

Endogenous Domestic Institutions in Two-Level Games and Parliamentary Oversight of the European Union

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Many scholars argue that domestic politics can tie the hands of diplomats, who can sometimes exploit these constraints for bargaining leverage in international negotiations. The author examines domestic institutions that make such constraints permanent, and thus credible, in a parliamentary system. Existing “divided government” theories are unable to explain the pattern of parliamentary constraints that we find because they treat executive preferences as exogenous to the legislature. In the author’s model of parliamentary politics, in contrast, parties may constrain the government by forming governing coalitions or establishing effective oversight institutions. This model explains the variation in these oversight mechanisms among the members of the European Union (EU). The most interesting of these is Denmark’s system of parliamentary oversight, which the author analyzes in detail. Among the newest members of the EU, analogous institutions are most likely in Sweden and least likely in Austria.

A foreign policy executive may have greater leverage in international bargaining if constrained by domestic politics. To gain such leverage, Schelling (1960) conjectured that an executive might intentionally tie his or her hands domestically (see also Putnam 1988; Fearon 1997 [this issue]; Milner and Rosendorff 1997 [this issue]). Unfortunately, case study evidence suggests that this tactic, the “Schelling conjecture,” does not work very well (Evans, Jacobson, and Putnam 1993; but see Schoppa 1993; Meunier 1995). Executives cannot credibly establish constraints because executives who can tie their hands can just as easily untie them (cf. Elster 1979).

Matters would presumably be different if the executive’s hands really were tied over the long run. Changing the institutional rules by which players make policy is

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one way to do this (cf. North and Weingast 1989; North 1992). This removes the executive's control over the constraint because some domestic actors—the legislature, in the typical democracy—have a voice in making or unmaking the institution. The executive's claim to be bound is then credible.

This article examines hand-tying institutions that are endogenous to international negotiations.¹ I focus on some parliaments' ability to constrain ministerial negotiations with other member states of the European Union (EU). Looking at the EU has two advantages. First, studying 15 states provides variation in institutions that handle a similar foreign policy problem. Second, I am able to show that theories of divided government (Lohmann and O'Halloran 1994; Mo 1994, 1995; Milner and Rosendorff 1996, 1997), which are based on American institutions, may not be able to explain the oversight pattern we find in European parliamentary democracies.

The problem of hand tying is different in parliamentary systems because the same parties make up the legislature, choose a government, and form an opposition. If a parliamentary democracy has divided government, with an executive whose preferences differ significantly from the preferences of the legislative majority, this is because a legislative majority has effectively chosen such a government. Models that treat executive preferences as exogenous are appropriate for a directly elected executive but exclude the government formation problem that is central to parliamentary government.

To show why we need a theory of parliamentary systems, the first section provides a general theory of the problem of endogenous institutions. The theory follows American practice and the existing literature, assuming that both executive and legislative preferences are exogenous. Domestic disagreement over foreign policy (divided government) and the existence of domestic ideal points near the status quo lead to hand-tying institutions.

These results would predict such institutions in Denmark, Greece, Ireland, and the United Kingdom, but only Denmark has effective parliamentary oversight. The model accurately predicts the absence of effective oversight in the other 8 of the 12 countries and also helps us understand the oversight now enjoyed by the German upper chamber (*Bundesrat*) on some issues. To make more accurate predictions, the second section introduces government coalition formation in a parliamentary system, with and without parliamentary oversight. The results explain the lack of oversight in Greece, the United Kingdom, and, with some caveats, Ireland. The next section further characterizes the equilibrium when endogenous oversight exists. These results let me test the logic of the model against Denmark and compare the model here with other explanations of Denmark's parliamentary oversight. Finally, I use the model to make predictions about likely parliamentary oversight institutions in the newest members of the EU.

1. For studies of how exogenous domestic institutions affect international negotiations, see Cowhey (1993), Mo (1995), and Milner and Rosendorff (1997). For institutional approaches to the study of the EU, see Garrett (1992), Garrett and Tsebelis (1996), Martin (1993), and Tsebelis (1994).

GAME 1
Divided Government Model

Policy is a point in n -dimensional space $x \in \mathfrak{R}^n$, with status quo at x_{SQ} .

Actors are governments A , B , and ratifier RA , with ideal points $x_i \triangleright i \in \{A, B, RA\}$ and $x_i \neq x_{SQ}$.

Utility is linear in distance from ideal point, that is, $U_i(x_F) = -d(x_i, x_F) = -\|x_i - x_F\|$, $i \in \{A, B, RA\}$, $x_F \in \{x_{SQ}, w\}$.

Acceptance sets. Each i 's acceptance set is $c_i = \{x: d(x_i, x) \leq d(x_i, x_{SQ})\}$. The intergovernmental acceptance set $c_{AB} \equiv c_A \cap c_B$.

Win sets. The intergovernmental win set $w_G \subset c_{AB}$ is the set of points in c_{AB} that are Pareto efficient for A and B . Define the contract curve between A and B as the set s_{AB} , that is, the points on the line segment $x_A x_B$. Thus $w_G = c_{AB} \cap s_{AB}$.

The win set w is a subset of those points acceptable to all three actors, that is, $w \subset \{c_{AB} \cap c_{RA}\}$. Under ratification rules, w is the set of points in $\{c_{AB} \cap c_{RA}\}$ that is Pareto efficient for A and B ; under amendment rules, w is the point in $\{c_{AB} \cap c_{RA}\}$ that maximizes RA 's utility.

By assumption, allow only "meaningful" agreements, that is, $x_N \neq x_{SQ}$ so that $x_{SQ} \notin w$.

Outcome at the final node of game is F , at the point x_F along the line. The point x_F will be either the status quo at x_{SQ} or a negotiated and ratified agreement at $x_N \in w$.

Stages and outcomes

- I. Negotiation along contract curve (Putnam's Level I). A and B jointly choose a point x_N . If either prefers x_{SQ} to x_N , then x_{SQ} results and the game ends.
 - II. Domestic approval in A , under one of the following rules:
 - A. *Ratification rules* (ratification without amendment). If RA prefers x_N to x_{SQ} , then $x_F = x_N$; else, $x_F = x_{SQ}$.
 - B. *Amendment rules* (ratification with amendment). RA may amend x_N to some $x_{N'} \neq x_N$; if A and B both prefer $x_{N'}$ to x_{SQ} , then $x_F = x_{N'}$; else, $x_F = x_{SQ}$.
 - C. *No-approval rules*. No domestic approval is necessary, so $x_F = x_N$.
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ENDOGENOUS RATIFICATION INSTITUTIONS IN A DIVIDED GOVERNMENT MODEL

This section explores the basic logic of tying hands, using game 1, the "Divided Government Model." Like previous formalizations of two-level games, the game follows Putnam's (1988) Level I and Level II metaphor, with international negotiations followed by possible domestic ratification. There are three actors: a home executive (A), a home legislature or ratifier (RA), and a foreign government (B). The executive's preferences are exogenous, as in the United States (and, with complications, Finland and France).

Unlike most other formalizations, this game allows for several kinds of domestic political processes or rules. Under *ratification* rules, the government must submit an agreement to the legislature for ratification (without amendment). When *amendment* rules apply, the legislature may amend an agreement when it ratifies it. Finally, a government may face no domestic constraint, which I call *no-approval* rules.

The game uses a spatial model of policy with linear-loss utility functions. Linear-loss utility functions assume that actors care only about the distance between their most preferred policy (their bliss point) and the policy outcome of the game. Assuming n -dimensional space extends existing models of two-level games that have one, two, or three policy dimensions (see Iida 1993; Mo 1994, 1995; Pahre 1994; Milner and Rosendorff 1996, 1997). For tractability, I assume complete information.

I distinguish acceptance sets from win sets. Win sets are a Pareto-efficient subset of acceptance sets. Each actor's acceptance set is the set of points that leaves the actor no worse off than the status quo. The intersection of the two governments' acceptance sets is the *intergovernmental acceptance set*. Those points in the intergovernmental acceptance set that are Pareto efficient for the two governments make up the *intergovernmental win set*. If domestic ratification is necessary, then the governments will only propose points in the intersection of the intergovernmental acceptance set and the ratifier's acceptance set.² The set of points in this intersection that is Pareto efficient for the governments is the win set. If either the intergovernmental acceptance set or the intersection of the ratifier's acceptance set and the intergovernmental acceptance set is empty, then no agreement is possible, and the status quo remains unchanged.

