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Research Agenda: The European integration of core state powers

(title announced in program: More integration, less federation. The EU and core state powers)

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1. Investigating the integration of core state powers

The literature on European integration has its own business cycles. In the 2000s, the common wisdom was that the Maastricht Treaty had ushered the EU into a stable constitutional equilibrium that was unlikely to be upset soon (Hix 2007: 143–44; Moravcsik 2005: 349). In the 2010s, by contrast, the common wisdom holds that Maastricht has unleashed new dynamics of change that transform the institutional architecture of the EU in significant ways. Some scholars diagnose the rise of a ‘new intergovernmentalism’ that allegedly overlays and partly displaces the supranational actors and institutions of the traditional community method (Bickerton *et al.* 2014; Puetter 2014). Others note the creeping territorial differentiation of EU integration: national opt-outs from common policies become an increasingly normal feature of EU policy-making (Leuffen *et al.* 2013). Yet others are concerned with the politicization of EU policies and institutions. They observe an increasing spill-over of EU issues from technocratic elite arenas into the public sphere, a gradual dislocation of the traditional permissive consensus by a constraining dissensus and the emergence of salient domestic cleavages over EU issues (Hooghe and Marks 2009; Kriesi *et al.* 2012; Zürn *et al.* 2012: 72).

In this paper, we conjecture that the trends of change theorized in these debates are part of a larger syndrome. We call it the European integration of core state powers, i.e. the increasing involvement of EU institutions in core functions of sovereign government such as money and fiscal affairs, defense and foreign policy, migration, citizenship, and internal security. We propose a research agenda to investigate this conjecture and present preliminary evidence to support it.

The research agenda starts from the assumption that the European integration of core state powers differs systematically from, on the one hand, the nationalization of such powers in historical processes of nation state-building, and from the dynamics of European market integration on the other. It proposes to explore these differences through three sets of questions.

First, what is the *pattern* and *extent* of EU involvement in the exercise of core state powers (section 2)? We use three indicators (treaty-based formal authority, material capacity building, and regulation) to investigate this question and present preliminary evidence that the EU is substantially involved in the management of core state power even though it acquires few of these powers for itself.

Second, what are the political and institutional *consequences* of this process (section 3)? In historical processes of state-building, the nationalization of core state powers was intimately connected to the territorial, institutional and political consolidation of the emerging state (Bartolini 2005; Marks 1997; Skowronek 1982). We present preliminary evidence suggesting that the European integration of core state powers has the opposite effect. It drives the EU apart rather than bringing it closer together. Perhaps ironically, the integration of core state powers makes the EU look less federal not more.

Finally, what are the *causes* of the integration of core state powers and how do they differ from market integration (section 4)? Building on neofunctionalist and liberal intergovernmentalist approaches we argue that state elites and mass publics rather than economic interest groups shape state preferences over the integration of core state powers. This has implications for the form and substance of intergovernmental bargains that help to explain the drift towards territorial differentiation and institutional fragmentation.

2. Pattern and extent?

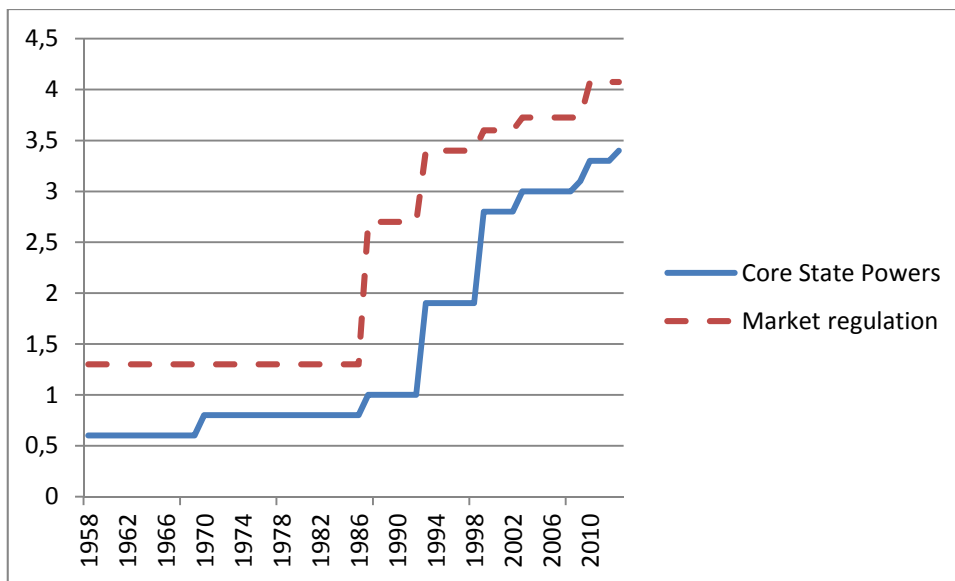
State-building in early modern Europe revolved around the nationalization of three key action resources: the control of superior means of coercion, the power to coin money, raise taxes and issue debt, and the administrative capacity to implement and enforce laws and public policies within national borders (Bartolini 2005; Finer 1975; Marks 1997). Arguably, these three resources still constitute the core powers of the state today. They provide the wherewithal for the wide-ranging activities of the modern state. They are the basis of 'domestic sovereignty' (Krasner 1999). We consider three indicators to assess the pattern and degree of their integration: (1) the EU's *formal authority* over core state powers, (2) EU material *capacity building* for the European-level exercise of core state powers, and (3) EU *regulation* of the national core state powers.

