Exchanging and voting in the Council: endogenizing the spatial model of legislative politics
Thomas König and Sven-Oliver Proksch

ABSTRACT We present a new model of Council decision-making which attempts to reflect the political processes inside the Council more accurately. For the analysis of EU legislative decision-making we propose a two-stage exchange model assuming that actors know the outcome of the spatial model in which the Commission makes a proposal requiring the support of a qualified majority of member states in the consultation procedure. Our model assumes that member states consider this outcome as the reference point for making exchange efforts to find a more acceptable solution. The model suggests that member states can exclude the Commission and exchange resources which control the outcome of the proposal’s issues, as long as the exchange solution promises a more beneficial outcome than the spatial model does. The empirical analysis applies the spatial model in the two-dimensional policy of the Honey directive and illustrates the differences to our two-stage exchange model. In addition to taking a closer look at decision-making inside the Council, we believe that our two-stage model can provide further insight into the process by determining the value of the issues, the power of the actors and their demand and supply in the control of issue outcomes. The analysis reveals that all member states profit from the exchange solution which is also located close to the outcome.

KEY WORDS Council; European Union; exchange model; spatial analysis

INTRODUCTION
The spatial model of legislative choice is a prominent approach to understanding the interaction between Commission, Council and the European Parliament (EP) in legislative decision-making in the European Union (EU). We present a new model of legislative decision-making in the EU that explicitly takes into account the internal structure of the Council. Our approach builds on findings of spatial scholars demonstrating that the Council continues to be the central legislative decision-making body, in which member state governments negotiate, amend and adopt Commission proposals. We believe that this internal
coordination is still central in spite of the fact that member states share power with the EP in an increasing number of cases under different procedures (Hix 2005). For each procedure, spatial scholars draw their conclusions from outcome predictions in one- or multidimensional policy spaces (e.g. Crombez 1996, 2000; Moser 1996; Selck 2004; Steunenberg 1994; Tsebelis 1994, 2002; Tsebelis and Garrett 2000). But what happens if member state governments know the outcome if the Commission as an agenda-setter makes a take-it or leave-it proposal? How would they incorporate this information into their internal coordination? Could they use this information to reach a solution that is better for them than the spatial outcome prediction? To answer these questions we present a new decision-making model of the Council that explicitly takes into account the internal structure of the Council. We formally model how member states can take away the initiative from the Commission if this leads to an improved outcome for them. Technically speaking, this novel model endogenizes the spatial model as a reference point for member states, who then exchange ‘resources’ and vote on an alternative solution.

In our view, the spatial model is a useful tool for studying the complex institutional framework of the EU, which has been changed several times by treaty reforms and accession of new members (Crombez 1996; Moser 1996; Steunenberg 1994; Tsebelis 2002). This framework varies the agenda-setting, amending and veto rights across procedures among the major institutional actors, the Commission, the Council and the EP. In the consultation procedure, the Commission initiates all legislation, but the Council may, when deciding by qualified majority voting, either accept the proposal, amend it by unanimity or reject it. For the purpose of analysis scholars commonly use the winset of the qualified majority (QMV), but they disagree about the best and most realistic interpretation of the amending provision. Some maintain that the status quo is the reference point for member states (Crombez 1996; Steunenberg 1994); others point to the unanimous amendment or reversion point (Tsebelis and Garrett 2000). Because the size of the winset depends on the reference point, its location can have important implications for the agenda-setting powers of the Commission.

This study introduces an alternative approach to using spatial analysis. In view of the internal structure of the Council, we argue that member states can exclude the Commission and offer compromises, trade votes across issues and agree on package deals before voting on legislative proposals (Hayes-Renshaw and Wallace 1997; Lewis 2000; Mattila and Lane 2001; Van Schendelen 2002). We assume that member states know the outcome that is predicted by the spatial model. They may thus have an incentive to improve against this default solution with the Commission as the agenda-setter. With respect to their interest in certain issues, they may offer each other exchanges, which can increase social welfare by optimizing the distribution of resources among them. In the voting phase, the exchanged resources define which set of policies can beat the default solution (the spatial model prediction). We illustrate the models’ mechanism
by an application to the Honey directive adopted in 2001. Our approach proceeds as follows:

1. **Identify the reference point.** We identify the qualified majority winset of the status quo and calculate the predicted outcome of the multidimensional spatial model with the Commission as agenda-setter. We use this predicted outcome as the reference point for our model.

2. **Model coordination.** We use the spatial prediction as the reference point for member states in the Coleman exchange model (Coleman 1990; Knoke et al. 1996). Member states form their expectations vis-à-vis the location of the spatial model prediction, based on which we calculate the distribution of the optimized resources which control the outcomes of issues.

3. **Specify voting.** We identify the winset of the reference point using the exchanged resources, and predict the outcome in the winset with the Council Presidency as the agenda-setter. Because member states control only resources (not voting weights), a multidimensional qualified majority exists only if member states control a qualified majority (71.3 per cent) of the resources on each issue. We determine the final outcome as the closest point in the qualified majority winset to the Council Presidency.

