the UK was still one of Ireland's largest trading partners. In the years following the decision on Schengen, the percentage of trade going to both the eurozone and the UK stayed at the same levels as prior to the decision. With no incentive to defect, Irish policymakers had an incentive to cooperate.

GDP

In 1987, the Irish GDP was IR£60.13 billion (*World Development Indicators* 2020). The growth rate in this year was 4.66% (*World Development Indicators* 2020). At the five-year benchmark, Irish GDP had risen to IR£76.49 billion with a growth rate of 3.34% from the year before (*World Development Indicators* 2020). By the year of the decision, Ireland's GDP had reached IR£1.09 trillion with a corresponding growth rate of 11.01% (*World Development Indicators* 2020).

A growing GDP showed an incentive to cooperate as a sign of a growing economy. The trajectory of the Irish economy showed no reason for Irish policymakers to avoid an agreement with the UK and therefore no incentive to defect.

Unemployment

Because Irish unemployment data from the IMF began in 1983, there is now enough to complete the calculus. The ten-year benchmark showed Irish unemployment at 16.63% (*International Financial Statistics* 2022). The rate dropped to 15.39% in 1992 before dropping again to 9.88% in 1997 (*Inter-*

national Financial Statistics 2022). All of these rates of unemployment were over what economists consider to be a healthy rate of unemployment, being between about 4 to 5%. Despite this, the downward trajectory of the rate of unemployment in Ireland was promising as policymakers looked to make their decision on an agreement with the UK outside the Treaty of Amsterdam. An incentive to cooperate came both from the downward trend in the data and the consequential lack of incentive to defect.

Foreign Investment

Irish foreign direct investment declined suddenly in the early 1980s, so the data from between 1987 and 1997 reflect the rates of investment returning to and exceeding levels from the 1970s. In 1987, the net inflow of foreign direct investment as a percentage of GDP was .95% (*World Development Indicators* 2020). By 1992 it had risen to 2.61% and remained at about the same level by 1997 with a rate of 2.45% (*World Development Indicators* 2020). A quick increase followed by stability showed an incentive to cooperate because the rate became more favorable and then stabilized. With no incentive to defect, policymakers had an incentive to cooperate.

Economic Area of Consideration	Does Data Support Cooperation?
Trade with UK	Yes
Trade with EU	Yes
GDP	Yes
Unemployment	Yes
Foreign Investment	Yes
Overall Decision	Yes

Table 8.8: Schengen: Ireland: Economy

8.3.2 Monetary Policy

Inflation

Inflation stayed steady between 1987 and 1992 before dropping by 1997. Ten years before the decision date, Irish inflation sat at 3.16% (*World Development Indicators* 2020). Five years later it was 3.07% (*World Development Indicators* 2020). But by the time of the decision in 1997, the rate had been halved to 1.53% (*World Development Indicators* 2020). This favorable trend in Ireland's inflation rates is an incentive to cooperate because inflation became more favorable for the economy and offers no incentive to defect.

Exchange Rates

In comparison to the US dollar, the Irish pound stayed relatively stable. In 1987, the exchange rate was .67 Irish pounds to the US dollar (*International Financial Statistics 2022*; *World Development Indicators 2020*). The rate dropped to .59 Irish pounds to the dollar in 1992 but returned to previous levels with a rate of .66 by 1997 (*International Financial Statistics 2022*; *World Development Indicators 2020*). Stability is an incentive to cooperate because it showed that the purchasing power of the Irish pound had not been affected in the decision-making process, and the data on exchange rates showed no incentive to defect.

Interest Rates

The data I was able to find on Irish interest rates comes from the money market rate, so I will use that metric alone for my decisions. Ireland had a money market rate of 10.84% in 1987 (*International Financial Statistics 2022*). This rose to 15.12% in 1992 (*International Financial Statistics 2022*). However, by 1997, the interest rate had dropped significantly to 6.15% (*International Financial Statistics 2022*). The fluctuation of these interest rates showed some instability in the Irish economy. Because of this Ireland had an incentive to defect and limit the amount of uncertainty in the economy.