To examine the problem of endogenous institutions, I assume that an executive can credibly claim to have tied hands if the executive and legislature (A and RA) jointly choose the constraint (such as ratification). Removing the constraint would then require legislative consent, which will not be forthcoming if the constraint is meaningful in the first place.

When A and RA must agree on any institution, they will never choose amendment rules (see remark 1 in the Appendix). From the executive's point of view, amendment rules do not usefully tie hands because they effectively make the ratifier the agenda setter. To be useful for the executive, hand tying must offer some agenda power with which the executive can strategically exploit the domestic constraint. Whenever the executive must agree to the institution chosen, we can exclude this imaginable set of rules.

In contrast, ratification rules (without amendment) can give the executive a useful constraint. To find the conditions for this, I first exclude those cases when these rules are irrelevant. Ratification is irrelevant whenever the domestic actor so strongly desires change in the status quo that it will acquiesce in every international agreement the executive negotiates (see remark 2 in the Appendix).

Moreover, domestic differences in preferences are necessary for ratification rules to be relevant. As the domestic actor's ideal point approaches either government's ideal point or the contract curve between them, no-amendment rules will yield the same equilibrium as no-approval rules. In these cases, ratification rules are irrelevant (see remark 3 in the Appendix). Conversely, having a domestic actor's preferences sufficiently distant from the two governments makes ratification rules a meaningful constraint. This remark echoes the literature on American institutions, where congressional ratification increases in importance with the degree of divided government, the

2. If the ratifier can amend the proposal, then the governments only propose points that the ratifier will not amend. Alternatively, define the ratifier's acceptance set in those cases as the point in the intergovernmental acceptance set that maximizes the ratifier's utility.

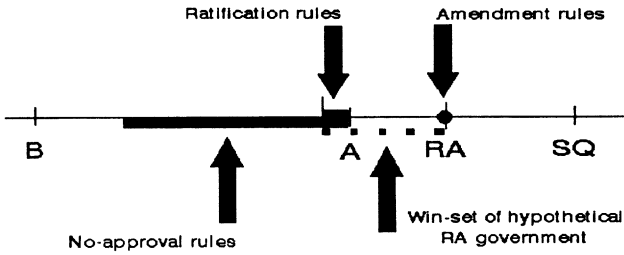


Figure 1: Win Sets and Institutional Differences

difference between congressional and presidential preferences (O'Halloran 1994, chap. 3; Lohmann and O'Halloran 1994; Milner and Rosendorff 1996, 1997).

Having described when these institutions are irrelevant, we can now examine the choice between ratification and no-approval rules. Where ratification rules (without amendment) yield an equilibrium different from the no-approval equilibrium, A and RA might both prefer ratification rules to no-approval rules (see remark 4 in the Appendix). This finding is a variant of Schelling's (1960) conjecture that a government might want to tie its hands. It shows that there are cases when the executive and legislature could agree to tie the executive's hands. Because I use an n -dimensional spatial model, it is more general than other formalizations of the conjecture (Iida 1993; Mo 1995; Pahre 1994; Milner and Rosendorff 1997).

Figure 1 illustrates the logic of these results, using one-dimensional policy space for simplicity. For the constellation of ideal points shown, the ratification win set is a subset of the intergovernmental win set; government A clearly prefers to tie its hands and obtain the much smaller ratification win set. Amendment rules would not be chosen, for they allow the ratifier (RA) to move an agreement outside the intergovernmental win set entirely, making A worse off. Thus A will prefer ratification rules to amendment rules, and RA will prefer the reverse. However, both prefer ratification rules to no-approval rules.

This model suggests that as the status quo becomes more distant from all players, institutional choices fade in importance. In Figure 1, for instance, as the status quo moves to the right, the no-approval and ratification win sets both expand to the left until they make up the entire line segment AB. (These win sets do not expand beyond this line segment because A and B jointly prefer some point on this contract curve to any point outside it.) When the status quo is sufficiently close to the ratifier's ideal point, and when A and RA have different preferences, different institutions may yield different equilibria.

TESTING THE DIVIDED GOVERNMENT MODEL

The divided government model accurately predicts that none of the European parliaments can amend agreements that the executive proposes. Because virtually all

member countries have some large pro-EU party, variation in anti-EU parties is a good measure of differences in domestic preferences. The model predicts endogenous ratification rules in countries where a significant portion of the legislature desires only small changes in the EU, that is, where the ratifier's ideal point is sufficiently close to the status quo.

One example of differences in domestic preferences is the significant difference between the two houses of the German legislature on issues affecting the states (*Länder*), such as social policy. However, this institutional difference in a federal system is exceptional in the EU. To make general comparisons, one very accessible measure is public support for the EU because these public preferences are presumably reflected in the legislature (see Table 1). Public opposition to the EU is greatest in Ireland, Greece, Denmark, and the United Kingdom. Moreover, the level of public support in these countries is substantially different from that in the other eight members. As a result, we should find hand-tying institutions in five countries: the four "Euroskeptics" and, on certain federal issues, Germany.

An additional way to measure domestic differences is to see whether public opposition to the EU finds parliamentary voice in these Euroskeptical countries. There is a foreign policy cleavage in all four countries, which is reflected in partisan divisions in general (see Table 1) and in EU policy in particular.³ In Denmark, the bourgeois parties (the Center Democrats, Christian People's Party, Liberals, and Conservatives) generally favor European integration, but the Social Democrats (*Socialdemokratiet*, S) are more factionalized. There is also a significant pro-EU faction in the otherwise skeptical Socialist People's Party (SF) and a significant Euroskeptical faction among the Liberals (*Venstre*). The Radical Liberal party (*Radikalt Venstre*), a centrist party on domestic affairs, has increasingly distinguished itself from both S and the bourgeois parties by an independent foreign policy stance that is skeptical of internationalism. There are also two *sui generis* parties (pro-EU Progress and anti-EU Justice).

There is a simpler partisan division in Greece. The conservative party New Democracy (*Nea Dimokratia*) has been a steady supporter of European integration, but the socialist PASOK (*Pannelinion Socialistikon Kinima*, or Panhellenic Socialist Movement) and Communists (*Kommunistikon Komma Ellados*) originally opposed membership. PASOK has been pro-European since about 1986, though the Communists still oppose membership (Featherstone 1994).

Parliamentary opposition to the EU is weakest in Ireland, where the two major parties, *Fianna Fáil* and *Fine Gael*, both support the EU. The smaller Labour Party has been more hesitant, at least until the EU's social charter began to win over the party's leadership. The social charter also may be weakening the opposition of the small anti-Community Workers Party (Laffan 1991).

Finally, the two major British parties have both been reluctant members of the EU, each with significant factional divisions on the issue. Splits in the Conservative Party over EU policy helped bring Margaret Thatcher down. Although more hostile in the 1970s, much of the Labour Party has come to favor integration as the EU has moved

3. Although Lijphart (1984) did not include newly democratic countries in his study, Greek parties also are divided on foreign policy issues such as NATO and the EU.

TABLE 1
Foreign Policy, the Public, and Party Government

	<i>Average Support for EU</i>	<i>Foreign Policy Cleavage?</i>	<i>Minority Governments (%)</i>	<i>Mean Government Support (%)</i>
Belgium	+59.5	No	13	61.4
Denmark	-13.3	Yes	88	40.2
Germany	+51.4	No	0	> 50
Greece	-38.1	NA	0	> 50
Spain	+60.8	NA	60	50.6
France	+56.7	Yes	0	> 50
Ireland	-43.2	Yes	41	50.3
Italy	+69.9	Yes	42	51.7
Luxembourg	+73.8	No	0	> 50
Netherlands	+76.7	No	16	61.2
Portugal	+62.0	No	12	61.8
United Kingdom	-7.8	Yes	11	53.4

NOTE: Political support is the average difference of each country's political support from the European mean for the years 1982-1991 (1986-1991 for Spain and Portugal). Political support is defined as the difference between "yes" and "no" answers to the Eurobarometer question, "Do you think that your country benefits from EC (EU) membership?" Existence of a foreign policy cleavage in the party system is from Lijphart (1984, 130); although these cleavages generally do not reflect EU policy, they do provide a party political basis for an EU cleavage. Frequency of minority governments as a share of all governments and the mean parliamentary support enjoyed by all governments are from Strom (1990, 58).

toward an active industrial and social policy (and as the anti-EU old guard leaders such as Peter Shore and Tony Benn near retirement). The Liberal Democrats have been strongly pro-European; for different reasons, so is the Scottish Nationalist Party.