Formal authority

The expansion of the EU's treaty mandate into areas of core state power is well documented (Börzel 2005; Leuffen *et al.* 2013). Consolidating the series of treaty revisions since the Single European Act, the Lisbon Treaty now contains fairly sweeping empowerments for economic and monetary union (Art. 3 TEU), common foreign and security policy (Art. 24 TEU) and for police cooperation (Art. 87 TFEU). Of course, these empowerments are broad, imprecise and subject to various restrictions. Yet this was also true of the Treaty of Rome's provisions on market integration (Cooley and Spruyt 2009: 156).

Importantly, the EU's formal authority has not only increased horizontally in scope but also vertically in depth. The treaty-mandated range for majority voting and supranational agency is generally more restricted in core state powers than in areas of market integration (Figure 1), but it has expanded at roughly the same speed in both areas. The increase started in the 1990s, well before the Eurocrisis, and is not limited to fiscal and monetary policy. On average, decision-making process in core state powers has become much more supranational and is now roughly at a par with market regulation during the 1990s. While the rate of increase has slowed down considerably since the late 1990s, the EU's formal authority continues to grow. From Figure 1, at least, it is not obvious that the EU has reached any kind of constitutional equilibrium.

Figure 1: Formal EU authority in market regulation and Core State Powers



Data: Leuffen et al. 2013, own calculations. *Notes:* *Core State Powers* include Political External Relations; Criminal and domestic security; Macroeconomic & Employment; Money; Tax. *Market regulation* includes Economic External Relations; Environmental & Consumer Protection; Occupational Health; Labour; R&D; Economic Freedoms; Competition & Industry; Energy & Transport; Agriculture; Social & Territorial Cohesion. *Formal authority* distinguishes five grades of treaty-based EU involvement in policy-making (Börzel 2005): 0=no coordination at EU level, 1=intergovernmental coordination, 2=intergovernmental cooperation, 3=joint decision-making with limited EP involvement, 4=joint decision-making with full EP involvement, 5=supranational centralization)

Capacity building

Importantly, the conspicuous expansion of the EU's formal, treaty-based authority in core state powers was not accompanied by a corresponding build-up of material capacities for the centralized exercise of such powers. As many observers highlight (Alesina and Spolaore 2005: 210–11; Börzel 2005: 224; Elazar 2001: 37; Moravcsik 2001: 169–73;

Streeck 1995: 395), the EU lacks the key action resources of the modern state. It does not have an army or police force. Its administrative capacity is tiny. The Commission employs just under 25.000 officials¹ compared, for instance, to the US Department of Commerce's 44.000 (Bruszt and Langbein 2014: 15). The EU has no taxing power and cannot issue debt. Its 'own resources' resemble national contributions to an intergovernmental organization (Le Cacheux 2007). The EU budget has shrunk over the past decades from roughly 1.2 per cent of EU GNI in 1997 to roughly 1 per cent in 2014. Only in monetary affairs the EU enjoys quasi state-like powers even though tightly constrained by treaty provisions prohibiting the use of monetary instruments for purposes of macroeconomic steering and fiscal stabilization.²

On closer inspection, however, EU capacities have expanded more than this minimalist picture reveals. Obviously, the Eurozone crisis did not produce a Hamiltonian moment of general debt Europeanization. Yet it led to the creation of a permanent European emergency fund, the ESM, with a lending capacity of up to 500 billion Euros and a bank resolution fund of ultimately 55 billion Euros. The Commission gained a limited right to issue bonds (currently about 60 billion Euros), and the European Central Bank stretched, and possibly overstretched, its treaty mandate to provide fiscal assistance to distressed member states. The 'quantitative easing' program announced in January 2015 has a volume of 1.3 *trillion* Euros.

