

Bounded Rationality and the Brexit Negotiations: Why Britain Failed to Understand the EU

Filipa Figueira

Senior Teaching Fellow

School of Slavonic and East European Studies, University College London

filiipa.figueira@ucl.ac.uk

Benjamin Martill

Lecturer in Politics and International Relations

University of Edinburgh

benjamin.martill@ed.ac.uk

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Abstract

Research on the Brexit negotiations has linked the problems faced by Britain to flawed assumptions in the UK's perception of EU interests. These include the ideas that the EU would be open to compromise on key principles, that it would offer the UK a bespoke relationship, that national capitals would respond favourably to bilateral initiatives, and that EU unity would not hold. Yet the origins of these assumptions have been subject to little systematic scrutiny. How did such wrong-headed assumptions about the EU's interests emerge? Drawing on insights from bounded rationality we identify three aspects of the decision-making environment linked with biased thinking: (1) ill-fitting routines and lessons, (2) a lack of decision-making openness, and (3) a lack of EU expertise and contact. We demonstrate our argument using data obtained from interviews in Brussels and London in 2017-18 and accounts of those involved in the decisions.

Keywords

Bounded rationality; Brexit negotiations; bureaucratic politics; cognitive biases; negotiation theory; Theresa May

Introduction

The negotiations over the terms of Britain’s withdrawal from the European Union (EU) – which took place between June 2017 and November 2018 – revealed serious limitations in the United Kingdom (UK) government’s ability to procure an agreement from Brussels that would satisfy domestic stakeholders. There is a general consensus within the (still emerging) scholarly literature on the Brexit talks that the negotiations were a failure for the UK side (e.g. Dunlop et al. 2020; Jones 2019; Martill & Staiger, forthcoming; McConnell and Tormey 2020). One of the main reasons identified behind the talks not going well was the problematic assumptions British decision-makers seemed to hold of the EU: It was assumed that the EU would make exceptions for the UK, that it would compromise on key principles, that EU unity would not last and national capitals would be responsive to bilateral initiatives, that member states would prioritise economic resilience over shared principles, and that the UK was sufficiently powerful to make credible and damaging threats. But while much has been written on the ill-fitting nature of the British strategy – and its inability to procure meaningful concessions – far less has been written on the sources of these assumptions themselves. This article aims to shed some light on why the UK bargained in the way it did and how biased assumptions about the EU’s interests and behaviour emerged. Adopting a theoretical perspective rooted in bounded rationality (Simon 1947), and drawing on a number of interviews conducted in London and Brussels in 2017-18, we argue that flawed assumptions were the product of specific aspects of the decision-making environment known to induce bias, including (1) ill-fitting routines and analogies focused on prior negotiations, (2) a lack of openness in decision-making, and (3) limitations in EU expertise and the absence of informal contacts within the Union.

Biased Assumptions in the British Negotiating Strategy

British strategy was constructed upon a number of problematic assumptions which evidenced a poor understanding of the organisation from which it was withdrawing. First-and-foremost, it was based on the assumption that the EU would offer Britain a highly bespoke form of association which would match the exceptional position it had enjoyed as a member state (Cardwell 2019: 1408; Schimmelfennig 2018). It was also based on the EU's willingness to relax some of the fundamental premises of EU membership, including the indivisibility of the 'four freedoms' and the integrity of the EU's legal order (Jones 2019: 49). London bet that EU solidarity would remain weak and that it could engage bilaterally with other member states - especially France and Germany - to leverage specific commitments and 'divide and rule' (Martill and Staiger, forthcoming). The UK also failed to understand the EU's preferences, assuming member states would prefer to mitigate the economic damage from Brexit above other policy goals, and that sub-state interests would channel this message to national capitals (Craig 2017: 60). And London persistently overestimated its power relative to that of the EU, working on the assumption of parity between Brussels and London, given the economic and strategic clout of the UK (Schnapper, forthcoming).

These assumptions proved false. Brussels made clear any form of bespoke agreement was off the table and that the UK could not enjoy an exceptional position as a non-member (Schnapper, forthcoming). Nor was Brussels amenable to relaxing aspects of the integration project to facilitate a beneficial arrangement for the British and member states were in agreement on the indivisibility of the 'four freedoms' and the sanctity of the EU's legal and decision-making architecture (De Vries 2017). Unity among the EU27 on the conduct of the Brexit negotiations was high and the member states were able to agree a common position, and an institutional

structure to support this, affording them greater unity than the British side and precluding the use of ‘divide-and-rule’ strategies (Jensen and Kelstrup 2019; Laffan 2019). The EU27 feared a successful Brexit and were willing to forego economic growth to ensure this did not happen. And British bargaining power turned out to be a shibboleth, since the combined EU27 had more market share, greater unity of purpose, and could more easily withstand no deal (Hix 2018).