Monetary Area of Consideration	Does Data Support Cooperation?
Inflation	Yes
Exchange Rates	Yes
Interest Rates	No
Overall Decision	Yes

Table 8.9: Schengen: Ireland: Monetary Policy

8.3.3 Fiscal Policy

Public Spending and Contribution

The Irish national contribution recorded by the EU in 1987 showed that Ireland gave 207.7 million ECUs to the international organization in 1987 (Directorate-General for the Budget 2009). In 1992, Ireland contributed 306.1 million ECUs, and in 1997 the amount rose to 462.3 million ECUs (Directorate-General for the Budget 2009). However, Ireland was receiving more benefits from the EU than it contributed to the budget, as shown by the

net receipts gathered by the Irish Department of Finance. In 1985, Ireland had a net receipt of €1.2 billion (*Annual Report on Ireland's Transactions with the EU in 2018* 2020). This number stayed the same between 1985 and 1990, but in 1995 it increased to €1.9 billion (*Annual Report on Ireland's Transactions with the EU in 2018* 2020). In the context of opting out of Schengen, Ireland's net receipts became an incentive to defect. Ireland likely would not have wanted to alienate itself from the EU, especially because the supranational organization provided many benefits for the state. Striking a deal with the UK would not come with these kinds of benefits, so there was no incentive to cooperate with the UK here.

EU Budget Policy

Ireland's debt-to-GDP ratio began to steadily decrease over the ten-year period before policymakers had to decide on Schengen. In 1987, debt was 51.69% of Irish GDP (FitzGerald and Kenny 2018; *World Development Indicators* 2020). This dropped to 45.03% in 1992 (FitzGerald and Kenny 2018; *World Development Indicators* 2020). By the year of the decision, 1997, the debt ratio was 36.88% (FitzGerald and Kenny 2018; *World Development Indicators* 2020). Because the debt ratio was decreasing and getting farther away from the limits set by the Treaty on the Functioning of the EU, Ireland has an incentive to cooperate with the UK on an external deal. The state was still in compliance with EU rules even as they considered defecting from the Schengen provisions, so there was little justification for the EU to punish them in this regard.

Taxes

Tax revenue made up 27.45% of Ireland's GDP in 1987 (*World Development Indicators* 2020). By 1992, the share of tax revenue as GDP decreased to 25.93% (*World Development Indicators* 2020). The rate had risen again slightly in 1997 to 26.87% (*World Development Indicators* 2020). Having this stability in its tax revenue showed that Ireland and Irish policymakers had little incentive to defect from a deal with the UK. Irish policymakers did not intervene much to influence the direction of the economy, which exhibited confidence in its trajectory. This stability leads me to believe that in this case, the tax data shows an incentive to cooperate.

Fiscal Area of Consideration	Does Data Support Cooperation?
Public Spending	No
EU Policy	Yes
Taxes	Yes
Overall Decision	Yes

Table 8.10: Schengen: Ireland: Fiscal Policy

8.3.4 Migration

Domestic Policy

After opening up various routes for immigrants to become Irish citizens in the 1980s, the Irish government continued to enact less restrictive policies. The Refugee Act of 1996 created a refugee determination procedure based on the 1951 Geneva Convention and 1967 Protocol, adding onto the guidelines from the UN and including additional considerations for people fleeing from “persecution for reasons of gender, sexual orientation, or membership of a trade union” (DEMIG 2015).

Irish immigration policy on refugees and asylum seekers did become more restrictive in 1997 because the Dublin Convention came into effect. Like the UK, the Irish government had signed onto this convention in 1990 in Dublin, and it defined how EU member-states determined their responsibility for examining asylum applications. Despite this, Ireland was still open to resettling refugees, as shown by their participation in the 1992 UNHCR Bosnian Refugee Program (DEMIG 2015).

In contrast to the restrictiveness of the Dublin Convention, Irish immigration policies showed that overall, Ireland was open to immigration and needed it to help support its rapidly expanding economy.