The remainder of the article discusses the institutional organization of the Council which motivates our approach of conceiving legislative decision-making as a two-stage exchange and voting process. We apply the conventional spatial model of legislative choice and present our two-stage exchange model as an alternative. The result of our two-stage approach reveals that exchange can increase the welfare of all member states against the spatial model prediction. Although we use a strict voting criterion, the status quo bias of our predicted outcome is less pronounced.

**THE INSTITUTIONAL ORGANIZATION OF THE COUNCIL: COMMITTEE SYSTEM AND CONSENSUS-BUILDING**

Research on the interaction between the Commission, Council and EP has made enormous progress, but it is an open question how the Council actually reaches a decision. Four questions seem of particular relevance in this context:

1. What is the role of the Council structure during the decision-making process?
2. What is the role of the Council Presidency?
3. What is the reference point for member states when they decide on Commission proposals?
4. Why does the Commission take rather extreme positions in its proposal that rarely correspond to the outcome?

In the spatial model, member states are conceived as individual actors who only care about their distances to the reference point and the draft proposal. For member states whose position is closer to the bill than to the reference point,
the model predicts that they vote in favour, while they will reject the bill in case of being closer to the reference point. The Council has established committees which facilitate scrutinizing, monitoring and amending Commission proposals and promote a consensus-building working method. This coordination is often cited in the non-formal literature, which provides detailed insights into the Council’s internal decision-making process (Hayes-Renshaw and Wallace 1997; Westlake 1999). Yet, these insights raise the question whether the spatial model sufficiently reflects the highly structured internal decision-making of the Council, which suggests not only a different assumption on member state behaviour but also a less pronounced agenda-setting role of the Commission.

The early literature on spatial modelling demonstrated that committee systems can provide a useful control of agenda-setting power (Shepsle and Weingast 1987). In addition to a division in portfolios (e.g. foreign affairs, finance, social affairs, transport, agriculture), Council decisions are prepared by a vertical committee structure of more than 300 working groups and committees comprising delegates from the member states. These resolve technical issues and forward the dossier to the Permanent Representatives Committee (COREPER), made up of the member states’ ambassadors to the EU, which ensures consistency in the work and resolves technical-political questions before submitting the dossier to the ministerial level.

Empirical reports of the institutional organization of the Council emphasize the importance of its multi-level committee system (Beyers and Dierickx 1998; Hayes-Renshaw and Wallace 1997; Lewis 2000; Westlake 1999). The vertical committee system of the Council includes three levels. The Council of Ministers itself is the highest decision-making level. Its meetings are prepared by COREPER at the intermediate level. COREPER I is generally composed of the permanent representatives’ deputies and it mostly deals with technical legislation. The permanent representatives of the member states to the EU themselves convene in COREPER II, which generally deals with more controversial legislation (Westlake 1999: 278). The working groups (or working parties) constitute the lowest and least formalized level of the Council’s committee system. They are composed of experts from the member states, who are civil servants either at the permanent representations or in the national ministries. Working groups are convoked by the Council Presidency, and their significance is underscored by the frequency of their meetings. In 2004, there were seventy-six Council meetings (top level), sixty-four meetings of COREPER II, sixty-one meetings of COREPER I (intermediate level), and 3,971 working group meetings.

Another feature of the Council’s committee system is that it establishes a particular form of agenda-setting power for the Presidency, which presents a six-month working programme and has the right to call for a vote at each level of the Council committee system. While it is the task of the Commission to present a legislative proposal (and is thus the agenda-setter in the formal sense), the Presidency can keep the gates closed and postpone votes on a proposal. Once it calls for a vote in the Council, it can make a proposal to the Council
members. After the Commission proposal is formally transmitted to the Council, the Council Presidency convokes meetings of a Council working group. During the first reading of the Commission proposal, the national experts in the working group discuss the proposal clause by clause. Then the draft legislative proposal is sent together with the report of the working group and the Presidency’s report to COREPER. If COREPER cannot find consensus, the proposal is either referred to the Council level or back to the working groups with further instructions (Westlake 1999: 310). Thus, what eventually ends up on the agenda of the Council is filtered by consensus-building of the lower committees and the Presidency’s willingness to call for a vote. Hayes-Renshaw and Wallace estimate that 80 to 85 per cent of issues on the Council agenda have been essentially agreed upon in advance: 70 per cent in the working groups and 10 to 15 per cent in COREPER (Hayes-Renshaw and Wallace 1997: 78). Westlake calls the working groups the ‘Council’s backbone’ (Westlake 1999: 311), and Van Schendelen states that the national experts ‘do the real work’ in the Council (Van Schendelen 2002: 75).

In our view, there is a strong relationship between the Council coordination and Commission preference. A major reason why member states monitor, scrutinize and amend Commission proposals is the extreme location of the Commission’s preference. A number of empirical studies on EU legislative decision-making have observed that Commission proposals are indeed often located outside the core of the member states (König and Pöter 2001; Selck 2004; Thomson et al. 2006). While most of these studies explain this extreme location by Commissioners ‘going native’, another perspective suggests that the Commission has imperfect drafting information; otherwise, the Commission’s draft position would be located at the outcome. To overcome informational deficits, the working groups deal with the most technical aspects of Commission proposals. In terms of negotiating, they are thus constrained by the precise texts. Package deals or exchanges between member states do not usually occur at this level (Westlake 1999: 370). Some studies suggest, however, that issue linkages and exchanges characterize decision-making at the Council level. When the ministers receive draft legislation from COREPER these do not result immediately in a solution, but indicate possible compromises, and the Council meetings themselves are the place for negotiations or exchanges (Lewis 2000; Mattila and Lane 2001; Van Schendelen 2002).