Because of public opposition to the EU and significant anti-EU parties in parliament, the divided government model would expect hand-tying institutions in all four countries. Yet only Denmark has a strong parliamentary oversight institution, the Market Relations Committee (MRC; *Folketings markedsudvalg*). The divided government model also accurately predicts the absence of parliamentary oversight in the other 8 of the 12 countries (for descriptions of these institutions, see Borkenhagen et al. 1992; Directorate General for Research 1989; Martin 1994), as well as the mixed pattern in Germany, described later.

The Danish MRC is unique among European parliaments, and it receives scholarly attention unusual for a parliamentary committee in a small nation (Petersen and Elklit 1973; Auken, Buksti, and Sørensen 1975; Christensen 1978; Sørensen 1978; Fitzmaurice 1976, 1981; Møller 1983; Arter 1984; Bregnsbo and Sidenius 1993; Martin 1994, forthcoming). Before negotiations with the EU and before European Council meetings, the government must inform the MRC (orally) of its bargaining stance. The government can only commence negotiations if this stance has the support of a committee majority, defined as the tacit support of at least one delegate from enough parties to represent half the *Folketing's* membership. This unusual quorum rule guarantees majority support for the policy on the legislature's floor.

In this way, the MRC can bind the government *ex ante*. With complete information, this has the same effect as if the government had to anticipate an *ex post* ratification constraint. As the model predicts, the MRC has only ratification power, without the ability to amend the government's proposals.

The other three Euroskeptic countries lack such an institution. Greece created an oversight committee, the Committee on European Union Affairs (*Epitropi Evropaikon Kinotikon Ypothesseon*), in 1990, made up of both parliamentarians and Greek members of the European Parliament. Although it is supposed to monitor the EU for the parliament (*Vouli ton Ellinon*), it has had no significant effect on executive behavior or anything else (Ioakimidis 1994, 150-51).

The Irish parliament (*Oireachtas*) established its first specialist committee, the Joint Committee on the Secondary Legislation of the European Committee, on joining the EEC in 1973. This committee recommends changes in Ireland's primary legislation to incorporate the secondary legislation of the EU. The goal is to ensure that the secondary legislation, which is normally written with continental legal traditions in mind, will not take direct effect in Ireland (Murphy 1983, 37).

The committee also may recommend that the *Oireachtas* annul any ministerial regulation that implements EU statutory instruments. It has used this power only twice. On the first occasion, the Joint Committee report was ignored; on the second, the health minister modified the implementing legislation to satisfy the Joint Committee (Murphy 1983). Because these cases are exceptional, the committee apparently does not affect Ireland's bargaining leverage in EU affairs.

The British House of Commons has a Select Committee on European Legislation (née Select Committee on European Secondary Legislation), which can (but rarely does) submit any EU business that it deems important to the full House for consideration.⁴ Its weakness is evident in the fact that the committee did not discuss the very important Single European Act (SEA) until after the EU's Council of Ministers had already approved it. Even if its review had begun earlier, the committee would at most have recommended a debate because it does not see its role as giving its own opinion on policy (Directorate General for Research 1989). As a result, EU membership means that "the ability of Parliament to scrutinize and control the executive has been weakened" (George 1992, 110).

Finally, the divided government model explains a newer form of parliamentary oversight in Germany: the effective veto power now enjoyed by the upper chamber (*Bundesrat*) over integrative measures that affect provincial (*Länder*) authority (see Borkenhagen et al. 1992). Although it does not capture federalism explicitly, the logic of the model suggests that we should expect to find endogenous ratification rules where some other relevant actor has preferences that systematically differ from the government's. The German *Länder* meet this standard. They place much greater weight on local control over social policy and education than does the federal government because these issues fall under *Länder* authority. This was not an issue until the SEA, but the EU now intrudes onto these *Länder*-controlled issues.

4. The House of Lords also has a Select Committee on the European Communities that prepares reports for the full House on any community business that it deems important.

Because the *Bundesrat* is chosen by the *Länder* governments, the divided government theory would expect it to demand (and obtain) ratification authority over agreements in social policy and education. This prediction is accurate. The *Länder* enjoy early involvement in negotiations on such issues and have an agreement with the federal government that future changes in EU treaties will be considered constitutional changes, requiring a two-thirds majority of both houses of parliament.

In sum, the divided government model accurately predicts the presence or absence of parliamentary oversight in 9 of the 12 countries but inaccurately in Greece, Ireland, and the United Kingdom. The next section shows that we can do better if we do not treat government preferences as exogenous in a parliamentary democracy. In a parliamentary system, governments are endogenous to a coalition formation game. This is critically different from the divided government model, where the executive's ideal point is exogenous to any congressional choice of institutions. The resulting theory explains parliamentary oversight in all 12 countries and makes reasonable predictions about the 3 newest EU members.

PARLIAMENTARY OVERSIGHT AND MINORITY GOVERNMENT

To show the importance of government coalition formation, this section models endogenous ratification institutions in a parliamentary system. The core results concern minority governments. First, minority governments are more likely in multiparty parliamentary democracies that have foreign policy cleavages. This shows that executive preferences are in fact endogenous in parliamentary systems in a way consistent with the model. Second, minority governments are a necessary condition for endogenous ratification institutions. Both claims are consistent with comparative evidence, though subject to some caveats for Ireland.

In a parliamentary system, a party can influence foreign policy by joining the government coalition. Alternatively, a party might remain outside the government but support an oversight institution that ties the government's hands. Both coalition formation and oversight institutions are found in Denmark for non-EU and EU policy, respectively. Other members of the EU have only the first institution (except for the *Bundesrat*, discussed earlier).

Games 2 and 3 model these institutions, using a three-party parliament for simplicity.⁵ Game 2, the "Foreign Policy Game," adds a government formation stage to the no-approval rules of the divided government model. In this game, parties influence policy simply by joining the government. For simplicity, I ignore other forms of accountability such as interpellations or speech making (see Dunleavy, Jones, and Burnham 1993). No-confidence rules are left out because they do not give the legislature any additional control over the government (Huber 1996).

5. The model generalizes to n parties or party factions. Assuming unified parties rules out examination of when votes do or do not follow partisan lines (as in Lohmann and O'Halloran 1994).

GAME 2
Foreign Policy Game

Actors and preferences. There are three home parties, $i, j,$ and $k,$ and one foreign actor, $E;$ each actor has Euclidian preferences in $x \in \mathfrak{R}^m$ with utility of a policy linear in the distance from ideal point $x_i.$

Acceptance sets. As in game 1, with additional notation that a home government has an acceptance set $c_{GE} = \{c_i \cap c_E \text{ for a minority government } G = i; c_i \cap c_j \cap c_E \text{ for a coalition government } G = ij\}.$ Generic notation is $c_{ijk} = c_i \cap c_j \cap c_k.$

Win sets. The win set is equivalent to the intergovernmental win set in game 1, substituting c_G for $c_A.$ Actors can compare the expected utility from any two win sets (see assumption 1 in the Appendix).

Outcome. The outcome at the final node is $x_F,$ which is either x_{SQ} or some $x_N \in w.$

Stages

I. Government formation

Six different government coalitions are possible: $i, j, k, ij, ik,$ and $jk.$ Governments $i, j,$ and k are minority governments, whereas $ij, ik,$ and jk are majority coalitions. These six possible governments are considered in an arbitrary sequence known to all, with each possibility considered once. At each node, a government is rejected if two or more parties vote to reject it. Equivalently, this describes a game tree with five decision nodes and a binary choice of governments at each node. The decision at each node is made by a majority vote of the three parties. (Note that this procedure always produces a government.)