Obviously, the EU lacks sizeable military capacities let alone a common army. Nevertheless, it has staged 9 purely military missions since 2003, and has maintained, on average, 3750 soldiers in foreign operations every year (Krotz and Wright 2014). Since 2010, it also commands a 'quasi-supranational diplomatic corps' (Adler-Nissen 2014: 664), the EEAS, which equals the size of that of a mid-sized member state such as Belgium and challenges the member states' monopoly of foreign representation. In public administration, some observers see a relentless 'executive centre formation' at work that is driven by the doubling of the Commission personnel and the tripling of the number of EU agencies since the 1990s (Trondal 2014), and the emergence of large bureaucracies in the Council, the European Parliament, the ECB and the Court. In 2014, roughly 55.000 bureaucrats were working for EU institutions³. In dispensing their administrative tasks, they draw on the assistance of roughly 62.000 national bureaucrats who regularly descend on Brussels to do advisory and committee work for EU institutions and help coordinate implementation and enforcement (Eurofacts 2008; Wessels 2000). This is still a

¹ Source: Adopted budget for the financial year 2014 Official Journal L51 of 21/02/2014 <http://eur-lex.europa.eu/budget/www/index-en.htm>, last accessed 5 February 2015.

² See especially TFEU Art. 119(2) forcing EU institutions to prioritize price stability to other macroeconomic goals including growth and employment, and TFEU Arts. 123 and 125 prohibiting the monetary financing of public debt, and the bail-out of public institutions respectively.

³ European Commission (24781 people), EU regulatory and executive agencies and joint undertakings (5636), European Parliament (6786), Council (3101), Court of Justice (1991), External Action Service (1661), ECB (1907), EIB (2124), civilian and military missions (4700), other bodies including the ESC, CoR, etc. (2605).

small administrative superstructure for an area of almost 500 million people. But it is decidedly larger than the administration of the proverbial mid-sized European city, and may, according to some counts even be larger than the British army.

Regulation

What the EU lacks in terms of material capacity, it partly compensates by regulation.⁴ It does so in two ways. First, it uses regulation to harness national core state powers for joint European purposes. For instance, EU hard law on arms procurement serves to harness national defense budgets for increasing European efficiency in arms production and defense spending (Weiss 2014). Soft law such as the Headline Goals or the EDA codes of conduct serve to nudge member states into developing complementary and interoperable military capabilities on which the EU (or NATO) can draw for joint military missions (Mérand and Angers 2014). Likewise, European regulations require national bureaucracies to ensure the consistent implementation of policies the EU cannot guarantee by its own bureaucratic resources. They force national administrators to assist the bureaucracies of other member states (e.g. under the services directive), to rely on administrative inputs provided by foreign bureaucracies (e.g. in VAT administration) or to seek prior authorization by the Commission for national administrative acts (e.g. in handling genetically modified organisms) (Heidbreder 2014). The EU regulations open up formerly closed national systems of public administration, divest them of their operational independence, and fuse them into a transnational European administrative space (Egeberg 2006; Hofmann 2008; Knill 2001; Shapiro 2001; Wessels 2000). As various studies show, the EU's comitology system reinforces rather than checks the EU's regulatory control over national administration. (Egeberg and Trondal 2011; Joerges 1999).

Second, the EU uses regulation to constrain externalities of the national exercise of core state powers. For instance, the EU increasingly regulates how its member states use their policing powers (Herschinger *et al.* 2011) to prevent 'crime shopping' in a borderless market. The new European mechanisms of post-crisis macro-economic governance regulate national fiscal behavior to an unprecedented extent. The intrusiveness of these regulations is 'beyond the writ of anyone in Washington' (Hallerberg 2014: 102) precisely because Brussels lacks the fiscal capacities of Washington. The US federal government can afford to regulate the fiscal conduct of state governments lightly because the predominance of its own fiscal resources reduces the importance of state-level tax and spend policies (Genschel and Jachtenfuchs 2011: 305). In the EU, by contrast, the member states are the dominant fiscal players. Hence, the externalities between their fiscal policies are potentially much more disruptive than those between the fiscal policies of state governments in the US, and hence, the EU devises stronger regulation to control them.