THE HONEY DIRECTIVE: A SPATIAL STORY?

While the spatial model has contributed to a better understanding of the inter-institutional interaction in the EU, the empirical evidence of the model remains mixed as to the precision of the prediction, but also as to the location of the agenda-setting proposal which is often located far outside the winset (König and Pöter 2001; Selck 2004). A major empirical problem seems to be that the spatial model overemphasizes the reference point and struggles with the
identification of the agenda-setter. Compared to simple bargaining models, spatial predictions suffer from a high status quo bias (Thomson et al. 2006). The application of a spatial model is however complicated because it is necessary to characterize the nature of the policy choices, identify policy positions of the actors, make assumptions about their behaviour and information level, and define an equilibrium solution (Krehbiel 1998: 260).

In spite of these deficits of applications, the spatial model has become conventional wisdom in the formal literature on EU legislative politics. In multidimensional policy spaces, each actor has an ideal policy position; that is, this policy choice would yield greater benefits to the actor than all other policy choices. Each actor’s preferences are single-peaked, meaning that as policy choices move away in any direction from the ideal policy position, the utility for this actor never increases. For convenience, utility functions are often assumed to be symmetric; that is, for any two policy choices \( y \) and \( z \) in the policy space, an actor prefers the policy which is closer to his or her ideal policy position.

Applying the spatial model in an accurate manner is a difficult task, and in particular the measurement of the location of actors’ positions remains a major problem. We use data on the Honey directive from the Decision Making in the European Union (DEU) dataset (Thomson et al. 2006). In the DEU project, the interviewed experts included officials from the permanent representations of the member states, the Commission, the EP, and representatives from interest groups closely involved in the decision-making process. Regarding each issue, the experts were asked to indicate the policy alternative favoured initially by each stakeholder after the introduction of the proposal and before the Council formulated its common position. Throughout the interview, the experts were asked to provide justifications for the information and estimates they provided.

The aim of the Honey directive was to regulate the market for honey in the European Union. This case satisfies the minimum requirements for our two-stage model (multidimensionality, known location of reference points, policy positions, estimates of saliences and resources). The Honey directive had been initiated under the consultation procedure and was subject to a qualified majority vote in the Internal Market Council. Under this procedure, we can concentrate on the events in the Council and disregard the events in the EP.

We illustrate the spatial model and our approach with two contentious issues from this directive. The first issue concerned the inter-institutional relationship in the EU (comitology). The Commission, favouring a prominent role in controlling the implementation of the directive, placed great importance on this issue (high salience) and proposed the advisory committee procedure, which would have granted it the widest implementing powers. Some member states were reluctant to grant the Commission this procedure; in particular the United Kingdom (UK) and the Nordic countries were opposed to the introduction of a comitology procedure. They preferred that the Commission would
have to introduce new legislation in order to update the directive in the future. Other member states took moderate policy positions on this issue.

The second issue was a consumer protection concern related to the listing of the origin of the honey on the label. It was contested due to different member state practices on the production and consumption of honey products. The Northern member states preferred the international standard, which does not label the place of origin of honey. In contrast, the Southern member states favoured a regional label with certain quality types of honey. Located in between those two extremes were the smaller member states which did not support a regional label, but one indicating the country of origin.

The DEU dataset also includes information on a third issue, but we exclude this issue from our analysis. The issue concerned exceptions with regard to the denomination of low-quality honey that may be used for industrial production. Countries in which a relatively high-quality industrial honey is produced (such as the UK, Germany or Austria) insisted that they could label this kind of honey as ‘baker’s honey’. Opposed to this solution were the Southern and smaller member states (including the Commission). This group of member states preferred uniform labelling of industrial honey, which should be clearly distinguishable from consumers’ honey. The issue is coded as a dichotomous alternative of either allowing exceptions for a subgroup of countries or not. We thus interpret the inclusion of this issue as a possible form of side payment to guarantee an overall agreement on the proposal.

Figure 1 shows the positions of member states on the two dimensions of the Honey directive. The hatched area is the winset of the reference point, defined by the voting weights of the member states. In our case the theoretical debate between the unanimous reversion point (Tsebelis and Garrett 2000) and the status quo as the reference point (Steunenberg 1994) is answered empirically. Because one member state is located on the status quo (UK) on both issues, the status quo becomes the reference point in both interpretations. From the winset, the agenda-setter (Commission) picks the point closest to its ideal position (spatial prediction).

Figure 1 shows that the spatial model predicts policy change in the right direction. The actual outcome with regard to the comitology issue grants the Commission implementing powers with substantial scope (bringing the directive in line with general legislation on foodstuffs and to adapting it to technical progress). However, the final directive calls for the application of the ‘regulatory procedure’, under which the Commission can enact measures only if a comitology committee of the Council supports these by a qualified majority. With regard to the second issue, the directive increases the information available to consumers. The country of origin is mentioned on the label and under certain conditions the region may also appear on it.