All actors have shared beliefs about the ideal point of a government made up of parties $\{i, j\}: x_G = \alpha x_i + (1 - \alpha)x_j,$ where α is some exogenous parameter. This point lies on the contract curve connecting the two parties' ideal points. The acceptance set for this coalition is $c_G = c_{ij} = c_i \cap c_j.$ A minority government i has ideal point $x_G = x_i.$

II. International negotiations

G negotiates an agreement x_N with EU; both G and EU must prefer x_N to $x_{SQ}.$ If G is a coalition $ij,$ both members must prefer x_N to x_{SQ} because $c_G = c_{ij}.$

G and E will agree on some x_N if $c_{GE} \neq \emptyset.$ Notice that the contract curve for G and EU is a line segment $s_{GE} = \{x: x = \beta x_G + (1 - \beta)x_E, \forall \beta \in [0, 1]\}.$

Game 3, the “Parliamentary Oversight Game,” adds a government formation stage to the ratification rules (without amendment) of game 1. Any agreement that the government signs with foreigners is subject to parliamentary approval (again ignoring no-confidence rules). These ratification rules capture both pro forma ratification of treaties, as in Japan, as well as Denmark’s MRC. Because the structural features of parliamentary government suffice to explain both cross-national variation in oversight and the Danish case in particular, the complications of an incomplete information model are unnecessary here. With complete information, the MRC’s *ex ante* approval of negotiation positions and game 3’s *ex post* ratification rules are identical.

The choice of institutions is represented by a stage in which the parliament decides whether to play game 2 or 3. To evaluate alternative governments and institutions, I assume that parties can compare the utility they receive from different win sets. In other words, each party has some solution concept for the indeterminate bargaining game between the government and foreigners. If a possible minority government of party i has the same win set as a would-be majority government of parties j and $k,$ I

GAME 3
Parliamentary Oversight Game

Actors, preferences, and outcomes are as in game 2.

Win sets. As in game 2, with the addition that if there is a minority government $G = i$, then the win set is equivalent to the win set of game 1 for ratification rules, substituting c_i for c_A and either c_j or c_k for c_{RA} . Minority governments j or k are analogous.

For comparison, $w_F(G)$ is the win set in the Foreign Policy Game, $w_P(G)$ the corresponding win set in the Parliamentary Oversight Game.

Stages

- I. Government coalition stage: as in game 2.
 - II. International negotiations stage: as in game 2.
 - III. Ratification: any agreement must be ratified by majority vote of the three parties, or else $x_F = x_{SQ}$.
-

assume that the majority government will form (this keeps minority governments from “mimicking” a majority government).

In both games, a government does not choose a policy but negotiates a policy with some foreign actor. As a result, parties do not form coalitions to choose policy directly but choose coalitions representing some win set (i.e., parties choose policy only indirectly).⁶ This difference is shown in Figure 2. If parties did not have to negotiate with foreigners, a coalition of i and j would choose a policy lying on the line segment connecting their ideal points. However, when they negotiate with foreigners, they can only choose a position from which to bargain with the EU. This yields the surprising result that a party’s most preferred government may or may not include itself (see λ_2 in the Appendix). The intuition rests on the fact that a party might prefer that a “hardliner” negotiate with foreigners. Any resulting bargain will be closer to the moderates’ own ideal point than they could reach themselves.

A unidimensional illustration, such as Figure 1, can show the logic of this finding. There, A might prefer the win set of a hypothetical RA government to its own win set under no-approval rules, because A prefers any point in RA’s win set to many of the far-left points in its own win set. This conclusion would not hold without the existence of foreigners: in a purely domestic politics game in which a government can choose policy, a party would rather be in the government than out.

The first proposition follows easily:

Proposition 1: Either a minority or majority government may form in the Foreign Policy Game.

Because a party’s most preferred government may not include itself, it is possible that all three parties’ first choice of government might be, say, a “hawkish” minority

6. An alternative assumption is that each minister has dictatorial control over the policy dimensions for which his or her ministry is responsible (see Laver and Shepsle 1990). Because this minister would have to negotiate with foreign counterparts, government formation and institutional choice would still depend on the anticipated win set in the bargaining game, which drives the model’s results.

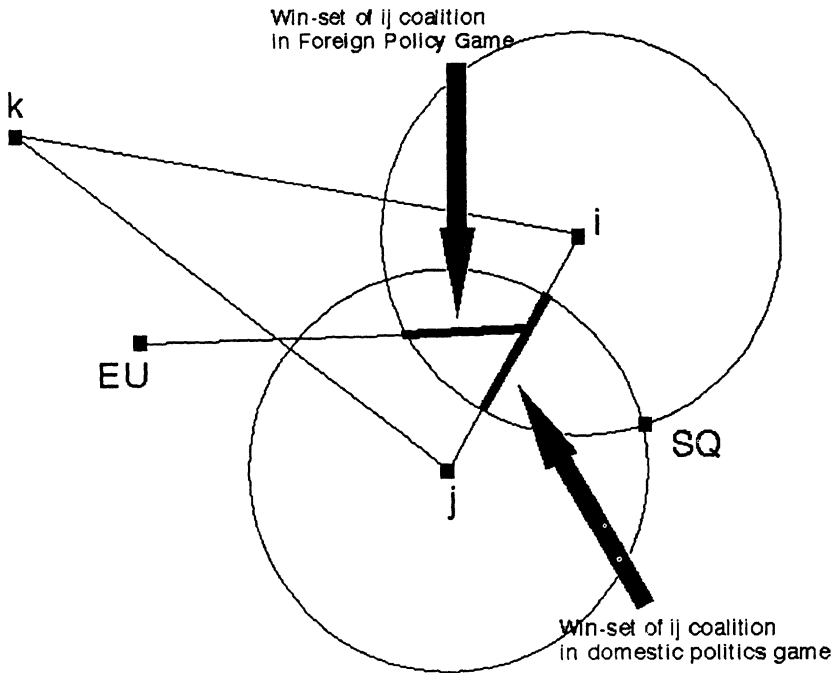


Figure 2: Coalition Governments and Win Sets

government.⁷ A, RA, and any third party located between them might all support an RA government because a hardliner party can drive a harder bargain with the EU than with the others.

One way to test proposition 1 is to contrast it with other theories of government formation. Coalitional theory, for instance, predicts that only majority governments will form in parliamentary democracies (see Strom 1990 for a critical review). Proposition 1 suggests that foreign policy considerations might explain the existence of minority governments, implying that countries with an important foreign policy cleavage will have more frequent minority governments. A simple test of this implication, using a contingency table relating foreign policy cleavages and minority governments, confirms the hypothesis (see Table 2). Foreign policy cleavages are indeed correlated with minority governments cross-nationally, although there are exceptions (Britain and France have foreign policy cleavages but rarely minority governments).

7. In contrast, Mo (1994) assumes that all domestic coalitions are majority coalitions.

TABLE 2
Foreign Policy and Minority Governments

	<i>All Democracies</i>			<i>"The 12"</i>		
	N	<i>Frequency of Minority Governments (%)</i>	SD	N	<i>Frequency of Minority Governments (%)</i>	SD
No foreign policy cleavage	12	18.2	22.3	4	7.3	7.3
Foreign policy cleavage	8	31.6	26.1	7	44.4	24.7
			$F = 2.74,$ $p < .25$			$F = 2.81,$ $p < .25$

NOTE: Cleavage data are from Lijphart (1984, 130); minority government data are from Strom (1990, 58). I count all the countries that Strom excludes as having a minority government frequency of zero, which gives a slightly inaccurate count for Austria because of the Kreisky minority government of 1970-1971. I exclude the United States as a nonparliamentary system and Greece because neither Lijphart nor Strom included it.

This evidence shows that divided government models err when they treat executive preferences as exogenous in a parliamentary system. Foreign policy cleavages affect whether a parliamentary system will have "undivided government," with an executive representing the preferences of a parliamentary majority. Divided government is itself (partly) endogenous when either a minority or majority government may form.

Because membership in the EU has raised the salience of foreign policy issues, the intertemporal evidence from Denmark is also consistent with proposition 1 (see Table 3). Although minority governments were common before 1973, they make up the entire population of Danish governments after membership.

These minority governments are critical for institutional choice:

Proposition 2: A minority government is a necessary condition for parliamentary oversight rules.

A majority government will not agree to any bargain unless it is acceptable to both parties in the coalition. These parties will support the bargain on the floor, which is then superfluous. Therefore, continued governance by minority governments is a necessary condition for effective parliamentary oversight.

This proposition differs somewhat from divided government models. Both predict an absence of effective oversight under a majority government that lacks divisions between the executive and legislature. However, divided government is sufficient for ratification rules in game 1 if the ratifier's preferences are near enough to the status quo. In contrast, the parliamentary model yields additional conditions, discussed as follows, which show that divided government is not by itself sufficient for oversight institutions. These conditions better predict the pattern we observe.