⁴ 'Regulation' is used here as in 'regulatory' policy, not as referring to a specific form of EU law.

In conclusion, there is evidence to suggest that EU involvement in the exercise of core state powers has become a normal feature of the European constitution and of European politics. More research is required comparing the patterns and extent of this involvement across core state powers. While there is a welter of specialized research on the integration of foreign policy and defense, fiscal affairs, border control management or internal security there are few attempts to identify and explain similarities and differences across fields. Also, more systematic comparisons with historical processes of federal state-building could help to put European developments into perspective. It could reveal, for instance, that a partial and incomplete control of core state powers is not an exclusive feature of the EU. In Germany, the national government lacked a general taxing power until after WW I. The American federal government was so weak for most of the 19th century that the country was commonly referred to in the plural rather than in the singular.⁵ Compared to the history of the US, the EU's influence on core powers is increasing fast (Kelemen 2014).

3. Political and institutional consequences?

The European integration of core state powers is closely related to three trends of institutional change that clearly distinguish it from historical processes of nation state-building: institutional fragmentation, territorial differentiation, and political segmentation.

Institutional fragmentation

In historical processes of state building, the nationalization of core state powers was associated with the consolidation of core institutions of national government and a centralization of control (Skowronek 1982). In Europe by contrast, the integration of core state powers is associated with a weakening of central EU institutions and a dispersion of control.

While the Lisbon Treaty formally abolished the pillar structure of the Maastricht Treaty, special rules continue to apply to core state powers: Foreign and defense policy remains subject to almost purely intergovernmental decision rules with little role for the Commission, the Court and the Parliament (Title V TEU). Justice and home affairs have been communitarized more strongly. Yet even here various special rules provide, for instance, for unanimity voting in the Council, special appeals to the European Council so-called 'emergency break', see Art. 82(3) and 87(3) TFEU), limits of the Commission's right of legislative initiative (Art. 76 TFEU), or a reduced quorum for national parliaments to invoke the subsidiarity principle (Art. 7(2) of the Subsidiarity Protocol).

A more perhaps important instance of fragmentation is the proliferation of EU institutions. The move into core state powers was associated with the rise of new intergovernmental decision-making bodies above the Council of Ministers (the European Council), besides it (e.g. the Eurogroup) and below it (e.g. the Political and Security Committee or

⁵ 'The United States are' rather than 'the United States is' (Sbragia 1992: 260, Fn. 7)

the Standing Committee on Internal Security). The Council lost its old focality in inter-governmental decision making. At the same time, the member states set up new supranational agents such as the President of the European Council, or the High Representative that challenge the Commission's preeminence as agenda setter, mediator and process manager in European policy making. During the Eurozone crisis, for instance, the Commission had to struggle hard with the van Rompuy Task Force over the reform agenda for fiscal surveillance and regulation (Bauer and Becker 2014: 219). Finally, the Commission lost preeminence as the EU's central bureaucracy. To the extent, the integration of core state powers involves the creation of new supranational capacity, the member states often prefer to vest it into task-specific 'de novo' EU bodies (Bickerton *et al.* 2014) rather than the Commission. Examples include banking supervision (ECB), diplomatic representation (EEAS), emergency lending (ESM), and a host of rule-making and surveillance tasks assigned to more than thirty EU regulatory and executive agencies. The majority of the administrative staff of the EU now works outside the Commission.

While most de novo bodies operate under EU law, others like the ESM or the new Single Bank Resolution Fund are based on international law treaties (Dawson and de Witte 2013; Peers 2013). Anecdotal evidence suggests that the likelihood of a new body being set up under international law increases in the material capacities entrusted to it (Genschel and Jachtenfuchs 2014). Hence, to the extent the EU draws on supranational capacities, these capacities are not always legally hers. This is perhaps most obvious in military and fiscal affairs where the EU relies strongly on the resources of NATO or the IMF respectively: important EU military missions have been directed from NATO headquarters in Belgium, and the IMF was involved in a major way in designing, funding, and supervising EU policy responses to the Eurozone crisis (Mérand and Angers 2014; Schelkle 2014).