Instead of voting on these positions, reports on the working methods of the Council point to the consensus-orientation during the deliberations, in which member states offer compromise, trade votes across issues and agree on package deals (Hayes-Renshaw and Wallace 1997; Lewis 2000; Mattila and
Lane 2001; Van Schendelen 2002). Two features seem to promote those exchanges. First, as shown in the honey example, Commission proposals tend to be biased and are often located outside the core of member states; second, directives have to be transposed into domestic law, and member states have some discretionary power on how to comply with these decisions (Franchino 2005). Consensus reached by mutual exchange might reduce the risk of hostile Commission drafts and increase the willingness of member states to comply with those decisions.

THE MULTIDIMENSIONAL PROCEDURAL EXCHANGE MODEL: A TWO-STAGE APPROACH

Our model attempts to accurately reflect decision-making inside the Council. This is not a trivial task because it is the ambition of formal models to simplify the decision-making process. By accurate modelling we mean that the players are correctly identified, the sequence of moves is appropriately specified
and the behaviour of actors is convincingly interpreted. Our argument is the following: The Commission initiates legislative proposals. Because member states are fully informed, they can estimate the location of the final outcome given the institutional constraints of the voting rule and the agenda-setting role of the Commission (the prediction of the spatial model). Thus, member states perceive the spatial model prediction as a reference point in the decision-making process. Knowing the location of the reference point, member states may have an incentive to exchange in the Council, if such an exchange solution makes them better off than the spatial solution alone. If they do not exchange resources, the predicted outcome corresponds to the spatial model prediction. If they do exchange resources, the Council votes on a proposal from the Presidency as the agenda-setter (Kollman 2003). According to the rules of procedure of the Council, the Presidency convenes Council meetings, draws up the agenda for each meeting, and chairs the Council meetings (including COREPER). Thus, the Presidency does have control over the legislative agenda of the Council under the condition that the Commission has already initiated a proposal (Hix 2005). Alternatively, the Presidency may decide not to put an item on the agenda, in which case no decision is taken and legislation is pending (gatekeeping). The Presidency is constrained by the winset of the reference point. The Council can either accept the final proposal, with exchanged resources determining the control over the outcome, or it can reject it, in which case the prediction of the spatial model is the default outcome. Figure 2 shows the sequences of our procedural exchange model.

Our model thus assumes an informational asymmetry between the Commission and the Council. While the Commission knows the positions of the actors and the status quo (as do spatial models), we exclude it from the exchange phase because the Council controls its own institutional structure. It is completely up to the Council how long to debate on a legislative proposal and the Commission does not know under which Presidency a proposal will be adopted. Thus, the
Commission cannot adapt its proposal accordingly, because it cannot foresee whether and how member states will exchange. Our model of political exchange in the Council is based upon the work of James Coleman following a general exchange model (Coleman 1966, 1990). Coleman assumed that each actor is more interested in certain issues than in others, and that issue outcomes are uncertain. No actor alone can control the outcome of the issues. Under these conditions, actors can exchange partial control on issues they are less interested in for control on issues they are more interested in. Coleman’s exchange model is market oriented: relevant for the control of issues is an actor’s budget (or power) as well as the price (or value) of the issues. Our version of the Coleman model refers to a modification, which takes into account actors’ positions (König 1997), and we use the prediction of the spatial model as the focal point for exchange. In the following, we will describe the exchange model. The formal derivation is in the Appendix.

Member states in the Council have resources which determine the outcome of the issues of a proposal. This is similar to the spatial model in which member states have voting rights. Formal resources are based on the voting power of member states and are defined by procedural rules of legislative decision-making. Informal resources try to capture the capability of actors to influence the bargaining process (Bueno de Mesquita and Stokman 1994; Thomson et al. 2006). The capabilities may include financial resources, access to other actors, leadership over a large number of individuals, and the efficiency and expertise of the bureaucracy at an actor’s disposal (Knoke et al. 1996). These resources are reallocated through an exchange between the actors by giving some member states more control over certain issues than others.

How do member states reach an equilibrium solution? In order to formalize the exchange process in the Council, we transform the positions of the member states into exchange expectations with respect to the actors’ distances from the likely outcome of the spatial model prediction. These distances are weighted by the saliencies that member states attach to the issues. The resources controlling the issue outcomes determine the value of the issues. Because member states evaluate demand and supply of resources with respect to the likely outcomes, we can make an assumption on their risk assessment (i.e. whether more or less distant alternatives will be chosen). Without loss of generality, we assume that member states are risk averse, which means that member states whose positions are closer to that of the reference point have higher expectations. Relevant for Coleman’s exchange solution are the power of each actor (defined as a part of the total control budget), the value of the issues and member state expectations.