Bilateral Agreements

The UK and Ireland did not add any new bilateral agreements between their decision on the euro and the decision on Schengen. The Irish government still allowed foreigners to vote in its elections and opened up citizenship to people who got married to Irish nationals. The Common Travel Area, the bilateral agreement between the UK and Ireland, was still in place, and British immigrants benefited from the policies the Irish government had in place for all immigrants.

Migration from the UK

The number of British immigrants in 1986 was 177,792, which fell slightly by 1991 to 173,851 (*Historical Reports* 2021). However, the population of British immigrants in Ireland rose again to 195,053 in 1996 (*Historical Reports* 2021). This large increase would be a good sign in the eyes of Irish policymakers as the Irish economy was still suffering from a labor shortage (DEMIG 2015). It would be necessary for the Irish government to continue to encourage the inflow of British immigrants, and the data from 1991 and 1996 shows that their previous policies were paying off. They would need this trend to continue, which gave them an incentive to cooperate with the UK and create a deal outside of the Schengen provisions.

Net Migration

During the 1980s and early 1990s, Ireland experienced a net loss of population to emigration. In 1987, 125,947 more people left Ireland than entered (*World Development Indicators* 2020). More people were still leaving than entering in 1992, but the difference was less severe at -15,374 (*World Development Indicators* 2020). Ireland finally reached positive net migration by 1997, when 84,879 more people immigrated to Ireland than emigrated to other countries (*World Development Indicators* 2020). The growth of the immigrant population was reflected in the percentage of the population that was foreign-born. Between 1981 and 1986, the percentage dropped by 0.42% (*World Development Indicators* 2020). Ireland saw an increase between 1986 and 1991 of 0.16%, and the proportion of immigrants in the population increased again between 1991 and 1996 by 0.99% (*World Development Indicators* 2020).

Because Irish policymakers were trying to increase the rates of immigration, the decision about whether to opt out of Schengen or not would require looking at where immigrants were coming from. If the majority of immigrants to Ireland were from the EU, it would not make sense for Irish policymakers to make their immigration more difficult. If the majority of immigrants were from Britain, it would be beneficial to cooperate and make a deal with the British government.

By my calculations, using data from the Irish censuses, British immigrants made up 79.37% of all immigrants in Ireland in 1986, 76.0% in 1991, and 71.93% in 1996 (*Historical Reports* 2021). Seeing that the vast majority of immigrants in Ireland originated from the UK, it would be rational for Irish policymakers to give preferential treatment to British immigrants over other groups. In this case, Irish policymakers had a large incentive to cooperate with the UK and create a bilateral agreement on their terms.

Migration Area of Consideration	Does Data Support Cooperation?
Migration from Ireland	Yes
Net Migration	Yes
Overall Decision	Yes

Table 8.11: Schengen: Ireland: Migration

8.3.5 The Troubles

Deaths

As previously discussed, the deaths attributed to the Troubles were dropping during the period before Ireland decided on Schengen. 98 people died in 1987, and 88 people died in 1992 (Sutton and Melaugh 2020). By 1997, deaths had decreased significantly to 22 in that year (Sutton and Melaugh 2020). Like with the euro, these dropping deaths totals signified an improving situation in Northern Ireland and offered an incentive to cooperate on a migration agreement.

Significant Events

The peace process gave Ireland a voice in how the Troubles would come to an end. Irish policymakers collaborated with British policymakers to set forth the Downing Street Declaration, announcing that both governments were committed to ending the conflict (Melaugh 2022). During this process, the IRA announced a cease-fire and then broke it almost two years later (Melaugh 2022). The settlement known as the Good Friday Agreement would be reached in 1998 after about five years of negotiations and one year after Ireland had to make its decision on the Schengen provisions (Melaugh 2022).

The peace process gave Ireland a large incentive to cooperate with the UK on a deal outside of Schengen. During this time of tense negotiations, it would not benefit Ireland to defect from a deal with the UK as it was trying to prove its credibility in the negotiations over Northern Ireland. Cooperating via a deal on Schengen would help build goodwill that could be carried over to the other set of negotiations. There was also no obvious incentive to defect when looking at the events of the Troubles during this period.