The EU is now institutionally fragmented to an extent that, when it wins the Nobel Prize, it has to send three Presidents to collect it because no single one can claim to represent the EU as a whole. To be sure, the US federal government has also been described as an 'organizational mess' (Moe 1990: 238). Yet this mess was created by two central institutions that remained visibly and uncontested above it, the Congress and the Presidency. In the EU case, by contrast, the fragmentation extends to the the central institutions. The one remaining overarching structure, the European Council, is a negotiating forum rather than a corporate actor.

Territorial differentiation

In historical examples of European state-building, the national integration of core state powers was closely associated with the territorial consolidation of the state. In fact, the former is usually considered a crucial precondition of the latter (e.g. Bartolini 2005: 60–63). In the EU by contrast, the integration of core state powers is associated with territorial differentiation and increasingly fuzzy external borders.

Territorial differentiation refers to the opting-out of individual member states from EU policies. Exaggerating slightly, it was invented for the purpose of integrating core state powers (Leuffen *et al.* 2013; Rittberger *et al.* 2014). While opt-outs are virtually absent in market-related policy areas, they are a normal feature of EU policies in core state power: 9 member states do not currently participate in Monetary Union,⁶ 6 member states do not fully participate in EU policies on justice and home affairs,⁷ and Denmark has opted out of EU defense cooperation. In all these cases, the EU's *formal authority* over core state powers is limited to subsets of member states.

Territorial differentiation is often a matter of degree. Case study evidence suggests, for instance, that the extent of differentiation varies in the instruments of integration (Genschel and Jachtenfuchs 2014: 255). Generally, it seems to be more pronounced in *capacity building* than in *regulation*. In fiscal policy, for instance, only the 19 member states of the Eurozone participate in, and contribute capital to, the ESM while the rules of the Stability and Growth Pact and the Six Pack apply to all 28 EU member states, and the rules of the Fiscal Compact to 26 member states.⁸ The new Banking Union reveals a similar pattern: the Single Bank Resolution Fund is restricted to the Eurozone members but it operates in a regulatory framework applying to all EU member states. Likewise in military affairs: the rules on defense procurement apply to all 28 member states, and the 'Headline Goals' for national force planning apply to 27 member states (i.e. the entire EU minus Denmark). Yet only 20 member states, on average, contribute troops and funding to EU military missions.⁹

Importantly, there is no uniform geographical pattern of differentiation: it is not always the same member states that opt-in or opt-out. The differentiation process does not produce a clear-cut demarcation between a highly integrated core group of member states and a more weakly integrated periphery but creates a multitude of partly overlapping, policy-specific 'variable geometries' of integration that render the outer perimeter of the EU fuzzy and diffuse (Leuffen *et al.* 2013).

Political segmentation

The integration of core state powers correlates with the level of media attention to and political contestation over European issues. The level of politicization was high in the early 1950s when the rearmament of Germany and the creation of a European Defense Community were at stake. It decreased with the turn to market integration in the late

⁶ Bulgaria, Croatia, the Czech Republic, Denmark, Hungary, Poland, Romania, Sweden, and the UK.

⁷ Bulgaria, Cyprus, Denmark, Ireland, Romania and the UK.

⁸ Note however, that the rules of the Two Pack also only apply to Eurozone member states.

⁹ While a common funding mechanism (Athena) exist to which all 27 participating members states contribute in relation to their GDP, it only covers about 10% of a mission's operation costs (Mérand and Angers 2014: 54).

1950s even though flaring up intermittently when 'constitutional issues' such as the British entry were at stake. And it rose again with the coming of monetary union, the CFSP and the integration of justice and home affairs in the 1990s (Grande and Kriesi 2014)¹⁰.

Over the last two decades, there has been a slow increase in transnational political debates and in the dual (national and European) identities (Risse 2014). Yet, contrary to the historical experience of federal state formation in the USA or Germany (Steinbach 1984), the politicization of EU policies precipitated neither a shift of mass loyalties to the European level nor the advent of transnational mass politics organized along cross-cutting cleavages. To the contrary, it deepened the cleavages between national publics, and fueled the emergence of a constraining dissensus on European integration. The main political conflicts divide European citizens along territorial lines not across them (Grande and Kriesi 2014).