After exchange, the Presidency can decide to submit a proposal to the Council which can either accept or reject it. We conceive the Council Presidency as the agenda-setter after exchange, because through the resource exchange between the member states (which excludes the Commission), the decision-making
has shifted completely inside the Council. The Presidency has the power to delay legislation and will do so in the case of a less beneficial solution, in which case the legislation is pending. However, it will submit a proposal to the Council with the winset of the reference point as its constraint, if the proposal is closer to its ideal point than the reference point. The winset of the reference point is defined by the allocated resources from the exchange phase: the set of points that can beat the reference point are those that satisfy a qualified majority of exchanged resources on each dimension. The Presidency will pick the point closest to its own ideal position.

Generating outcome predictions of Council decision-making requires that the input variables of the model are properly operationalized. Our approach requires us to define the policy space in which member states can exchange their resources. Since the algorithm for deriving outcome predictions is based on the prediction of the spatial model as the reference point, we need estimates of the location of the status quo, the policy positions of the member states, and the Commission. For the exchange phase of Council decision-making, the model requires estimates of the relative interest of the member states in the issues (saliencies), resources of the member states, and, for the voting stage, the position of the Council Presidency.

Defining the policy space

A major concern of political analysis is the definition of the policy space. This space defines the boundaries of political analysis in which actors have options and constraints for finding solutions. Our model considers a policy space that is at least two-dimensional, because actors exchange their resources in a multi-dimensional issue space. The Commission proposal spans the issue space for the resource exchange between the member states and the Commission. Thus, actors consider exchanges only within proposals, but not across them. We believe that this boundary specification is an accurate description of negotiations in the Council. Because the issues of a legislative proposal are guaranteed to be on the same agenda, exchanges are always possible. This is not the case for exchanges across legislative proposals.

Salience

In order to measure the relative interest of member states in the issues, the DEU experts were asked to estimate the level of salience or importance that each actor attaches to the issues. Broadly speaking, two related interpretations of this concept may be found in bargaining models. In the first, salience is interpreted as the proportion of an actor’s potential capabilities it is willing to mobilize in attempts to influence the decision outcome. In the second, salience is understood as the extent to which actors experience utility loss if the decision outcomes differ from the decision outcomes.
they most favour. When introducing this concept to the experts, it was explained that actors may differ from each other in the salience or importance they attach to each of the issues. The policy experts were asked to estimate the level of importance each actor attached to each issue on a scale from 0 to 100, a higher score indicating higher importance to an actor (Thomson et al. 2006).

The reference point

Our model applies to decision-making inside the Council, when the Council decides by qualified majority, and we predict the outcome under the consultation procedure (common position). The spatial model prediction is the reference point during exchange and voting in the Council. In order to calculate the prediction, we use the status quo as the location of the current policy regulation. While the status quo is an essential variable of the spatial model, it is sometimes hard to measure (Dimitrova and Steunenberg 2000). The reference point refers to the outcome that would prevail if the legislation in question was not passed. In many cases, this will be the same as the status quo position before the introduction of the Commission’s proposal. However, in some cases, failure to adopt the legislation would not lead to the continuation of the status quo. For example, failure to pass a decision allocating funds to a particular programme need not necessarily mean that the previous funding continues. Instead, such a failure may lead to no funds at all being allocated to the programme in question.

Resources of member states

We operationalize the concept of resources by a combination of a voting power index (‘formal resources’) and DEU expert evaluations of each member state’s capabilities to influence the decision-making process (‘informal resources’). We use the Shaply-Shubik voting power index which reflects how often an actor is pivotal in a coalition, in the sense that it turns a losing coalition into a winning one regarding all possible voting permutations. The informal aspect of resources captures bargaining skills or capabilities of the member states. They are measured by DEU expert judgements on the distribution of actors’ capabilities. Experts were asked to provide judgements on the distribution of capabilities among the actors. Capabilities refer to informal resources, such as financial resources, access to other actors, leadership over a large number of individuals, and the efficiency and expertise of the bureaucracy at an actor’s disposal. All these resources may help an actor to change the behaviour of others in a beneficial way, thus possibly influencing the decision outcome. We equally weight these different kinds of resources and combine them in an overall share of resources, which allows each actor to control the outcome of each issue.
THE HONEY DIRECTIVE REVISITED

Exchange phase

Table 1 shows the results of our exchange analysis for the Honey directive proposal. The country abbreviations for the Council are in the first row. For each issue, we list the policy positions ($\mathcal{X}$), the saliences ($\mathcal{S}$), the actors’ risk-averse expectations about the likely outcome ($\mathcal{P}$), the value (price) of the issue ($\mathcal{W}$), the pre-exchange resource ($\mathcal{R}$) and the post-exchange resource allocation ($\mathcal{R}^*$). Note that there are two different resource distributions $\mathcal{R}^*$, one for each issue. The reason is that the saliences and the expectations differ across the issues. The outcome of each issue is controlled by these resources.

A crucial question for our approach is whether member states and the Commission did have incentives to exchange their resources. In order to assess our assumption on exchange possibilities, we calculated actors’ individual demand for and supply of issue control resources. In equilibrium, the total demand values equal the total supply values for each issue. A positive value indicates that an actor has excess demand for issue control, whereas a negative value refers to an actor’s excess supply. According to Table 2, the countries most opposed to granting the Commission extensive implementing powers demanded issue control, since they were very interested in the issue but unable to control the issue outcome alone. The situation is reversed for the second issue.