The Troubles Area of Consideration	Does Data Support Cooperation?
Deaths	Yes
Significant Events	Yes
Overall Decision	Yes

Table 8.12: Schengen: Ireland: Popular Support

8.3.6 Popular Support

Support for Integration

Irish support for EU membership continued to grow between 1987 and 1997. Firstly, in 1987, 61.1% of Irish participants in the Eurobarometer survey thought EU membership was a good thing (European Commission 1987). 14.7% thought it was a bad thing, and 24.2% were neutral (European Commission 1987). Secondly, 1992 saw a rate of 79% approval with only 6% disapproval and 15.1% of respondents being neutral (European Commission 1992). Lastly, in 1997, approval reached 82.6%, and disapproval dipped to 4.9% with 12.5% neutrality (European Commission 1997). This showed an incentive to defect from a bilateral deal with the UK because approval of the EU was so high. Some citizens may have felt that going along with European policies would be the best option.

Opinion of the UK

Data is sparse on Irish opinion of the UK, but the available data shows a trend of increasing goodwill. In 1988, nine years before Ireland's decision on Schengen, 53% of survey participants favored withdrawal of British troops from Northern Ireland with 38% in opposition (Lyons 2008). For context, ten years prior to that survey, 78% of participants favored withdrawal with 18% opposing (Lyons 2008).

There was also decreasing support for a United Ireland in the Republic over this period. In 1987, a survey asking "easy" questions found that 67% of respondents supported a United Ireland, but in 1983, this number had been 76% (Lyons 2008). When researchers asked "hard" questions in 1991, 41% of those surveyed supported a United Ireland, which is the same response rate as in 1978 (Lyons 2008). By 1996, 38% of those who were asked "hard" questions supported a United Ireland (Lyons 2008).

Again, while the data is sparse, it shows a general trend of lessened animosity. Irish citizens felt less strongly about the reunification of the island of Ireland and were less opposed to British intervention in Northern Ireland. As the peace process neared its end, these statistics showed Irish citizens

were willing to work with British citizens. This gave Irish policymakers an incentive to cooperate and reflect the sentiments of their people.

Sinn Féin and Fianna Fáil Vote Share

Fianna Fáil and Sinn Féin continued to lose support as Ireland approached its decision date on the Schengen provisions. In the general election of 1987, Fianna Fáil won 44.1% of the vote and earned 81 seats in the Oireachtas, and Sinn Féin won 1.9% of the vote but was not awarded any seats (Whyte 2007). Support for Fianna Fáil fell by the 1992 election, as the party won 39.1% of the votes and received 68 seats (Whyte 2007). Sinn Féin still did not win any seats in this election with 1.6% of the vote (Whyte 2007). In 1997, the year of the decision, Fianna Fáil won 39.3% of the vote and 76 seats, and Sinn Féin finally won one seat in the Oireachtas with 2.6% of the vote (Whyte 2007).

As with the survey data on Northern Ireland, the decreasing popularity of Fianna Fáil and the mostly stagnant support for Sinn Féin showed a lack of animosity towards the UK. The decreasing rates of victory for these nationalist parties, especially for Fianna Fáil, reflected a willingness of Irish residents to work with the UK. Policymakers should have interpreted this as an incentive to cooperate. There was no incentive to defect, and public opinion was fairly clear.

Most Important Issue

Respondents to the Eurobarometer taken in the period between 1987 and 1997 were asked which of a list of options were the most important issues for them. The list had four options: maintaining order in the country; giving the people more say in important government decisions; fighting rising prices; and protecting freedom of speech. In 1987, the plurality of Irish respondents, 39.5%, said fighting rising prices was the most important with maintaining order being the second most important with 24.7% (European Commission 1987). Fighting inflation was not in the top two in 1992, and instead, 38.0% of respondents said giving the people more say in important decisions was the top priority (European Commission 1992). Maintaining order was second with a response rate of 30.0% (European Commission 1992). These priorities switched in the 1997 Eurobarometer; 58.4% of people said maintaining order was the most important, and 21.6% said giving the people a larger say in decisions was their top priority (European Commission 1997).