The British strategy proved disastrous as a result. London set out demands that were never obtainable, removing any flexibility from the talks, while establishing high expectations domestically which undermined ratification efforts. British threats to walk away were not credible and failed to encourage any movement from the EU side (Martill and Staiger, forthcoming). The EU’s failure to budge led to successive concessions from the UK, which was forced to compromise on sequencing, the transition period, the Irish backstop, questions of citizens’ rights, budgetary contributions, and a host of other issues (Jones 2019). British climbdowns stoked domestic opposition (especially among Conservative Eurosceptics) and fuelled claims May had not obtained a ‘good deal’. This contributed to the rejection of the Withdrawal Agreement in the British Parliament on 15 January 2019 and at two subsequent attempts to pass the agreement on 12 and 29 March 2019. Plainly many of these failures can be traced back to the inaccurate assumptions made on the UK side about the interests and motivations of the EU. How such flawed assumptions were able to emerge is the subject of this article.

Bounded Rationality and the Brexit Negotiations

We argue the reliance of the UK negotiating strategy on flawed assumptions can be understood through the lens of bounded rationality. In its most basic form, bounded rationality assumes actors' best efforts to effect rational, cost-benefit strategies are undermined by the cognitive and organisational limitations exhibited by individuals and social collectives (Simon 1947; Jones 1999, 2003). Those limitations can be grouped into a number of categories, often referred to as cognitive biases, including overconfidence (Einhorn and Hogarth 1978), relationship bias (Reb 2010), fixed-sum error (Liu et al. 2016) and 'groupthink' (Janis 1972), among others. Bounded rationality accounts for the role played by such factors as emotions, trade-offs, routines, relationships, cognitive limitations, and decision-making dynamics in behaviour, and how they interfere with the ideal of rational cost-benefit calculations (Jones 2003: 397). Indeed, for this reason its assumptions have informed a number of existing works on bias in negotiation settings (Caputo 2013; Gelfand and Dyer 2000; Neale and Bazerman 1985; Raiffa 1982; Reb 2010; Thompson 1990) and can help us identify the conditions responsible for the production of biased assumptions (e.g. Gilovich et al. 2002) and the persistence of bias over time (e.g. Dunlop 2017; Dunlop and Radaelli 2018). Three specific factors are identified as being especially significant for the introduction of bias in negotiating strategies.

First, negotiating strategies are informed by experience of previous events. When actors are confronted by a problem or task their first recourse is to link their situation to alternative examples whose outcome is already known (e.g. Beach et al., forthcoming; Khong 1992; Poulsen 2014, 5). Alongside analogical reasoning, actors can draw upon routines, habits and practices established through previous actions which predispose them to specific forms of behaviour. Specific routines can also develop between specific actors as a by-product of their prior interaction, and can inform how the actors relate to one another in subsequent interactions (Reb 2010). Routines differ from specific lessons in that they are the product of multiple prior

interactions and do not involve the level of cognitive processing required to bring individual examples to the fore and fit their characteristics to the situation at hand. Falling back on previous lessons and past routines may result in sub-optimal strategies based on inertia or the misapplication of previous lessons and examples (Gilovich et al. 2002; Reb 2010), leaving actors ‘fighting the last war’ when devising negotiating strategies. This is especially likely where problems are not well structured, since a lack of clarity lends itself to “the application of prepackaged solution sets...deriv[ing] from ideology, professional identification, or current organizational practices” (Jones 2003: 408). Because analogies and lessons are necessarily stylistic representations, they may deviate in significant ways from the problem at hand, and may capture only partially the logic(s) at play (May 1973).

Second, negotiating strategies are informed by the dynamics of the decision-making environment and may be subject to biases resulting from collective interaction. Competitive dynamics can emerge in group settings which can make it more difficult to accurately diagnose the problem at hand, while conceptual confusion can emerge at the intersection of competing perspectives (Polzer 1996, 679). Group decision-making can also foster in-group dynamics which may decrease identification with outsiders and produce a desire for conformity internally (‘groupthink’), leading to the denigration of contrary thinking and consequently impairing decision-making (Janis 1972). The composition of group decision-making is a key determinant of the propensity towards bias. Small groups are more likely to foster in-group dynamics and conformity in thinking (t’ Hart 1994) and by definition offer a smaller number of distinct perspectives (Dunlop et al. 2020: 708). The diversity of groups is also a key criterion. The more similar the backgrounds of those in the group, the less available the benefits of diverse perspectives on a problem (Polzer 1996, 678) and the more susceptible members will be to dynamics of in-group conformity (Janis 1972). Where decision-making takes place in groups

which are small, non-diverse and closed, decisions are more likely to reflect biased assumptions, since these cannot easily be challenged or rejected, and since the members of such groups may have strong pressures to conform to collective expectations (Liu et al. 2016: 89).