Thus, we find a number of exchange opportunities for member states. In the context of the Honey directive proposal, Germany, for instance, could use its excess supply on the second issue to gain control over the first. Confirming this, the qualitative data in the interview report of the DEU dataset indeed indicate that member states were aware of these opportunities. In particular, other member states were quite prepared to grant the UK and Germany the concession they needed in order to ensure their support on the other issues and on the directive as a whole (DEU Interview on Commission proposal on honey, 5 October 2000).

Voting in the Council with spatial model as reference point

The final step involves the calculation of the point prediction of the multi-dimensional procedural exchange model. Figure 3 presents the same actor configuration as before. In contrast to the spatial model in Figure 1, the radius of the indifference curves of the member states is defined by the distance between the actor position and the spatial model prediction. A qualified majority winset exists if those member states whose indifference curves intersect control a qualified majority (in our case 71.3 per cent) of the resources on each dimension. Figure 3 shows that there are two winsets: a qualified majority winset (hatched area) and a unanimity winset (shaded area). Thus, there are exchange solutions that would lead to a pareto superior result, because even a unanimity in the Council prefers a deviation from the spatial model solution.
Table 1 Exchange in the Council: Honey directive proposal (CNS/96/114)

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<td>0.119</td>
<td>0.115</td>
<td>0.047</td>
<td>0.036</td>
<td>0.106</td>
<td>0.023</td>
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<td>0.098</td>
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<tr>
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<td>0.022</td>
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<td>Initial resources $r_{i2}$</td>
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<td>0.057</td>
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<td>Final Resources $R_{i2}$</td>
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<td>0.027</td>
<td>0.026</td>
<td>0.120</td>
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<td>0.068</td>
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<td>0.074</td>
<td>0.109</td>
<td>0.032</td>
<td>0.108</td>
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Note: For each actor and issue, the final resources $R^*$ are calculated as the product of the expectations $s'$ and power $p$ divided by the value of the issue $w$. However, in our application of the Coleman model the initial resources $r$ do not vary across issues, because the voting power index and the capabilities are the same for both issues. Thus, in our case, the initial resources $r$ equal power $p$ of the actors. Hence, the calculations of the final resources may be replicated with the following equation: $R^*_{ia} = (s'_{ia} \times r_{ia}/w_i)$. 


The Portuguese Council Presidency picks the point closest to its ideal point, which corresponds to the point prediction of our model. This outcome is preferred by thirteen member states to the spatial model solution (and controlled by a QMV of resources on both dimensions).

The procedural exchange model shows how the Council is able to remain at the wheel of EU decision-making. There are incentives for member states to use the working groups of the Council to reach a solution which makes them better off than a default situation with the spatial model prediction. In fact, COREPER dealt with the Honey directive proposal and sent it to the working group to work out a compromise (Council of the European Union 2000).

We have so far neglected the third issue of the directive. This dichotomous issue was about exceptions in labelling of industrial honey. The final directive does allow for the continued use of these exceptions. The interview report of the DEU project suggests that this issue was of particular importance to the UK, because it would have been seen as a significant defeat. An obligation to label honey that many British use daily as ‘intended for industrial use only’ would be a rather visible imposition of EU policy. It is also noteworthy that most of the member states who opposed the introduction of this type of flexibility did not attach a great deal of importance to the issue. When the

<table>
<thead>
<tr>
<th>Issue</th>
<th>Issue 1: Comitology</th>
<th>Issue 2: Origin listing</th>
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<tbody>
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<tr>
<td>Denmark</td>
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<td>France</td>
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<tr>
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<td>Ireland</td>
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<td>Luxembourg</td>
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<td>23</td>
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<td>Netherlands</td>
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<tr>
<td>Spain</td>
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<td>563</td>
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<tr>
<td>Sweden</td>
<td>763</td>
<td>−763</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>509</td>
<td>−509</td>
</tr>
</tbody>
</table>

Note: A positive value indicates an actor’s excess demand for issue control and a negative value an actor’s excess supply of issue control. This effective demand of actor i for issue a results from the difference between its expectation $s_{ia}$ weighted by its power $p_i$, and its control $r_{ia}$ weighted by the price $w_a$ for issue a: $d_{ia} = ((s_{ia}p_i) - ((r_{ia}w_a))^*100000$. Multiplication by 100,000 serves illustration.
Council reached agreement on the Honey directive in May 2000, Spain rejected the proposal and Belgium and the United Kingdom abstained (see Council of the European Union 2002). The exchange prediction is not only preferred by thirteen of the fifteen member states over the spatial solution but is also located slightly closer to the outcome.

DISCUSSION AND CONCLUSION

We presented a new model of Council decision-making which goes beyond existing models and tries to accurately model the political processes inside the
Council. Our two-stage model combines elements of exchanging and voting. What does this analysis suggest about decision-making in the Council more generally? We conclude by addressing the questions posed at the beginning of the article regarding the reasons for the institutional structure of the Council, the reference point for member states and the role of the Commission.