In the context of the Troubles, having maintaining order as the top priority reflected anxiety around the peace process. These concerns gave Irish

policymakers an incentive to cooperate, both on an agreement outside of Schengen and on a peace settlement in Northern Ireland.

Irish citizens also expressed their desire for policymakers to consider public opinion. This becomes tricky because Irish citizens overwhelmingly approved of the EU but were also increasingly willing to work with the UK, as shown by the data in previous sections. I will regard this as an incentive to cooperate with the UK and defect from the EU because maintaining order in Ireland required a peace deal with the UK, and defecting from the agreement on the Schengen provisions would negatively the process for reaching an agreement on Northern Ireland.

Popular Support Area of Consideration	Does Data Support Cooperation?
Support for Integration	No
Opinion of UK	Yes
SF and FF Vote Share	Yes
Most Important Issue	Yes
Overall Decision	Yes

Table 8.13: Schengen: Ireland: Popular Support

8.3.7 Results for Ireland

Area of Consideration	Does Data Support Cooperation?
Economy	Yes
Monetary Policy	No
Fiscal Policy	Yes
Migration	Yes
The Troubles	Yes
Popular Support	Yes
Overall Decision	Yes

Table 8.14: Ireland Areas of Consideration for Defecting from Schengen

Equal Weighting

The only reason for Ireland to defect from a bilateral agreement with the UK in this case study was its monetary policy. Otherwise, Ireland had five incentives to cooperate as opposed to the one incentive to defect. Because the Schengen provisions dealt with migration, it is significant that Ireland had an incentive to cooperate in that area.

Reweighed Areas

The Troubles become the largest incentive to cooperate after reweighing these sections according to public opinion. In the 1997 Eurobarometer, 58.4% of people responded that they believed maintaining order was the most important issue, and subsequently, the Troubles will be reweighed as 1.58 (European Commission 1997). The second most important issue for Irish respondents was giving the people a larger say in important decisions with a response rate of 21.6% (European Commission 1997). Because of this, popular support will be reweighed as 1.22.

With the new weights assigned, Ireland had 5.8 incentives to cooperate as opposed to one incentive to defect. As mentioned earlier, the central issue in these negotiations, migration, was an incentive to cooperate, and alongside the reweighed considerations for the Troubles and popular support, it is very rational that Ireland would choose to cooperate with the UK.

8.4 Verdict: Cooperation Succeeds, Integration Fails

As predicted by this study, the UK and Ireland would obtain opt-outs from the Schengen *acquis* of the Treaty of Amsterdam, thereby allowing these states to continue to dictate their own migration rules (*Treaty of Amsterdam amending the Treaty on European Union, the treaties establishing the European Communities and certain related acts* 1997). Instead of joining the Schengen Area, the UK and Ireland landed at the {Cooperate; Cooperate} equilibrium and maintained the Common Travel Area (CTA), which eliminated the need for immigration control at the land border between Northern Ireland and Ireland (“Travelling to the UK from Ireland, Isle of Man, Guernsey or Jersey” 2021). The respective migration policies for the UK and Ireland would apply to immigrants from any country not in the CTA, including those from the EU (“Travelling to the UK from Ireland, Isle of Man, Guernsey or Jersey” 2021). Based on the results from my analysis, this was a perfectly rational decision, especially because the area of consideration on migration indicated incentives to cooperate for both states. In this case, the UK and Ireland were better going alone together than integrating.

Chapter 9

Conclusion

9.1 Overall Results and Discussion

This project demonstrated that a majority of the time, Ireland and the UK made rational decisions about bilateral agreements as they integrated into the EU. Because these agreements occurred outside of the apparatus of the EU, the UK's main considerations were about how its relationship with Ireland would be affected and vice versa. In all three case studies, Ireland made a rational decision regarding its agreements with the UK to maintain the relationship, and the UK made rational decisions in two of the three studies.

The UK's decision to defect from using the euro appears irrational by my methods, but as I explained in the conclusion of that case study, there may have been underlying factors that my methods did not account for. The strongest alternative explanation is that the salience of nationalistic pride and Euroskepticism in public opinion caused policymakers to act in a manner inconsistent with my definition of rationality.