Third, negotiating strategies rely upon information provision and expertise in diagnosing the bargaining environment. In the first instance, the collection, exchange and analysis of information is crucial for devising workable strategies and lowering the incidence of erroneous judgements (Liu et al. 2016: 86, 100). Obtaining and processing information requires the capacity to accrue, sort and analyse large amounts of information as well as contact with negotiating partners or third parties able to convey evidence of the other side's preferences. Because talk is cheap, and negotiating partners have an incentive not to convey accurate information themselves, intermediaries, third parties and other contacts are crucial sources of private information (Schultz 1998: 830). Moreover, processing this information requires expertise. While experts may themselves be prone to overconfidence and other forms of bias, subject-matter experts are better able to provide and analyse information than non-experts (Bailer 2010: 746-747). Experts are often able to think more 'intuitively', since situations offer cues which connect with their substantial register of prior examples and solutions (Kahneman and Klein 2009: 520). And they are likely to be better able than their political masters to comprehend the complexity of the negotiating situation and the interaction of a number of cross-cutting dynamics (Stoker et al. 2016: 7). In the absence of reliable information and the capacity in terms of subject-matter expertise to analyse and process it, key decisions made in the process of articulating a negotiation strategy will necessarily reflect the situation inaccurately (e.g. Thompson and Hastie 1990).

Methodology

To examine the validity of these sources of bias in negotiating strategy we offer an in-depth study of the initial months during which the UK's strategy for the Brexit negotiations was put in place. We focus on the period during which key assumptions were set, since UK negotiating behaviour over the talks can be traced back to the decisions made during this time. The salience of Brexit both within the UK and in the wider world means that the politics of this period has been the subject of comprehensive scrutiny and is, as a result, reasonably well understood, in spite of having taken place relatively recently. We adopt a process-tracing approach which seeks to identify relevant causal pathways (the sources of bias) and follow the effects of these on the policy process (e.g. Beach and Pedersen 2019). Process tracing allows us to follow the anticipated causal mechanisms and their effects through the Brexit negotiations, offering a more focused and relevant description as a result (King et al. 1994: 45). To achieve this our inquiry draws upon a number of interviews conducted in London and Brussels during 2017-18 as well as first-hand accounts published so far, including the volumes by Nick Timothy, Ivan Rogers, Tim Shipman and Anthony Seldon. Together these sources offer a detailed picture of the environment in which key Brexit decisions were taken.

Operationalising the hypothesised sources of bias is relatively straightforward: Analogies and prior examples can be identified by asking how the Brexit negotiations are portrayed by the major actors and by an assessment of the examples available to policymakers at the time; information on decision-making dynamics can be gleamed by identifying the locus of decisions and ascertaining which individuals are included or excluded; and it is possible to discern the role of information and expertise by tracing the information available to actors at the time, who

was responsible for processing it, and what the final interpretation looked like. The hypothesised sources of bias thus have observable implications which can be tested empirically against alternative explanations. If it can be shown that dis-analogous examples informed Brexit decision-making, that decisions were taken under unduly restrictive conditions, and that necessary information and expertise was not in evidence - and, furthermore, if it can be shown that domestic political constraints were neither operative nor greatly feared - then it may be reasonably concluded that flawed assumptions resulted from cognitive biases rather than political pressure.

The evidence from our inquiry points to Brexit as a theory-confirming or ‘illustrative’ case (e.g. Levy 2008: 6) insofar as biased assumptions in the UK’s negotiating strategy can be traced back to the hypothesised sources of bias. We show that the UK’s Brexit strategy emerged in an environment characterised by: (1) a dearth of advanced planning and the subsequent recourse to easily available (but dis-analogous) examples of past talks; (2) secrecy and small-group decision-making in which diverse opinions were systematically excluded; and (3) limited credible information on the preferences of the EU and distrust of UK-based EU experts. This should not be overly surprising, since these sources are well-established in the academic literature, but we argue it is substantively significant to demonstrate their efficacy in the case of Brexit, not least given that alternative explanations have not focused on these factors. In the following sections we set out the evidence for this claim. Our narrative is divided into two sections: In the first, we set out the background to the key decisions taken and discuss the context within which the UK’s Brexit strategy was articulated. In the second, we focus on the specific factors associated with the introduction of bias, showing in turn how each contributed to the emergence of flawed assumptions about the EU.