Proposition 2 is consistent with the cross-national evidence. No other country comes close to Denmark's frequency of minority government, nor do other countries' minority governments rely on as narrow a parliamentary basis as Denmark's (see Tables 1 and 3). The condition is also helpful for understanding the absence of effective

oversight in the United Kingdom and Greece. Britain had minority Labour governments in 1974 and from 1976 to 1979 but has had majority governments at all other times since membership. Greece has had only majority governments since overthrowing the colonels. According to Ioakimidis (1994, 147), this explains the lack of effective parliamentary oversight because “strong single-party majorities . . . inevitably did not allow the [Greek] parliament to develop and exercise its legislative and surveillance functions in an autonomous way, independent from the government.”

In contrast, minority governments have been common in Ireland, representing 38% of all governments from 1948 to 1987 (see Table 4). However, Irish minority governments are much shorter-lived than majority coalitions, so a minority has ruled in only 29% of all months during that period. Unlike Denmark, the postmembership period is not significantly different from the rest of the postwar period (contrast Tables 3 and 4).

The Irish case is ambiguous because I have modeled negotiations and institutional choice as a single-play game. A real-world institution exists for some time, shaping a series of negotiations over a variety of issues. A novel institution only makes sense if actors believe that the conditions that make the institution attractive will persist over at least the medium or long term (cf. North and Weingast 1989; North 1992). In this game, then, parties must calculate the likelihood of future minority governments and the costs of changing the institution if conditions change. We have no way of knowing *ex ante* whether Irish minority governments are frequent enough for parliamentary oversight rules to be an equilibrium choice. However, the next section will help refine our understanding of Ireland while testing the model further against Denmark.

FURTHER IMPLICATIONS WHEN RATIFICATION RULES EXIST

The findings in the previous section showed the relationship between foreign policy concerns, minority governments, and endogenous parliamentary oversight. The evidence presented came from a series of cross-national tests. This section derives additional results from the model, telling us what other behavior we should observe in those countries where we find effective parliamentary oversight. Because these rules exist for the full parliament only in Denmark, evidence comes primarily from a case study of that country since EU membership in 1973. The results and evidence provide additional support for the logic of the parliamentary model presented here.

The main proposition describes the win set between the government and the EU under parliamentary oversight rules:

Proposition 3: If we observe a minority government subject to parliamentary oversight rules, then there exists some agreement acceptable to this government, the EU, and a parliamentary majority (i.e., the win set is nonempty).

In other words, oversight rules only make sense as an equilibrium if they change the government’s win set, giving a country bargaining leverage over the EU. If an

TABLE 3
Postwar Governments in Denmark

	<i>November 1945 to December 1973</i>			<i>December 1973 to September 1987</i>		
	N	<i>Length (months)</i>	<i>Parliamentary Basis</i>	N	<i>Length (months)</i>	<i>Parliamentary Basis</i>
Minority	12	200	35.5	8	174	35.0
Formal minority	2	47	49.0	0	0	0
Majority coalition	3	86	55.0	0	0	0
Total	17	333	40.5	8	174	35.0

NOTE: Calculated from Strom (1990, 249-50). Formal minority governments are minority governments with a formal agreement of external support with an opposition party such that it commands a legislative majority.

TABLE 4
Postwar Governments in Ireland

	<i>November 1948 to January 1987</i>			<i>March 1973 to January 1987</i>		
	N	<i>Length (months)</i>	<i>Parliamentary Basis</i>	N	<i>Length (months)</i>	<i>Parliamentary Basis</i>
Minority	6	22.3	47.5	3	5.7	48.3
Majority coalition	3	44.7	50.3	2	50.0	50.5
Majority party	7	28.1	52.9	2	23.5	56.0
Total	16	29.1	50.4	7	23.3	51.1

SOURCE: Calculated from Strom (1990).

agreement would be vetoed on the parliamentary floor, it makes no sense to use oversight for bargaining leverage. There is also no reason to have oversight if there is an empty win set in the foreign policy game. As a result, the actors will only choose oversight rules if the win sets both with and without these rules are nonempty.

The result is ironic for most of the literature on minority governments, which treats them as ineffective and incapable of decisive action. At the same time, it helps explain Martin's (1994, 23-24) observation that

far from making Denmark an unwieldy partner in cooperation, this institutionalized involvement of the parliament has led to Denmark's sterling record in implementing EU-level agreements. . . . Denmark does not find it necessary to renege on or renegotiate agreements in spite of the potential handicaps of minority government.

Furthermore, proposition 3 implies that parliamentary oversight ties the government's hands (see corollary 1 in the Appendix). The acceptance set of at least one nongoverning party will be a real constraint on the government under oversight rules, preventing some agreements that the government and EU might otherwise reach. This is consistent with accounts from participants in the Danish Parliament (Møller 1983).

It is also the feature of the MRC that is most interesting to foreign observers (i.e., Fitzmaurice 1976, 1981; Martin 1994, forthcoming).

The negotiating history of several issues provides evidence consistent with this claim. Under Social Democratic minority governments (1973, 1975-1979), the MRC repeatedly constrained the government's negotiating position on economic issues and direct elections to the European Parliament because of the harder line pushed by a coalition of dissident Social Democrats, Radical Liberals, and Left Socialists (see Thomsen 1993). The Euroskeptics were essential both for strengthening the MRC and for fending off the attempts of a liberal-conservative coalition to put together an alternative bourgeois government.

Together, these claims can tell us something about the way we should expect the MRC to tie the executive's hands. It is very unlikely that a prointegrationist opposition party will be in the position of tying the hands of an anti-integrationist government because any measure acceptable to the government will make the opposition better off than the status quo. Thus the MRC would become irrelevant if there were a government of left socialist parties in Denmark, all of whom oppose further integration. However, bourgeois governments, center-left coalitions, and social democratic minority governments in which the leadership is more integrationist than the parties to its right or left should all face significant constraints from a more reluctant majority in the MRC.

Although proposition 3 and corollary 1 state that some agreement will be reached, they do not state that the government prefers this agreement to what it could reach without parliamentary oversight. Indeed, there may be a coalition of nongoverning parties wagging the government dog, subject only to the constraint that the governing party must prefer the resulting agreement to the status quo. To be precise, it is possible that the win set does not intersect the contract curve between the government and the EU (see corollary 2 in the Appendix). When this happens, the government and EU would both be better off without the MRC, but a majority in the *Folketing* prefers having the MRC to not having it. This echoes Milner and Rosendorff's (1997) analysis of the Schelling (1960) conjecture: domestic politics might so constrain the executive that the executive gets no bargaining leverage from the constraint and wishes that the legislature did not have ratification power. Still, the government prefers the MRC constraint to no agreement because *some* agreement (with the constraint) is better than no agreement.

In such cases, the opposition's acceptance set helps shape the negotiating agenda. This kind of "alternative majority" has been important in Danish EU policy, especially fishing policy. The MRC dominated policymaking on fishing quotas in 1981 and on the Greenland shrimp issue in 1983 and set the agenda for a compromise on the Common Fisheries Policy in 1982. The government went along in each case, presumably because the compromise was better than the status quo.⁸

8. Because the constitution allows one-third of the *Folketing* to demand a referendum on any issue, a minority government can evade an alternative majority when it is confident of public support, as in the case of the Single European Act in 1986.

A related result helps describe the conditions under which the MRC took its current form as a check on the government:

Proposition 4: When parliamentary oversight rules are an equilibrium, at least one nongoverning party prefers a minority government subject to parliamentary oversight rules to some majority government (with or without parliamentary oversight rules).

Proposition 4 illuminates the conditions under which the *Folketing* adopted current MRC rules. A bourgeois coalition nearly brought down the Social Democratic government in 1973, when Agricultural Minister Ib Frederiksen agreed to a controversial price arrangement for Danish bacon, a major export. The move failed only because the Social Democrats worked out a compromise with the Radical Liberals (RV) and the Socialist People's Party (SF), according to which the MRC could reject ministerial bargaining positions in EU affairs. Both parties preferred a minority government facing MRC rules to joining a majority government.

RV has remained in this position since 1973. It generally prefers a minority government under MRC rules to a majority government, even if it could be a member of that majority. It is especially illuminating that RV was often a member of governing coalitions before membership but has not joined a government since. The party conspicuously did not join Poul Schlüter's bourgeois governments of the 1980s.