The integration of core state powers contributes to the territorial framing of political conflict in the EU in three ways. First, by institutionalizing the expectation of joint action in key policy areas, it increases the visibility of national differences that prevent such action in moments of pressing need. Foreign policy crises such as the Gulf Wars, or more recently Libya, Syria or Ukraine painfully reveal differences in perception and preference not only between national governments but also between national publics.

Second, to the extent the integration of core state powers involves European capacity building it raises the question of who pays and who benefits. Since issues of resource allocation are decided intergovernmentally, EU citizens tend to conceive this question in national terms. The 'net contributor' perspective has structured public debates over the EU budget ever since Margaret Thatcher claimed 'my money back' in 1984. The most divisive conflicts during the Euro-crisis concerned the distribution of adjustment burdens between creditor and debtor countries. While, for instance, majorities of citizens supported financial aid to other member states, they insisted on strict aid conditionality (Risse 2014: 1210): a majority of Germans was prepared to help Greece – but only on German terms to be enforced on Greece. Likewise, public debate on the ESM, the Single Bank Resolution Fund, and some of the ECB's unconventional monetary policy instruments (e.g. quantitative easing or OMT) focused on the distribution of the risk burden. Public opinion in debtor countries tends to favor joint liability but in creditor countries several liability. The result is an increasingly complex mix of elements of joint and several liability in all three institutions.

Finally, to the extent the integration of core state powers proceeds by regulation, it tends to nationalize responsibility for the consequences of joint policies. Formally, EU regulations impose equal constraints on all member states. Factually, some member

¹⁰ Core state powers are part of the 'constitutional issues', Grande and Kriesi identify as the main driver of politicization. In their view, constitutional issues include the question of membership as well as the 'non-economic aspects of deepening, i.e. of authority transfers ... [affecting] national sovereignty and autonomy' (Grande and Kriesi 2014: 10–11).

states find it easier to comply given their particular geopolitical position, economic condition or institutional legacy. Some may actually see their ability to comply undermined by the unintended effects of joint policies. Think, for instance, of the reinforcement effect the ECB's 'one-size-fits-none' monetary policy had on the debt dynamics in the EMU periphery (Hall 2012). Yet, since it is always individual member states who fail to comply with EU rules, non-compliance is conceived as a purely national problem to be addressed by purely national policy adjustments. This nationalization of responsibility fuels self-righteous indignation and cross-border finger pointing by compliant and non-compliant member states alike, be it in fiscal policy or in dealing with migrants or refugees.

Contrary to Eurofederalist expectations, the integration of core state powers does not contribute to 'an ever closer union' (TEU Preamble) and a more federal Europe but drives the people of Europe apart and leaves the EU territorially and institutionally fragmented. Thus, ironically, the more the EU is involved in the core state powers the less it looks like a state. Yet, there seems to be significant variation across core state powers. The extent of institutional fragmentation, territorial differentiation and mass politicization seems to be particularly strong in monetary and fiscal policy, more moderate in internal security and foreign and defense affairs, and virtually absent in public administration. Why? There also seems to be variation across policy instruments: EU capacity building seems to evoke more differentiation, and stronger fragmentation and politicization than EU regulation. Why? Finally, most fundamentally, why are the trends towards differentiation, fragmentation and politicization virtually limited to the integration of core state powers? What is the difference to market integration?

4. Causes?

The traditional theories of integration, neofunctionalism and liberal intergovernmentalism, were calibrated to explain market integration. Their explanatory core is quite similar. They both assume that governmental preferences for (or against) integration are mostly economic, and reflect the position of sectoral business interests (Moravcsik and Schimmelfennig 2009; Sandholtz and Stone Sweet 2012). This core model is less useful for explaining the integration of core state powers because business interests are less affected than by market integration, state elites are more affected, and the likelihood of mass politicization is higher. This changes the logic of governmental preference formation, and has implications for intergovernmental bargaining and the institutional design of the EU.

States elites

The creation of EMU, the handling of the Eurozone-crisis, and the liberalization of European defense markets involved heavy lobbying by private industry because they had important and fairly obvious commercial implications for important business sectors (Niemann and Ioannou 2015; Weiss 2014). The fiscal regulation of national budgets through the Stability and Growth Pact and more recently the European Semester argu-

ably also affects the competitive positions of private business but the effects are complex, indirect and hard to predict. This tends to mute business lobbying (Moravcsik and Schimmelfennig 2009: 76). Finally, in foreign and defense policy, internal security, or public administration, there is no business lobbying at all simply because there is no market and hence no market players that could be affected.