I still believe the UK was a rational actor because British policymakers acted in a manner consistent with rational behavior in the other case studies. If more areas were added and some eliminated based on relevancy, the decision might better fit my method's definition of rationality; I chose not to do so in this case study to maintain consistency with the Irish study and for consistency with the other case studies.

The main contribution I believe that this project made was to provide a systematic, adaptable approach to evaluating the considerations behind the decisions of policymakers in sequential games. By outlining six areas of consideration, each can be studied individually to understand how it might incentivize decision-makers to cooperate or defect. This method can be adapted to other decisions in different political contexts by adjusting which areas are

taken under consideration and which are given additional weight.

9.2 Limitations and Future Research

For multiple reasons, mainly time and COVID limitations, this project did not reach the scope I would have liked. Some of the problems I ran into, such as the nonavailability of data online for specific indicators, limited my analysis, especially of my earlier case studies. If I had the ability, I would have liked to go to archives in Ireland and the UK to find the data in physical books that have not yet been transcribed for online viewing. Ireland, for example, did not have unemployment data for my case study on joining the EU, but I know this data exists in an archive. This data was also important for reweighing the areas of consideration because one of the most important issues for Irish nationals was poverty and unemployment, so being able to find these statistics would have been helpful for my analysis.

The other main limitation of my project design was that like much of social science research, my methods had an element of subjectivity. I as the researcher made decisions on whether an indicator was an incentive to cooperate or not, and I interpreted most factors without an obvious incentive to defect as incentives to cooperate. I would like to see if another person could come to the same conclusions as I did while using my methods or if they would interpret some indicators differently. I designed my model to try to guard against bias with an objective methodology which I systematically applied based on the facts from trusted sources, but I acknowledge that some bias could exist.

Future research with this project as a foundation would include the changes I have mentioned, and I would look to add an element of bargaining and find more contemporary situations to model. I wanted to incorporate Fearon's bargaining line into this project, but I found that I did not have the time to do so. Modeling historical bargaining also required finding and reading through communications between Irish and British policymakers about potential bargains and going through debates in their respective legislatures. This may have been possible with more time or with a precise database, neither of which I had. It would also be interesting to model current negotiations between Ireland and the UK as the UK continues to exit the EU. I would pivot this research to make predictions about the bargaining range between these two states and analyze the negotiating process. This type of research might also allow me to incorporate more policy and debates into my dataset and interact more with this type of data.

9.3 Conclusion

To answer my research question, the UK and Ireland cooperated regarding decisions on European integration because they were rational decision-makers and therefore cooperated when the benefits outweighed the costs in their payoff structures. I outlined areas of consideration to understand what these benefits and costs are, and then I broke these areas down further into more specific indicators. By determining if these areas created incentives to cooperate or defect, comparing them, and reweighing them, I found that Ireland acted in a manner consistent with rational behavior as defined by my hypotheses in all three cases and the UK acted in a manner consistent with rational behavior in two cases with the euro being an indivisible and nationalistic issue. These states cooperated because they are rational decision-makers, as follows from traditional schools of thought.

While these results are unsurprising given the literature on how states act given the rules of game theory, my methods offer a new approach to understanding the payoffs of actors in these games. This research builds on the known realities of international relations and applies this theory to a new model. Using sequential cooperative games gives a more realistic and yet still simple representation of the actors and actions being studied. The model to create payoff structures for these games is based on a comprehensive, uniform framework that captures underlying fundamental factors that exist in all cases of integration, which improves on models in the literature. I then used this model to study a unique relationship within a unique international organization. Despite the specificity of the relationship between the UK and Ireland, all major interactions could be explained by the unified framework I created.

My hope is that game theory models like mine will be applied to more political relationships in the 21st century in various contexts to better understand how states construct their own payoff structures in the pursuit of cooperation. Knowing how states weigh considerations in their decision-making processes can help researchers better predict the outcomes of negotiations around issues such as Brexit, which has undeniable implications for the continued cooperation between the UK and Ireland.

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