Another important support of the MRC is SF, the most moderate of the three far-left parties in Denmark (Fitzmaurice 1981, 109-10; Worre 1993). Although once opposed to joining the EU, it now plays an active, skeptical role within the EU. Although it provided external support for some social democratic minority governments from 1966 to 1968 and from 1971 to 1973, SF has never joined a government. This makes it hard to say whether it has chosen to exercise influence through the MRC instead of a governing coalition, but this claim is certainly plausible.

Proposition 4 is also helpful for understanding the absence of ratification rules in the Irish case. Irish minority governments remain in office by providing patronage and pork for the numerous independent members of the *Dáil Eireann* (Strom 1990). Because particularist benefits are so important, these independent members prefer being in government to being out of office with ratification rules. The Irish Joint Committee does not, then, have powers comparable to the Danish MRC's.

This claim that particularist benefits are important in Ireland receives additional indirect support from the evidence on minority governments. Recall that proposition 2 suggests that any important foreign policy cleavage would make minority governments more likely (cf. Table 2). EU policy apparently does not affect coalition formation in Ireland because minority governments are no more frequent after membership than before (see Table 4). Presumably, the reason why the foreign policy cleavage does not lead to more frequent minority governments is the fact that the two major parties both support the EU, despite significant public opposition.

Finally, the results here and the comparative evidence from Denmark let us state the conditions under which Ireland might see ratification institutions. Ratification rules could occur if a Euroskeptic Labour party is willing to stay out of a majority coalition

with *Fine Gael* or *Fianna Fáil* to exercise a veto on EU policy from the Joint Committee. Given past patterns of coalition formation, this seems unlikely.

RIVAL INTERPRETATIONS

This article has rested its claims largely on cross-national evidence and a case study of Denmark's MRC. However, alternative explanations of the Danish case account for its peculiar institution by emphasizing country-specific variables. Examining these rival interpretations provides a useful check on the theory offered here.

Most of the literature analyzes the MRC alongside other *Folketing* committees (i.e., Damgaard 1977, 1992; Arter 1984). Like the British House of Commons, the *Folketing* traditionally used ad hoc committees to deal with particular bills. It reformed its committee system in 1972 and now has 23 specialized committees. Thus the MRC is part of a modern parliamentary resurgence stemming from Denmark's fragmented party system, increased legislative workload, active interest groups, and frequent minority government.⁹ The best foreign analyst of the MRC presents quite a list of relevant variables:

There are certain pre-requisites for the establishment of a successful system of national parliamentary control. There must be a strong and active parliamentary system, with parliament playing a central role in government. There must be a strong tradition of parliamentary involvement in the foreign policy making process. The Community itself must be a political issue. There must be an active core of M.P.s interested in the Community. (Fitzmaurice 1976, 282)

Other domestic political factors also can help explain the MRC (see Auken et al. 1975; Christensen 1978; Sørensen 1978).

These explanations cannot explain the unique features of the MRC, such as its quorum rule and its veto control of ministers, which are not found in the other standing committees. Nor do they explain why the MRC's role does not resemble that of the long-standing Foreign Affairs Council, which handles other foreign policy issues. Indeed, the only interpretation of which I am aware that emphasizes both domestic and international concerns is Sørensen's (1978, 142) claim that

considerations of internal party politics and bargaining tactics with the other EC countries gave the Social Democratic minority government a clear interest in connecting the MRC, and thus the *Folketing*, to the government's EC policies as strongly as possible.¹⁰

Such an argument is plausible but not very precise. Sørensen does not describe the conditions under which either the government or nongoverning parties would *not* have

9. Strom (1990) would argue that all these legislative reforms make minority government more likely. According to the theory here, minority government makes MRC rules more likely. Thus there is an indirect link between these legislative reforms and the MRC, one that also explains why the MRC differs from other committees.

10. "En socialdemokratisk mindretsregering af både indre partipolitiske hensyn og af forhandlings-taktiske hensyn i forhold til de øvrige EF-lande har en klar interesse i at få markedsudvalgets og dermed Folketingets tilslutning til så store dele af regeringens EF-politik som muligt" (my paraphrase).

an interest in expanding the role of the MRC. The model here lets us state more precisely such conditions.

In the interpretation here, the most important reason for the MRC's uniqueness compared to other *Folketing* committees is that it has authority over a contentious foreign policy issue. Because EU policy is foreign policy, the outcome of the parliamentary game is not a policy per se but a bargaining position. Because EU policy is contentious, a government cannot routinely count on a majority for its policy, so the MRC ties the government's hands.

In this latter respect, EU policy differs from NATO policy.¹¹ Historically, there has been a broad consensus on NATO issues among the older mainstream parties most of the time; the most important exception was the debate over missile deployments from 1982 to 1984. When the Radical Liberals would not support Schlüter's policy, he relied on external support from the Progress Party (1983) or the Social Democrats (1984). If they become endemic, such disputes would make a stronger foreign policy committee more likely.

Pending such developments, these other foreign policy issues remain under the jurisdiction of the *Folketing's* traditional foreign policy oversight mechanisms, led by the Danish Foreign Affairs Council (FAC; *Det udenrikspolitiske naevn*). Although prestigious, the FAC plays only an advisory role in foreign policy (Arter 1984; Damgaard 1992; Bregnsbo and Sidenius 1993). In this, it resembles the EU oversight mechanisms of most other EU parliaments, captured in game 2.

Finally, some foreign observers argue that Denmark's smallness demands the sort of bargaining leverage that the MRC provides. This logic, if correct, would predict that all the smaller member states would exert prior control over the executive's bargaining stance. This prediction is not accurate. The comparative statics of the divided government model explain why prointegration small nations such as Belgium, the Netherlands, Luxembourg, and Portugal do not find it helpful to tie their executives' hands. These countries have publics that generally support further integration, and they lack foreign policy cleavages in their parliaments. The model thus also explains why those countries that complain about the "unfairness" of the Danish institution do not emulate it (for overviews of the criticisms, see Auken et al. 1975; Fitzmaurice 1976; Møller 1983).

OVERSIGHT IN THE NEWEST MEMBERS OF THE EU

As a final application of the theory, this section discusses oversight in the newest members of the EU: Austria, Sweden, and Finland. The theory identifies three necessary conditions for endogenous ratification rules in a parliamentary system. First,

11. This argument sidesteps the question of how jurisdictions are constructed. There are both noncontroversial EU issues (free internal trade in automobiles) and controversial NATO issues (missile deployments). The theory cannot explain why we do not observe one committee for "contentious foreign policy issues" and another for "noncontentious foreign policy issues." Although such a construction of jurisdictional boundaries seems ridiculous, it is not easy to explain why. The theory here also cannot explain the nonexistence of intuitively plausible committees such as "EU fisheries" or "EU agriculture."

there must be a significant portion of the public, and at least one party represented in parliament, that prefers the status quo to further integration. Second, a country must have frequent minority governments. Third, there must be some party that would rather enjoy a policy veto through an oversight committee than join a majority government.

Given these conditions, we should not expect MRC institutions in Austria. The Austrian public is strongly pro-European, with 66.6% voting in favor of membership. A nearly unbroken string of (super)majority rule also makes strong parliamentary oversight very unlikely.

Sweden is a more ambiguous case, though it meets the first two conditions. The public is narrowly pro-EU; the membership referendum passed by a vote of 52.3% to 46.8% (with 0.9% blank ballots). The largest bourgeois party, the (conservative) Moderates (*Moderata Samlingspartiet*), styles itself as "Sweden's European party since 1962." The Liberals (*Folkpartiet Liberalerna*) are also pro-European. The Center (historically the Farmers Party) is more circumspect, favoring an EU of sovereign states with significant devolution of powers to member states and their component regions. The Social Democratic leadership is pro-EU, but the rank and file is not; in the 1995 EU elections, the party lost three-sevenths of its 1994 support to the Left Socialists (*Vänsterpartiet*) and the Greens (see Table 5). For their part, the Left Socialists proclaim themselves "on a collision course with the plans of the EU" (*Vänsterpartiet* 1995). The Greens (*Miljöpartiet de Gröna*) also strongly oppose the EU. In short, Sweden easily meets the conditions of significant public opposition, reflected in at least one significant party in parliament.