We conjecture that *state elites* are often a more important source of sectoral demand for the integration. State elites include all non-elected professionals who are formally responsible for the handling of national core state powers and derive status and income from it – e.g. diplomats, high ranking civil servants, military officers, policy experts and advisers.

State elites support the integration of core state powers to the extent that this serves their institutional and functional interests. Institutional interests refer to a general preference for strengthening the bureaucracy on whom individual members of the state elite depend for their salary and career; functional interests refer to a general preference for ‘making the policies work’ for which individual members of the state elite are responsible and on which their professional reputation and career prospects depend. Examples of state elites pushing for more integration include military professionals hoping to accelerate domestic military reform by European pressure, diplomats in search of a European turf that is safe from encroachment by finance ministries and other more technical departments, civil servants making a career out of liaising between EU institutions and national administrations or high police officials depending on foreign information to do a proper job at home (Deflem 2000; Heidbreder 2014; Mérand and Angers 2014; Wessels 1998). Yet, state elites are wary of integration steps that undermine their position. Thus, for instance, the creation of the EEAS provoked an anxiety of redundancy in many national diplomats, who in turn reacted with attempts to tarnish the EEAS’s professional reputation (Adler-Nissen 2014). The most basic institutional interest of state elites is to ensure the survival of their bureau. Hence, they generally prefer the European regulation of national core state powers which is compatible with this goal to the creation of European capacities which is in potential conflict.

Mass Publics

There is broad agreement in the extant literature that the EU has become increasingly politicized: *Mass publics* care for European integration if it affects salient issues of collective identity, redistribution and citizen well-being. There is no reason to assume that core state powers are salient per se. The incremental creation of a European administrative space, for instance, has proceeded in the virtual absence of public attention. But many issues related to core state powers are highly salient, especially if they concern the creation of new European capacities such as the European emergency funds during the Eurozone crisis or the obscure ‘capacity for autonomous action, backed up by credible military forces’ requested by the Franco-British St.-Malo declaration in 1998.

According to postfunctionalist reasoning, mass politicization typically constrains sectoral demands for integration because it brings issues of identity to the fore. If mobilized, identity-minded voters tend to resist authority transfers to the European level – and the share of voters with exclusively national identities continues to be high (Hooghe and Marks 2009: 13). Empirically, however, it is not clear that European mass publics are generally euro-skeptic. European defence integration, for instance, enjoys consistently high levels of public support (European Commission 2011). In fiscal policy, nine in ten European voters purportedly support more European cooperation as the most effective tool for crisis management. And large majorities in all member states except Britain support strict fiscal regulations including EU fines for fiscally lax member states (European Commission 2013: 21, 27). In principle, mass publics can also constitute a source of demand for integration.

The important question is how mass politicization affects processes of preference formation and aggregation at the national and European level. For postfunctionalists, ‘Mass politics trumps interest group politics when both come into play’ (Hooghe and Marks 2009: 18). Neofunctionalists and Liberal Intergovernmentalists maintain, by contrast, that sectoral interests can prevail even in moments of intense politicization like the Eurocrisis because spill-over dynamics create hard to ignore functional pressures for integration (Niemann and Ioannou 2015: 197), and governments can keep euro-skeptic publics at bay by various techniques of insulation (Schimmelfennig 2014: 336). The evidence from core state powers suggests that both positions are too extreme. Governments look for viable compromises between the sectoral interests of business groups or state elites (which are often hard to ignore for functional reasons) and mass attitudes (which are hard to ignore for electoral reasons) rather than privileging one over the other.

We distinguish four constellations (Figure 2): Mass attitudes and sectoral interests can either be aligned in support of, or opposition to, further integration (boxes I and IV), or they can conflict because mass publics oppose integration while important sectorial interests support it or vice versa (boxes II and III). Each constellation will shape government preferences differently.