Articulating the (Flawed) Brexit Strategy

May and her team arrived in Downing Street on 13 July 2016, less than a month after the announcement of the referendum result. May's priority in office was to deliver Brexit (Allen 2018) and she wanted both to respect the result of the referendum and maintain her own position within the Conservative party. In Nick Timothy's opinion she "came to terms with the result quickly. She stamped upon any suggestions that the result might be re-run. She rejected calls for different forms of associate EU membership" (Timothy 2020: 16). Inside accounts confirm that May's mind was made up from the beginning that she wished to pursue a "a new bespoke deal for Britain" (Shipman 2018: 5). She thought freedom of movement was incompatible with the referendum result, but refused to see this as a logical impediment to UK access to parts of the single market, regarding 'off the shelf' options as inappropriate for a country the size of the UK. Officials report May was "sick of people saying to me that we can't go for an ambitious new Brexit model designed around the UK's interests and needs. Britain is the fifth largest economy in the world" (Seldon 2020: 100). May's views were influenced by her Home Office experience negotiating against the member states in the Justice and Home Affairs (JHA) Council, through which the UK had used its clout to 'cherry pick' access to JHA policies. May went on "to conduct negotiations with the EU much as she had conducted them with her opposite numbers in the EU as Home Secretary", in spite of the advice of those around her (Seldon 2020: 100).

While the Prime Minister had her own views on Brexit, she relied heavily on her inner-circle of advisors, including special advisors Nick Timothy and Fiona Hill ('the chiefs') and Cabinet Secretary Jeremy Heywood, as well as an outer circle of experts and advisors who were less

involved (Seldon 2020: 68). May trusted Timothy and Hill far more than she trusted civil servants or her own ministers: Timothy, the ‘ideological Eurosceptic’ crafted much of May’s Brexit policy, while Hill - the ‘reluctant Remainer’ - was charged with advising on the domestic agenda (Seldon 2020: 45, 101, 112). Distrust of the ostensibly pro-European civil service also motivated efforts to reform the institutional architecture of Whitehall in order to facilitate Brexit. The result was the creation of two new Departments, the Department for Exiting the European Union (DExEU) and the Department for International Trade (DIT), headed by Eurosceptic ministers David Davis and Liam Fox, respectively (Allen 2018: 113). The move ruffled feathers in the Foreign Office and the Treasury, which were partly cannibalised to create the new Departments, side-lining key constituencies of expertise on negotiations and European affairs (Seldon 2020: 103). May also streamlined Brexit decision-making, establishing a Cabinet Committee on Brexit, balanced equally between Leavers and Remainers. She subsequently poached her Europe Adviser, Olly Robbins, from DExEU in September 2017, centralising control in the Cabinet Office. The prime minister also established a European strategy meeting within No. 10 where “all significant deals on the EU in the first nine months” were taken (Seldon 2020: 110-111). Cabinet and Brexit Committee members complained accordingly about a lack of access (Durrant et al. 2019: 21) since, as explained by Timothy (2020: 16-17):

[T]he Secretary of State she appointed, David Davis, was never in charge of the negotiations. The Brexit strategy was discussed by the Cabinet and at regular meetings of a Cabinet sub-committee dedicated to leaving the EU. But the negotiating strategy was discussed in much smaller meetings between Theresa and her senior civil servants and political advisers. Olly Robbins, Theresa’s Brussels ‘Sherpa’, was asked to lead the negotiations, not David Davis.

May initially embarked upon a series of visits to EU national capitals (Timothy 2020: 13). One official recalled the strategy “was very clearly to deal with individual countries, and to fight against the monolithic EU response at the June council” (Seldon 2020: 117). The idea was to pick apart the EU position, on the assumption that “the Poles will say one thing to us...and the ultra-federalists, the Belgians, the Luxembourgers and the Dutch will say something else, and the Portuguese [something else] because of NATO and the Atlantic relations[hip]”.¹ By maintaining bilateral channels, the UK could ‘divide-and-rule’, tailoring pitches to the perceived needs of individual member states. EU countries, it was assumed, would be fearful of the disruption to trade and would prioritize economic stability over the preservation of EU unity. Davis, in this vein, requested that Germany not “put politics before prosperity” (Durrant et al. 2019: 23). The UK view implied that the EU27 would have a similar incentive structure as the UK and that the negative effects of British withdrawal could push national capitals to compromise. Underneath lay the belief that “the UK’s position is stronger than it actually is, and that the EU needs the UK more than the UK needs the EU”.² Thus, most of the assumptions which would form the basis of the UK’s negotiating strategy were already in place long before the start of the talks in June 2017. Specifically, from the early weeks and months of May’s government it was assumed that the EU would be willing to give the UK a bespoke arrangement, that key principles of the integration project were negotiable, that EU unity would not last, that national capitals would respond positively to bilateral initiatives, that they would fear economic damage over a diminution of principles, and that the UK was sufficiently powerful to render no deal credible and damaging.