Sweden also meets the second condition. About 57% of postwar governments have commanded only minority support. Since the end of the Social Democrats' hegemony in 1976, bourgeois minority governments have been as common as bourgeois majority governments, and all the Social Democratic governments have had only minority support. Although not as frequent as in Denmark, minority governments are significantly more common in Sweden than in Ireland.

It is harder to tell whether the third condition is met, which requires that at least one party prefers being in opposition with ratification rules to joining a majority coalition without such rules. It is certainly imaginable that the Center or Christian Democrats (*Kristdemokratiska Samhällspartiet*) might play a position analogous to that of the Radical Liberals in Denmark, preferring veto control over EU policy to participation in a majority coalition. Indeed, the Center's platform calls for each member state to retain veto rights in matters of health, environment, and security policy (*Centerpartiet* 1995). The Liberals also might face a real choice between joining a Social Democratic coalition or demanding a parliamentary veto over EU affairs because Prime Minister Ingvar Carlsson, reversing a long precedent, has expressed a willingness to govern in coalition with them.

Although it is imaginable that a bourgeois party might use its leverage to gain an MRC-type institution, this has not yet happened. It is also conceivable that the Left or the Greens might prefer to exercise policy influence from within an MRC rather than join a majority left coalition, but again, neither the coalition nor the committee has appeared. A recent parliamentary report has recommended creating an EU council that

TABLE 5
Recent Elections in Sweden

	<i>General Election (1994)</i>		<i>European Parliament (September 1995)</i>	
	<i>Votes (%)</i>	<i>Seats</i>	<i>Votes (%)</i>	<i>Seats</i>
Social Democrats	45.3	161	28.1	10
Moderates	22.4	80	23.1	5
Center	7.7	27	7.2	2
Liberals	7.2	26	4.8	2
Left	6.2	22	12.9	1
Greens	5.0	18	17.2	1
Christian Democrats	4.1	15	3.9	1

SOURCE: *Riksskatteverket* (1995).

NOTE: Parties with less than 4% of the *Riksdag* vote (the threshold for representation) are not shown.

would not have veto power over ministerial bargaining positions, but this is still a matter of some controversy at this time.

With the current Social Democratic minority government in power, an MRC-type committee would be superfluous anyway; any government policy can only be defeated by all six opposition parties working together. This is sufficiently unlikely that the government has de facto majority support. In contrast, a Moderate-led minority government could find parliament to be a real constraint on its policies. When the bourgeois parties next form a government, we would expect the Center or the Liberals to play a key role in deciding whether the EU council should add veto powers analogous to the MRC.

Finally, the model does not speak directly to the Finnish case, where the president has important foreign policy powers. The divided government model applies better here than elsewhere in Europe, supplementing the parliamentary model. The Finnish public is less European than the Austrians but more so than the Swedes; the membership referendum received a 57% majority. It is not unusual for Finland to have a minority government (frequency is 28%), but supermajority coalitions are much more common. Most governments come from a range of the political spectrum that includes the president's party (see Arter 1984; Elder, Thomas, and Arter 1982). In divided government models, this similarity of preferences makes presidential delegation likely. The parliamentary theory agrees that parliamentary oversight is unlikely because minority governments are infrequent.

CONCLUSIONS

This article has examined endogenous domestic institutions in a two-level game, with particular reference to institutions that tie the executive's hands. In the first section, with exogenous executive preferences, the distance between the status quo and actors' ideal points determines whether institutional choices matter. This general

model could not explain why Greece, Ireland, and the United Kingdom did not have strong parliamentary oversight institutions. A more satisfactory theory requires adding some of the complexities of parliamentary systems to the model.

The theory identifies three necessary conditions for endogenous ratification rules in a parliamentary system. The first condition is that a significant portion of the public and at least one party represented in parliament must prefer the status quo to further integration. Second, a country must have frequent minority governments. Third, at least one party must prefer having a policy veto through the oversight committee to joining the government.

The theory and evidence here show that parliamentary institutions differ from the American pattern in important ways that are not captured by divided government models. Moreover, we can study institutional differences systematically within a theory of international negotiation. This suggests, in turn, that we can usefully pursue a domestic institutional agenda to examine how domestic politics affects foreign policy and international bargaining.

APPENDIX Formal Proofs

Remark 1. Generically, A and RA will disagree over whether to choose ratification rules that allow amendment. Specifically, A prefers ratification rules to amendment rules, and RA prefers amendment rules to ratification rules. Thus, if the choice of rules requires the consent of both A and RA, these rules will not be chosen.

Proof. If both A and B prefer x_{RA} to x_{SQ} , RA will always amend any x_N to x_{RA} . If $x_{RA} \in \{c_{AB} \cap s_{AB}\}$, then A may or may not prefer it to the outcome of the AB negotiations; else, $\exists x_N' \in c_{AB}$, then $\exists x_N \in \{c_{AB} \cap s_{AB}\}$, such that A and B both prefer x_N to $x_N' = x_{RA}$. Thus, with no-approval rules, the governments would choose x_N instead of x_N' . On the other hand, RA will always prefer some $x_N' \neq x_N$ to x_N , unless $x_N = x_{RA}$. Thus A prefers no approval to ratification with amendment, but RA prefers ratification with amendment to no approval. \square

Remark 2. When the status quo is sufficiently distant from RA's ideal point, ratification rules will yield the same equilibria as no-approval rules (i.e., ratification rules become irrelevant).

Proof. Unless all three points are on the same line, x_A, x_{RA} , and x_{SQ} define a triangle s.t. $d(x_A, x_{SQ}) + d(x_{RA}, x_{SQ}) > d(x_A, x_{RA})$. Move x_{SQ} to x_{SQ}' s.t. $d(x_{RA}, x_{SQ}') \geq d(x_A, x_{SQ}) + d(x_{RA}, x_{SQ})$; surely such a point exists. This implies that $d(x_{RA}, x_{SQ}') \geq d(x_A, x_{RA})$, so $x_A \in c_{RA}$. A similar analysis holds for x_B and $\exists x_{SQ}': d(x_{SQ}', x_{RA}) \geq d(x_A, x_{SQ}) + d(x_{RA}, x_{SQ})$ and $d(x_{SQ}', x_{RA}) \geq d(x_B, x_{SQ}) + d(x_{RA}, x_{SQ})$. If $x_A, x_B \in c_{RA}$, then $s_{AB} \subset c_{RA}$ because RA has convex preferences. Thus RA's ratification is irrelevant $\exists x_N \in \{c_{AB} \cap s_{AB}\}$. \square

$\lambda 1.$ If $x_{RA} \in s_{AB}$, then ratification is irrelevant.

Proof. Define x_A' as $\{x: x \in s_{AB}, d(x_A, x) = d(x_A, x_{SQ})\}$, and x_B' as $\{x: x \in s_{AB}, d(x_B, x) = d(x_B, x_{SQ})\}$. The lemma requires that RA ratify all points on the line segments $x_A x_A'$ and $x_B x_B'$. Begin with $x_{RA} \in x_A x_A'$ and define $x_{RA}' \in c_{RA}$ as the point nearest x_B on s_{AB} that RA will accept. Now, RA will accept all points that A will accept if $d(x_A, x_{RA}) + d(x_{RA}, x_{RA}') \geq d(x_A, x_A')$. By definition,

$d(x_A, x_A') = d(x_A, x_{SQ})$ and $d(x_{RA}, x_{RA}') = d(x_{RA}, x_{SQ})$, so the inequality is equivalent to $d(x_A, x_{RA}) + d(x_{RA}, x_{SQ}) \geq d(x_A, x_{SQ})$. This always holds because the line segments $x_A x_{RA}$ and $x_{RA} x_{SQ}$ are two sides of the triangle $x_A x_{RA} x_{SQ}$, and the line segment $x_A x_{SQ}$ is the third. A similar analysis holds for $x_{RA} \in x_B x_B'$, which exhausts the possible locations for x_{RA} on s_{AB} . Notice that if $x_A x_{RA} x_{SQ}$ or $x_B x_{RA} x_{SQ}$ defines a line and not a triangle, then $c_{AB} = \emptyset$ for $x_{SQ} \in s_{AB}$, or if $x_{SQ} \notin s_{AB}$, $PA \tau \rho \iota \omega \alpha \lambda \lambda \psi \rho \alpha \tau \iota \phi \iota \epsilon \sigma \alpha \lambda \lambda \xi_N \in \{c_{AB} \cap s_{AB}\}$. \square

Remark 3. As the domestic actor's ideal point approaches either government's ideal point or the contract curve between them, ratification rules yield the same equilibrium as no-approval rules (i.e., ratification rules become irrelevant).