Figure 2: Constellations of interest

		Sectoral interests	
		Pro-integration	Contra-integration
Mass publics	Pro-integration	<i>I. Permissive Consensus</i>	<i>II. Sectoral resistance</i>
	Contra-integration	<i>III. Constraining Dissensus</i>	<i>IV. General opposition</i>

Under conditions of a *permissive consensus* (cell I) governments will have a preference for effective integration. They will defer to supranational leadership and back integration under the Community method. Think, for instance, of the support the large member states with competitive defense industries provided for the liberalization of European defense markets (Blauberger and Weiss 2013; Castellacci *et al.* 2014).

Sectoral resistance (cell II) refers to a constellation where the general public is more integration-minded than important sectorial interest. Here governments will seek to combine public declarations of integration-intent with institutional safeguards for national control of factual integration. Thus, for instance, the spread of the open method of coordination has been explained by the intention of governments 'to pay symbolic attention to key issues without undertaking any real binding policy action' (Pollack 2002: 397). Much of the EU's activities in the defence field fit this description, combining as they do grand declarations on 'headline goals' with soft, and as some argue, rather ineffective regulation (Menon 2014; Mérand and Angers 2014).

The *constraining dissensus* (cell III) is the prototypical postfunctionalist constellation. Here governments will look for strategies that combine a sufficient level of integration (to satisfy the functional needs of sectoral interests) with manageable audience costs (to minimize exposure to euro-skeptic mass publics). This often involves double-talk and deception. For instance, many economists agree that a sustainable EMU needs a strong fiscal component but fear that any obvious attempt to act on this need must founder on public opposition (e.g. de Grauwe 2014). This explains the prominence banking union during the Eurocrisis: Strengthening the regulatory surveillance of deficient banks was an easier sell to skeptic publics than suggestions to bail out fiscal sinners or succumb to fiscal bullies. The domestic politics of the constraining dissensus are tricky, because the public often expects being deceived, which in turn makes it difficult for the government to avoid blame.

Faced with *general opposition* by mass publics and sectoral interests (cell IV) governments will either block integration initiatives at the European level or, if they cannot prevail against the other member states, consider an opt-out. Think of the British position during the negotiations of the fiscal compact in December 2011 when David Cameron insisted on 'safeguards' for the City of London in order to satisfy both the financial industry and a largely euro-skeptic public (Bickerton *et al.* 2014: 13). While the domestic politics of this constellation are simple, it tends to lead to considerable intergovernmental complications.

We surmise that Figure 2's typology of interest constellations can help explain the pattern and extent of the integration of core state powers mapped in section 2, and the trend towards institutional fragmentation and territorial differentiation associated with it (section 3). Obviously, more work is required to show this conclusively. This would include comparative research on government reactions to different constellations of sectoral interests and mass attitudes. How did these constellations affect the form and

substance of intergovernmental bargains? What effect did they have on the collective institutional choices of the governments? In what ways did they change the role and strategies of supranational EU institutions? We would speculate, for instance, that regulatory integration is a method for keeping skeptical publics at bay in situations in which sectoral pressures for integration are high (constraining dissensus). Differentiated integration and intergovernmental agreements based on international (rather than EU) law allow for selective exit by governments who face a general opposition to integration at home. Governments faced with integration-happy publics but sectoral resistance will tend to oversell integration, for instance, by draping regulatory policies in capacity building language ('EU battlegroups') or by creating new but essentially powerless supranational institutions.

Conclusion

The uniting theme of the debates on the 'new intergovernmentalism' (Bickerton *et al.* 2014), on differentiated integration (Leuffen *et al.* 2013) and on the mass politicization of EU policies (Hooghe and Marks 2009) is fundamental change: The EU is more institutionally complex, less territorially coherent, and also less elite-driven than it used to be. We claim that all these changes are empirically linked by the EU's growing involvement in the exercise of core state powers. We propose a research agenda to evaluate this claim by, first, mapping the pattern and extent of EU involvement, second, exploring its political and institutional correlates, and, third, identifying key drivers and constraints.

The agenda involves two comparative perspectives, one contrasting the European integration of core state powers to European market integration, the other comparing it to historical examples of federal state building. The former perspective highlights striking differences in the dramatis personae of integration – business interests versus state elites and mass publics – and raises questions about political and institutional consequences. The latter draws attention to the fact that the same process that precipitated the institutional, territorial, and political consolidation of national federations seems to have the opposite effect on the EU. Perhaps ironically, the more involved the EU is in the exercise of core state powers, the less it looks like a state: more integration, less federation!

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