¹ Interview 3

² Interview 4

Moreover, the evidence suggests these assumptions were not foisted upon May by the party right. But the overlap between hard bargaining and a hard Brexit occluded differences between May's position and more Eurosceptic Conservatives. The 'red lines' contained in the October 2016 party conference speech are instructive in this regard, for they amounted to a public statement of the government's thinking up to this point about the need for a bespoke deal. The view, shared by May and Timothy, and encapsulated in the red lines, was that the UK needed to be clear it was intending to leave the jurisdiction of the Court of Justice, and with it the single market and customs union, before opting into aspects from which the UK would benefit (Shipman 2018: 12). The aim of the red lines was to make clear to domestic audiences that the UK would be leaving the EU in a meaningful way, and to convey to the Union that "Brexit is actually going to happen" (Shipman 2018: 98). They proved popular among Eurosceptics (Shipman 2018: 15) but also responded to broader political pressures for May to set out her Brexit agenda (from both sides of the UK debate, and from Brussels) and not simply to pressure from the party right (Shipman 2018: 10). Indeed, the thinking behind them differed little from what had already been set out: May was keen to set out the UK 'ask' rather than depend on what the EU was prepared to offer. And she was convinced that the UK would be offered sufficiently exceptional arrangements that would be able to reconcile market access and with the withdrawal from the 'political' aspects of integration. The red lines pleased the party right because they set out a more distant landing point for Brexit, but to see them as precluding a close relationship is to see things different to how May and Timothy saw them at the time. While May and Timothy saw them as a means to a bespoke deal, others more attuned to what the EU might offer saw them rather as evidence the UK would pursue a much harder Brexit. Prior to the start of the negotiations, the red lines were compatible with both interpretations. When it later became evident a bespoke arrangement was off the table, May was forced into a choice between compromising on the red lines or losing out in terms of market access. It is

instructive that she chose compromise - as evidenced in the Chequers Plan - over a rigid interpretation of her own red lines.

In the end almost all the assumptions underlying the UK's Brexit strategy would prove unfounded. It was claimed the EU would be open to bespoke formats, but time-and-again the Commission restated details of the off-the-shelf models and the eligibility conditions for each. It was assumed the EU could be persuaded to budge on the four freedoms, but the EU27 agreed early on that these were indivisible and that a sector-by-sector approach was untenable.³ British demands thus reflected in no way what they might reasonably obtain from the EU.⁴ It was also assumed the unity of the EU27 would not last, but the 'unprecedented' unity *did* last,⁵ and the 27 were in agreement on the EU's priorities and its own red lines.⁶ They also established a clear line of delegation to Barnier, who shuttled back-and-forth between national capitals to ensure member states were kept on-board.⁷ London had assumed national capitals would respond to bilateral approaches, but the member states fell in line behind the common EU position and the government's faith in 'divide and rule' became "one of the biggest failures" of the talks (Durrant et al. 2019: 7). Moreover, May overstated the willingness of Germany and France to help corral the Commission and the member states into compromising.⁸ And member states were not as wary of collateral damage as the UK believed, since for the EU27 "preserving the integrity of the system" was more important.⁹ The inevitable consequence was that the UK found itself on the backfoot. The UK compromised on the sequencing of the negotiations, accepting phased rather than parallel talks (Fabbrini 2019: 3) and agreed to foot the 'divorce

³ Interview 2

⁴ Interview 8

⁵ Interview 10

⁶ Interview 9

⁷ Interview 5

⁸ Interview 7

⁹ Interview 5

bill’ it had initially refused to countenance.¹⁰ In July 2018 May agreed to a transition period on the terms set out by the EU (Schnapper, forthcoming). As the concessions multiplied, May’s rhetoric shifted, and by early 2018 she was focusing on the need for compromise rather than the threat of exit (Fabbrini 2019: 9).