Proof. As x_{RA} approaches x_A , eventually RA will ratify all points on the contract curve between x_A and x_B that are also in A's acceptance set; a similar analysis follows for x_{RA} approaching x_B . The rest of the remark follows from $\lambda 1$. \square

Remark 4. Where ratification rules (without amendment) yield an equilibrium different from the no-approval equilibrium, A and RA might both prefer ratification rules to no-approval rules.

Proof. With no-approval rules, A and B will choose a point along the AB contract curve that is also in the intersection of their two acceptance sets. If RA will accept only some portion of this line segment, then RA is unambiguously better off by having ratification power. RA's ratification power also makes A better off if the points that RA will accept are better than the full contract curve; for instance, RA might only ratify that half of the contract curve nearer to x_A than to x_B . \square

FOREIGN POLICY GAME

The proofs require two additional assumptions.

Assumption 1: Each party can compare nonempty win sets $w(i) \neq w(j)$ such that either $w(i) > w(j)$ or $w(j) > w(i)$, where $>$ denotes "preferred by i ."

Assumption 2: If $w(i) = w(jk)$, then $G = i$ is weakly dominated by $G = jk$ for j and k ; $G = j$ or $G = k$ is analogous.

$\lambda 2$. A party's most preferred government may or may not include itself.

Proof by construction. Suppose x_i is equidistant between x_j and x_E on the line segment $[x_j, x_E]$ for some i, j and that $c_{jE} \neq \emptyset$. The set of Pareto-efficient bargains for j and E is a line segment centered on x_i . The set for i and E is a line segment along the line segment $[x_i, x_E]$, with some such points lying farther from x_i than any point in the set of Pareto-efficient bargains for j and E . The Nash Bargaining Solution for j and E , and the midpoint of their contract curve, is x_i , which i prefers to its own contract curve with E ; there is also a mapping from the jE contract curve to the iE contract curve such that i prefers each point on the jE curve to its corresponding point on the iE curve. Depending on discount factors, who makes the first offer, and the time between counteroffers, the Rubinstein solution can be anywhere along the contract curve; choose parameters such that the lemma holds. Thus, by any means of comparing win sets, i prefers a government by j to a government by i . \square

Comment. $\lambda 2$ rests on only one of many cases wherein a "moderate" party prefers having hardliners do the negotiating. As j moves farther from i and E along the line iE , i continues to

(continued)

prefer a government by j at least as long as i 's ideal point is a member of j 's acceptance set. The logic also holds for i some distance from the line segment jE in a second dimension or j some distance from line iE ; aligning the three actors in a single dimension only simplifies the construction in the proof.

Proposition 1: Either a minority or majority government may form in the Foreign Policy Game.

Proof by construction. Because a party's most preferred government may not be itself, it is possible by construction for a given minority government, or a given majority coalition, to be the first choice of two or more parties. \square

PARLIAMENTARY OVERSIGHT GAME

Remark 5. The win set of a minority government i is $w(i) = c_{iE} \cap \{c_j \cup c_k\} = c_{ijE} \cup c_{ikE}$.

Proof. This definition captures all points acceptable to the government, the EU, and at least one nongoverning party such that the policy will receive a majority vote on the floor of the parliament. \square

$\lambda 3.$ For each $\{i, j\}$, $w_p(ij) = w_F(ij)$. \square

Proof. Any $x_N \in w_F(ij) = c_i \cap c_j \cap c_E$ will receive the assent of at least i and j on the floor, so $w_p(ij) = c_i \cap c_j \cap c_E = w_F(ij)$. Conversely, $\exists x_N \notin w_F(ij) : x_N \in w_p(ij)$. \square

INSTITUTIONAL CHOICE

Additional Structure of Game

Before play of the Foreign Policy Game, the three parties choose by majority vote to play game 2 or game 3.

Note. The proofs that follow distinguish proper subsets (\subset) from reflex subsets (\subseteq) such that proper subsets are explicitly *not* "equal to."

Assumption 3: If a party is indifferent between game 2 and game 3, it votes for game 2.

Remark 6. For a party to prefer game 3, it must be true that $\exists G: w_p(G) > w_F(G)$.

Proof. If $w_p(G) = w_F(G) \supset G$, then that party is indifferent between having and not having MRC. It will choose not to have the rules by assumption 3. \square

Remark 7. It is necessary that $w_p(G) \neq w_F(G)$ for it to be true for any i that $w_p(G) > w_F(G)$.

Proof. Follows from assumptions 1, 2, and 3. \square

Proposition 2. A minority government is a necessary condition for parliamentary oversight rules.

Proof. Follows from $\lambda 3$ and remarks 6 and 7. \square

$\lambda 4.$ $w_p(G) \subseteq w_F(G) \forall G \in \{i, j, k\}.$

Proof. Unless $w_p(i) = \emptyset, \exists x_N \in w_p(i) = \{c_{iE} \cap \{c_j \cup c_k\}\}$ and thus $x_N \in w_F(i) = c_{iE}$ and $w_p(i) \subset w_F(i)$. If $w_p(i) = \emptyset$, then $w_p(i) \subset w_F(i)$. \square

$\lambda 5.$ If parliamentary oversight rules are an equilibrium, then $\exists G \in \{i, j, k\} : w_F(G) \neq \emptyset.$

Proof by contradiction. If $x_F(G) = \emptyset$, then $x_M(G) = \emptyset = x_F(G)$ by $\lambda 4$. This violates the condition in remark 7, so parliamentary oversight rules cannot be an equilibrium. \square

$\lambda 6.$ If parliamentary oversight rules are an equilibrium, $\exists G \in \{i, j, k\} : w_p(G) \neq \emptyset.$

Proof by contradiction. If $w_p(k) = \emptyset$ and $w_F(k) \neq \emptyset$, then both i and j prefer x_{SQ} to all $x_N \in w_F(k)$ so that they use parliamentary oversight to veto all proposed agreements. If $w_p(ij) = \emptyset$, then $w_p(k) = w_p(ij)$, so $G = k$ is weakly dominated by $G = ij$ and will not occur by assumption 2. If $w_p(ij) \neq \emptyset$, then parliamentary oversight rules are not an equilibrium because i and j both prefer $w_p(ij)$ to $w_p(k)$. A similar analysis follows for $G = i$ and $G = j$. Thus $w_p(G) = x_{SQ}$ will never occur in equilibrium for $G \in \{i, j, k\}$. \square

Proposition 3: If we observe a minority government subject to parliamentary oversight rules, there exists a point acceptable to this government, the EU, and a parliamentary majority (i.e., the win set is nonempty).

Proof. For each G in equilibrium, $w_p(G) \subset w_F(G)$ by $\lambda 4$ and remark 7, and $w_p(G) \neq \emptyset$ by $\lambda 6$. \square

Corollary 1: Whenever parliamentary oversight rules are an equilibrium, the acceptance set of at least one nongoverning party is a real constraint on the government, preventing some agreements that the government and EU might otherwise reach.

Proof. Follows from remark 7, $\lambda 4$, $\lambda 5$, $\lambda 6$, and proposition 3. \square

Corollary 2: It is possible that the win set does not intersect the contract curve between the government and the EU.

Proof. Follows from proposition 3, corollary 1, and $\lambda 4$. \square

$\lambda 7.$ If parliamentary oversight rules are an equilibrium, at least two parties prefer the equilibrium $G = i$ to each $G = ij$.

Proof. For $G = k$, the lemma requires that the five $G \neq k$ are each preferred by at most one actor to $G = k$, lest two parties agree to vote strategically to yield that $G \neq k$. Because at most one party prefers each $G = ij$ to $G = k$, the other two parties must prefer $G = k$ to each $G = ij$. $G = i$ and $G = j$ are analogous. \square

Proposition 4: When parliamentary oversight rules are an equilibrium, at least one nongoverning party prefers a minority government subject to parliamentary oversight rules to some majority government (with or without parliamentary oversight rules).

Proof. Recall that by $\lambda 3$, $w_F(ij) = w_F(ji) \forall i, j$. Whenever parliamentary oversight rules are an equilibrium, there is a minority government by proposition 2. The proposition follows from $\lambda 7$ because no more than one of the two parties in $\lambda 7$ can be in the government.

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