In our model, the exchange phase is based on a market-oriented resource exchange between member states. We believe that Coleman’s model, with its extensions, is a powerful tool that can provide added value to the debate on models of the Council. Our voting phase, in contrast, is based on the spatial model, although we (1) define the winset not according to voting weights but according to the resources on each dimension, and (2) the Presidency makes the final proposal to the member states. The rationale for these model features is to be found in the institutional organization of the Council. The numerous working groups composed of national experts suggest that the Commission proposal is examined thoroughly by member states before it reaches the political stage of COREPER and the Council. This hierarchy is conducive to political exchanges: the Council tries to achieve a final outcome which is even more favourable than what it could achieve if it did not involve its elaborated institutions in the decision-making process.

Our basic assumption was that member states know what the default situation would be if they did not exchange resources among themselves. In other words, member states know the spatial model. The prediction of the spatial model becomes the reference point. This reference point includes a lot of information: the status quo location, the set of feasible alternatives, and the power of the Commission as the agenda-setter. Is this assumption realistic? We argued that member states do have incentives to modify Commission proposals and that they can achieve this because there is an informational asymmetry between the Council and the Commission. Our case demonstrated that the Commission is neither located on the spatial model prediction nor on the exchange prediction. We assume that the Commission knows the positions of the actors and the status quo, but that it is excluded from the exchange phase because the Council controls its own institutional structure (e.g. it is completely up to the Council as to how long to debate on a legislative proposal).

In conclusion, our procedural exchange model endogenizes the prediction of the multidimensional spatial model in a dual manner. First, the prediction serves as a reference point during the exchange phase, and member states form expectations on the basis of the prediction as the likely outcome. Second, member states vote in a multidimensional issue space on the proposal of the Council Presidency against the spatial model. We operationalized our two-stage procedural exchange model using a definition for the issue space, the status quo, actors’ policy positions, their saliencies and resources, which control the issue outcomes in each Commission proposal. Finally, we illustrated the logic of our model on the legislative proposal of the Honey directive and compared it to the prediction of a standard spatial model.
We believe that one of the strengths of formal models lies in the ability to predict EU policy-making outcomes. Our single case illustration can neither corroborate nor falsify a model. Moreover, different criteria may be used for falsifying a model, and we do not know to what extent our prediction is contaminated by measurement error (i.e. how many member state positions contribute to the falsely predicted outcome). In our case, the exchange prediction is located slightly closer to the outcome than the spatial model prediction, but both models predict change in the correct direction (Figure 3). In this study, our aim was to introduce our model and demonstrate how it relates to the spatial model. Testing the models in a comparative manner and on a large number of cases would provide more insight into the predictive power and the usefulness of our approach for understanding Council decision-making.

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APPENDIX: THE EXCHANGE MODEL
Formally, let member state $i$ distribute the interest $s$ across all $m$ issues of a Commission proposal $k$, where $i = 1, \ldots, n$ and $a = 1, \ldots, m$

$$
\sum_{a=1}^{m} s_{ia} = 1. \tag{1}
$$

The exchange in the Council is closed, which means that the outcomes of issue $a$ are completely controlled by the resources $r$ of actors $i$:

$$
\sum_{i=1}^{n} r_{ai} = 1. \tag{2}
$$
We conceive resources that control issues outcomes as formally defined resources (voting power) and informal resources (bargaining power). Knoke et al. (1996) combine such formal and informal resources in a comparative analysis of legislative systems. Hence, the matrix of issue control can be decomposed into a matrix, in which actors $i$ have formal a priori voting resources $v$:

$$\sum_{i=1}^{n} v_{ai} = 1. \quad (3)$$

Informally, all actors $i$ may also have capabilities to influence the issue outcomes (e.g. due to their reputation):

$$\sum_{i=1}^{n} c_{ai} = 1. \quad (4)$$

We combine both elements, the formal voting power $v_{ai}$ and the amount of capabilities $c_{ai}$, to actors’ overall resources $r_{ai}$ to control the outcomes of issues $a$ in the first stage of Council decision-making:

$$r_{ai} = \frac{v_{ai} + c_{ai}}{2} \quad \text{with} \quad \sum_{i=1}^{n} r_{ai} = 1. \quad (5)$$

In the original Coleman model, the position $x_{ia}$ on issue $a$ of actor $i$ was exogenously given and decided by a probabilistic voting rule. Independent from the actors’ positions, they allocated resources to control the issue outcomes.

In order to include actors’ positions in the model, let $Y$ define the issue space of a Commission proposal $k$. According to the spatial model, the outcome will be defined by the agenda-setters’ most preferred alternative of the winset in the multidimensional policy space of $k$. Let $x_1$ and $x_2$ denote the dimensions of the policy space, any alternative $x = (x_1, x_2)$ on the plane of $k$ is a potential outcome, and each actor is endowed with a utility function over $S$, $U^i(x)$, with an ideal point in the space, denoted as $x_i = (x_{i1}, x_{i2})$, that is $U^i(x_i) > U^i(x)$ $\forall x \neq x_i$. Each actor is indifferent against the status quo or reference point $q$, defining the indifference curves as the set of alternatives strictly preferred by actor $i$ to $q$, $P_i(q) = \{x \in S| U^i(x) > U^i(q)\}$. The winset of $q$ is defined as $W(q) = y \in S| |y P_i x| \geq |x P_j y|$ where $|y P_i x|$ is the number of actors who prefer $y$ to $x$. The agenda-setter will select the alternative $y$ in the winset of $q$ as his or her closest preferred alternative against $q$. Under these conditions, the likely issue outcome is $y$ and actor’s $i$ utility loss are:

$$y = \hat{y} \quad \text{with} \quad P(Z = \hat{y}), u_i(y) = (1 - |x - y|). \quad (6)$$
On behalf of their positions and the likely outcome actors \( i \) derive expectations \( s'_{ia} \):

\[
s'_{ia} = \sum_{y \in Y} P(Z = y) \frac{s_{ia} \left( 1/e^{y_a - y_i} \right)}{\sum_{a = 1}^{m} s_{ia} \left( 1/e^{y_a - y_i} \right)}
\]  

These expectations are weighted distances between the actors’ positions and the likely outcome defined by the agenda-setter’s draft proposal which are standardized across the issues of the proposal. This standardization sums up an actor’s total distance to 1,0, and actors may have different distances to the likely outcome. Under the assumption of risk aversion, a monotone transformation \( 1/exponential function \) corresponds to the Maximin principle, according to which actors expect the most unfavourable alternative and will invest into those alternatives which are closest to them.

According to Coleman (1990), two aspects are crucial for actors’ simultaneous exchange choices: the individual budget of an actor and the value of the issues. The values of the issues result from the saliences of the controlling actors: the more actors are interested in an issue, the higher the relative value of the control resources. Having derived the expectations of actors \( s'_{ia} \), the exchange follows the steps described in Coleman (1990: 682). In a competitive equilibrium, the total supply \( L_a \) of resources equals the value of the issues \( w_a \):

\[
L_a = \sum_{i = 1}^{n} r_{ai} w_a = w_a.
\]  

Considering the budget \( p_i \) of an actor \( i \) as its share of weighted control resources:

\[
p_i = \sum_{a = 1}^{m} w_a r_{ai},
\]  

the total weighted demand \( D_a \) for control results from the proportional resource allocation:

\[
D_a = \sum_{a = 1}^{m} r^*_a w_a = \sum_{i = 1}^{n} s'_{ia} p_i.
\]  

Under these conditions, the equilibrium is determined by the total weighted demand, assuming actors use their individual budgets to maximize their utility by exchanging resources in relation to the issues’ values. The equilibrium is determined by \( L_a \) and \( D_a \) with \( p_i \):

\[
w_a = \sum_{l = 1}^{m} w_l \left( \sum_{i = 1}^{n} r_{ai} s'_{ia} \right)
\]
Exchange is accordingly based on expectations $s_{ia}$ regarding power $p$ and values $w$ with final resource distribution $R^*$:

$$R^*_{ai} = s'_{ia} \frac{p_i}{w_a}$$

by the Cobb-Douglas-function $U_i = \prod_{a=1}^{m} r_{ai}^{x_{ai}}$.  \hspace{1cm} (14)

Since all elements of exchange – actors’ interests, their individual budget and the value of issues – are standardized, the total final resource allocation for each issue also sums up to 1:

$$\sum_{a} R^*_{ai} = \sum_{a} s'_{ia} \frac{p_i}{w_a} = 1.$$

NOTES

1 The winset is those alternatives in a multidimensional space that are preferred by a majority to the reference point. An agenda-setter in the formal sense is an actor who can make a take-it-or-leave-it proposal to the decision-making body (Tsebelis 2002).

2 Another debate concerns the participation of the European Parliament in the cooperation and co-decision procedures. Our model deals with the consultation procedure and the decision-making inside the Council. Thus, we do not focus on this debate. For a literature review see Hix (2005).

3 The working groups of the Council do not include the comitology committees, which are established in order to control the Commission when implementing Council decisions.

4 Numbers from author’s correspondence with the General Secretariat of the Council, July 2005.

5 In May 2000, after almost three years of debate, the Internal Market Council reached political agreement on a proposal concerning honey under the Portuguese Council Presidency. As one of the so-called 'breakfast directives', the Honey directive proposal had been presented in June 1996 by the Commission. The Commission aimed at simplifying existing legislation by making the rules on the conditions for the production and marketing of honey more accessible, and by bringing them into line with general Community legislation on foodstuffs (Agence Europe 2000).

6 The voting weights during the time of adoption were as follows: France, Germany, Italy, UK (10 each), Spain (8), Belgium, Greece, Netherland, Portugal (5 each), Austria, Sweden (4 each), Denmark, Finland, Ireland (3 each), Luxembourg (2). A decision is adopted by qualified majority if 62 out of 87 are cast in favour.

7 For an overview of other empirical applications of Coleman’s model see Knoke et al. (1996).

8 See König and Proksch (2006) for a variation of the procedural exchange model, in which the spatial model is not endogenized.

9 This assumption is often used for modelling international cooperation but it can be easily modified in our approach without loss of generality.

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Agence Europe (2000) ‘Common definition of honey is subject of policy agreement (with oposition from Spain)’, \textit{Europe Daily Bulletins} 7726, 27 May.


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