The Sources of Biased Assumptions

In this final section we discuss in greater detail three hypothesised sources of bias in the UK strategy: (1) Ill-fitting routines and analogies drawn from previous negotiations; (2) a lack of openness in Brexit decision-making; and (3) limitations in EU expertise and the absence of informal contacts with the EU.

Ill-fitting Routines and Analogies

While the Brexit negotiations were unique, the closest analogy many of those involved had to hand was based on prior negotiations with the EU27 when the UK was a member, even though becoming a third party would completely change the nature of the negotiations. The lessons May took from prior interactions with the EU27 as Home Secretary backed up a number of key assumptions, including the UK’s own bargaining power, its ability to extract concessions from the EU by playing hardball, and the importance of individual member states as interlocutors in the negotiating process. May stuck to this line even as her advisors warned her the situations were not analogous. Observers likened the British approach to prior instances in which the UK had threatened to walk away in order to obtain concessions, and the long-standing belief that

¹⁰ Interview 3

this was the best way to get anything from the EU.¹¹ The analogy faltered because it didn't account for the distinction between being a member and being outside the club. As Rogers puts it: "The solidarity of the club members will always be with each other, not with [the UK]" (2019: 10). Nor could the analogy account for the politics of exit which dictated that the EU guard against any Brexit outcome which risked further clamours for exit. Since an antagonistic attitude towards the EU had often paid dividends, many in the UK government were keen for such an approach to continue during the Brexit negotiations.

May's strategy was also influenced by the actions of her predecessor. The reliance on existing routines drawn from her own experiences was strengthened by the absence of contingency planning within the civil service during the referendum, since no off-the-shelf plans for managing a vote to leave or conducting the negotiations existed (Seldon 2020: 45). Cameron forbade the civil service from preparing for Brexit, not only because it might make a leave vote appear more legitimate but also because it represented a significant drain on resources. This meant everything had to be decided on the hoof when May arrived in Downing Street, reinforcing the importance of her own views and the views of those around her (Shipman 2018: 6). May also sought to learn directly from Cameron's renegotiation effort, which had yielded minor concessions, but which had been widely viewed as a failure back home (Smith 2016). While Cameron had kept his demands strategically vague so he could adjust them to the EU's offer (Kroll and Leuffen 2016: 1312), May resolved to be bolder in laying out British demands, setting expectations high in order to force the EU to offer more than it would ordinarily be willing to otherwise (Shipman 2018: 10). The resulting focus on UK 'red lines' "create[d] all

¹¹ Interview 8

sorts of inflexibilities” and made it more difficult for the negotiated outcome to be sold as a ‘win’.¹²

Secrecy and (Small) Group Dynamics

A second significant source of bias was the lack of openness in the internal debate. May and her advisors were not open to new ideas (Dunlop et al. 2020) and May kept strategic Brexit discussion and decisions within a small group of individuals she trusted. This owed much to May’s secretive working style (Heide and Worthy 2019: 585), with Rogers describing “a secretive, opaque British government” (Rogers 2019: 63-64). Only a small number of privileged individuals were included in May’s inner circle of those she shared all of the relevant information with: The group was limited to ‘the Chiefs’ and May’s husband Philip, and notably did not include any of those with experience of European affairs (Seldon 2020: 68). Information on the workings of the EU was thus excluded from conversations in the inner circle. And the perspectives of other actors which might have contributed to a better understanding of European and British politics were ignored. Pro-Brexit Cabinet members were side-lined, even though they were in some cases more sceptical of May’s assumption the EU would offer a bespoke deal than were Remain-supporters, which betrayed (for them) a certain naïveté (Seldon 2020: 111). And members of the Parliament’s Brexit Select Committee were not provided with the information they needed for proper scrutiny, with one member claiming: “We do not have a view of what the negotiators have been told to achieve”.¹³

¹² Interview 6

¹³ Interview 1

Another reason for limiting the discussion to a small group was the distrust of the civil service, on the grounds their views did not line up with the government's thinking. Many in the civil service were despondent at the outcome of the referendum,¹⁴ which reinforced opinion in the Conservative party which "really doesn't trust the civil service. They do not trust that we wish to deliver their policies, often there is a belief that we are actively working against them, actively trying to shelve and not enact a lot of their policies".¹⁵ The side-lining of the civil service meant that much of the expertise on European affairs was also dismissed out of hand. May ignored much of the advice offered from civil servants and "marginalised those she thought were giving inconvenient advice" (Durrant et al. 2019: 20). Peter Storr told May the EU would seek to protect their integrity at all costs, but May responded: "I'm sick of people saying to me that we have to go for such options. We will go for a bespoke, ambitious model designed around British interests and British needs" (Seldon 2020: 116). Rogers and Principal Private Secretary Simon Case repeatedly pointed out that you "can't pick and mix on the customs union and single market" to which May retorted: "We have to get away from the binary thinking of the past" (Seldon 2020: 117).¹⁶ Civil servants who were more aware of May's thinking, like Heywood, chose to withhold their counsel at vital moments, rather than risk losing influence (Seldon 2020: 57).

Limited Expertise and Lack of EU Contacts

A final weakness consisted of limitations in expertise, largely due to a distrust of experts (Dunlop et al. 2020) as well as skills shortages and lack of contact with EU interlocutors (Rogers 2019). Many of those closest to May had limited EU experience. Timothy, on whom

¹⁴ Interview 11

¹⁵ Interview 2

¹⁶ This attitude ultimately led to Rogers' unceremonious resignation in January 2017.

May relied for most of her Brexit advice, was a Eurosceptic who lacked a thorough grounding in the EU's rules and institutions.¹⁷ Robbins, May's 'Sherpa' and "the dominant voice below Timothy's on Brexit" proved a contentious appointment because of his lack of European experience (Seldon 2020: 67, 109). And Heywood, the Cabinet Secretary, was not an expert on foreign policy and was not regarded as having a strong command of EU affairs (Seldon 2020: 61). None of those individuals tasked with establishing the UK's Brexit strategy, then, were steeped in European affairs. There were also notable skills shortages when it came to the conduct of the negotiations. Because the UK had not conducted an independent trade policy, there was a pressing need to recruit negotiators and trade experts. Unlike the UK, the EU had "a full army of officials who relish very much these negations because they have never seen anything of that sort before".¹⁸ The situation in 2016 was thus one in which the EU "have got a very powerful team and they can negotiate very efficiently, they have got great trade negotiators, we haven't got many. That's why we went to buy them from New Zealand and places. It's not symmetrical".¹⁹

Another significant factor was the lack of meaningful engagement between British policymakers and their European colleagues (Rogers 2019). Cameron's removal of the Conservatives from the EPP grouping in the European Parliament had severed a number of informal party links which could have informed British decisionmakers about EU preferences (Frosini and Gilbert 2020: 771) and the government failed to make use of contacts within national embassies and in the various other EU representations (Durrant et al. 2019: 23). Moreover, the UK's internalisation of the normative aspects of integration was weaker than other member states, reinforcing misperceptions of the EU's willingness to make concessions

¹⁷ Interview 3

¹⁸ Interview 5

¹⁹ Interview 3

on fundamental values.²⁰ And since the withdrawal process was governed by the EU's legal framework it was inevitable there would be “an imbalance...[between the] intimate knowledge of EU affairs on the European side and less knowledge on ministerial and to an extend official side on the British side”.²¹ Language reinforced the problem, since the UK was an open book to Brussels, while British decision-makers were unable to follow politics in the EU27. When May delivered the party conference speech “it was supposed to be just for the domestic, Conservative party audience, but I can assure there [were] MEPs watching it in real time on their mobiles. So, already, there is an asymmetry there. They know what we are thinking and doing, we don't really know what they are doing and saying”.²² These factors limited the UK side's ability to read Brussels and the national capitals and to update their thinking in response.

Conclusion

The misdiagnosis of the EU's interests undermined the UK's conduct of the negotiations and contributed to the defeat of May's Withdrawal Agreement. Britain (falsely) assumed the EU would be open to bespoke arrangements, that it would compromise on key principles of integration, that the unity of the EU27 would not hold, that national capitals would respond favourably to bilateral approaches, that member states would prioritise the economic effects of Brexit, and that the UK was powerful enough for exit to cause significant damage. How did such an inaccurate image develop? In this article we claimed a focus on the limitations which characterised decision-making in the early months of Brexit can help us understand why flawed assumptions were able to emerge. Drawing on research on bounded rationality we highlighted

²⁰ Interview 2

²¹ Interview 7

²² Interview 3

three aspects which contributed to the emergence of biased assessments of the EU's interests: (1) ill-fitting routines and analogies, (2) the emphasis on small-group decision-making, and (3) a lack of EU expertise and minimal contacts within the EU27.

May's own experiences from the Home Office and her distrust of the advice proffered by the civil service weighed particularly heavily on the fateful decision to pursue a 'bespoke deal' the EU27 were not prepared to offer. May drew on these experiences when admonishing those around her who pointed out the situations were dis-analogous. In the absence of such predispositions, the flawed assumptions on which May's strategy was based might have been easily corrected from the get-go. As it happened, however, these assumptions would animate the UK's negotiating strategy until well into 2018, even in the face of clear evidence their premises were false. A number of factors help explain this persistence: As the negotiations proceeded the opportunities to pursue alternative strategies diminished, not only because the Article 50 process kept the clock ticking, but because May's credibility was ever-more on the line as the talks unfolded. Admitting failure at this stage was not an option for a survival-conscious prime minister. It would have been especially difficult for May to row back on her hard-line rhetoric in the face of growing opposition from the right of her party, who felt that the failure of the talks was down to May's lack of resolve, not the validity of her assumptions.

Our argument contrasts with existing explanations for British hard bargaining which argue the origins of this approach lie in pressure from the Conservative right (e.g. Fabbrini 2019: 7-8; James and Quaglia 2018: 560; Jones 2019: 25, 36; Martill and Staiger, forthcoming; Schnapper, forthcoming). While existing approaches highlight important sources of hard bargaining, they struggle to explain the initial emergence of biased assumptions prior to the ascendance of the Eurosceptic right. In mid-2016 the government had a majority in Parliament, unusually high

approval ratings (Timothy 2020: 12-13), presumed the right to deliver Brexit using prerogative powers (Craig 2017: 50), and was more concerned about opposition from Remain-supporting MPs than Brexiteers (Seldon 2020: 89). And the preferences of Leave supporters were far less radical than they would become during the negotiations (Lynch and Whitaker 2018).²³ Existing works also downplay significant differences between May's position and that of party Eurosceptics occluded by the hard-bargaining rhetoric. Many Brexiteers sought a cleaner break from the EU than May's own landing point of a bespoke deal and thought naïve her faith that the EU would compromise. Moreover, many of these individuals were deliberately excluded from key decision-making forums from which the negotiating strategy emerged (Seldon 2020: 111-113).

The argument aims to make a broader contribution to the literature. It highlights the usefulness of the assumptions of bounded rationality as applied to questions of public policy (failure), epitomised by the UK's negotiating strategy. Much research on public policy retains an implicit (thin) rationality assumption which can occlude significant impediments to rational action that may help explain policy failure (Jones 2003: 402). As we have shown, a number of well-known inhibitors of rational decision-making were in clear evidence as the UK strategy was laid down. Our argument also contributes to the development of bounded rationality as a theoretical perspective. For instance, while much of the literature emphasises the ability of actors in bargaining situations to update their understanding over time (Dunlop and Radaelli 2018: 261), evidence from the Brexit case suggests adaptation and learning may be difficult to achieve even in situations of high policy salience, since assumptions become 'locked in' and discrepant evidence cast aside. The evidence also suggests that a 'blank state' in policymaking terms can

²³ Support among Leavers for a no deal Brexit stood at 7% in July 2016 but by January 2017 this would climb to 82% (Kettell and Kerr 2020).

be both a blessing and a curse; while theoretically the absence of prior routines might encourage creative thinking and avoid pre-existing cognitive traps (Jones 2002: 279), the dearth of planning in the Brexit example rather enabled policymakers to fall back on prior (and incorrect) assumptions of their own. And finally, the evidence also highlights (political) ideology as an especially pernicious source of bias, since Eurosceptic ideological predispositions motivated distrust of key the sources of reliable information (EU interlocutors, UK-based experts) as well as those best placed to assess and analyse it (civil servants).

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Bibliographic Note

Filipa Figueira is Senior Teaching Fellow at the School of Slavonic and East European Studies, University College London

Benjamin Martill is Lecturer in Politics and International Relations at the University of Edinburgh

Address for Correspondence

Benjamin Martill, School of Social and Political Science, Chrystal Macmillan Building, 15a George Square, Edinburgh, EH8 9LD
benjamin.martill@ed.ac.uk

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List of Interviews

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Interview 2 - Former DExEU official, London, July 2017

Interview 3 - Former Conservative MEP, Brussels, July 2017

Interview 4 - Former high-ranking EU official, August 2018 (telephone)

Interview 5 - Former high-level EU official, Brussels, July 2017

Interview 6 - Member of the House of Lords (Liberal Democrat), London, July 2017

Interview 7 - Former UK Ambassador to France, London, July 2017

Interview 8 - Former Labour MEP, London, October 2017

Interview 9 - Brussels-based think-tanker, July 2017 (telephone)

Interview 10 - Member of the EU Negotiating Team, September 2017 (telephone)

Interview 11 - Member of the House of Lords (Labour), London, July 2017

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