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More integration, less federation: the European integration of core state powers

Philipp Genschel and Markus Jachtenfuchs

ABSTRACT We map the pattern and extent of the European integration of core state powers (coercive force, public finance and public administration) and analyse causes and consequences. We highlight two findings: First, in contrast to historical examples of federal state-building, where the nationalization of core state powers precipitated the institutional, territorial and political consolidation of the emerging state, the European integration of core state powers is associated with the institutional, territorial and political fragmentation of the European Union. Second, in contrast to European market integration, state élites and mass publics, not organized business interests, are the prime drivers of integration.

KEY WORDS core state powers; differentiated integration; integration theory; new intergovernmentalism; politicization; state élites.

INVESTIGATING THE INTEGRATION OF CORE STATE POWERS

The literature on European integration has its own business cycle. Ten years ago, the common wisdom was that the Maastricht Treaty had ushered the European Union (EU) into a stable constitutional equilibrium that was unlikely to be upset soon (Hix 2007: 143–4; Moravcsik 2005: 349). Today, the common wisdom holds that Maastricht has unleashed new dynamics of fundamental change that are unlikely to abate soon. Some scholars diagnose the rise of a ‘new intergovernmentalism’ that overlies and partly displaces the supranational actors and institutions of the traditional community method (Bickerton *et al.* 2014). Others note the creeping territorial differentiation of EU integration: national opt-outs are an increasingly normal feature of EU policy-making (Schimmelfennig and Winzen 2014). Yet others are concerned with the politicization of EU policies and institutions. They observe an increasing spillover of EU issues from technocratic élite arenas into the public sphere, the rise of a Eurosceptic constraining dissensus and the emergence of salient domestic cleavages over EU issues (Hooghe and Marks 2009).

In this article, we conjecture that these seemingly isolated trends all flow from the same cause: the European integration of core state powers. By this we mean the increasing involvement of EU institutions in key functions of sovereign

government including money and fiscal affairs, defence and foreign policy, migration, citizenship and internal security. We discuss this conjecture theoretically and present preliminary evidence to support it. Our analysis is organized around three sets of questions. What is the pattern and extent of EU involvement in core state powers? What are the political and institutional consequences of this involvement? Which actor constellations drive and shape it?

PATTERN AND EXTENT

State-building in early modern Europe revolved around the nationalization of three key action resources: coercive power; the power to coin money, raise taxes and issue debt; and the administrative capacity to implement and enforce public laws and policies within national borders (Bartolini 2005; Marks 1997). Arguably, these three resources still constitute the core powers of the state today. They provide the basis of ‘domestic sovereignty’ (Krasner 1999) and the wherewithal for the wide-ranging activities of the modern state. Without these powers, it is difficult to be a ‘proper’ state. Their integration has therefore been equated to a ‘self-abdication’ of the state (Hoffmann 1966: 866). We consider three indicators to assess the pattern and extent of this alleged self-abdication: the EU’s *formal authority* over core state powers; the EU’s material *capacity building* for the European-level exercise of core state powers; and the EU’s *regulation* of national core state powers.

Formal authority

Starting with the Single European Act, the EU’s treaty mandate has gradually expanded into areas of core state powers. While the scope for majority voting and supranational agency is generally more restricted than in market integration (Figure 1), it has increased greatly over the past few decades. On average, decision-making is as supranational in core state powers today as it used to be in market integration during the 1990s. From Figure 1, at least, it is not obvious that the EU has reached any kind of constitutional equilibrium.

Capacity building

The conspicuous expansion of the EU’s formal, treaty-based authority in core state powers was not accompanied by an equally conspicuous build-up of material capacities for the centralized exercise of such powers. As many observers highlight (e.g., Börzel 2005: 224; Moravcsik 2001: 169–73), the EU lacks the key action resources of the modern state. It has no army or police force. Its administrative capacity is tiny. The Commission employs just under 25,000 officials¹ compared, for instance, to the United States (US) Department of Commerce’s 44,000 (Bruszt and Langbein 2014: 15). The EU has no taxing power and cannot issue debt. Its budget is comparatively small and shrinking (from roughly 1.2 per cent of EU gross national income in 1997 to roughly

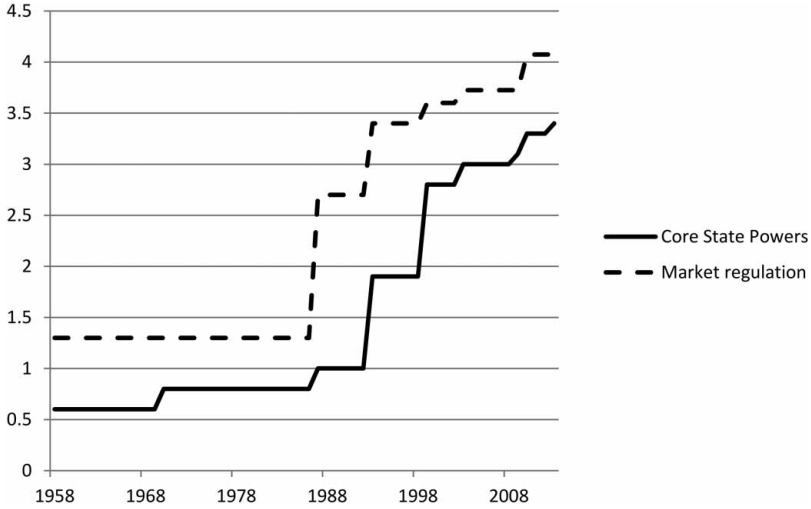


Figure 1 Formal EU authority in market regulation and core state powers

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; labor; 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 co-ordination; 2 = intergovernmental co-operation; 3 = joint decision-making with limited European Parliament (EP) involvement; 4 = joint decision-making with full EP involvement; 5 = supranational centralization).

Source: Leuffen et al. (2013), own calculations.

1 per cent in 2014). Only in monetary affairs does the EU enjoy quasi state-like powers, even though tightly constrained by treaty provisions prohibiting their use for purposes of macroeconomic steering and fiscal stabilization.²

On closer inspection, however, EU capacities have expanded more than this minimalist picture reveals (Caporaso *et al.* 2015). Obviously, the eurozone crisis did not produce a dramatic Hamiltonian moment of general debt Europeanization, yet it led to the creation of a permanent European emergency fund, the European Stability Mechanism (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' programme of January 2015 has a volume of 1.3 trillion euros. Similarly, despite the lack of a common army, the EU has staged nine purely military missions since 2003, and has maintained, on average, 3,260 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 European External Action Service (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 process of 'executive centre formation', driven by the doubling of the Commission personnel, 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 European Central Bank (ECB) and the Court. Currently, roughly 56,000 people work for EU institutions,³ supported by roughly 62,000 national bureaucrats who regularly descend on Brussels to co-ordinate with the Commission and with each other (Eurofacts 2008; Wessels 2000). This is still a 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.

Regulation

What the EU lacks in terms of material capacity, it partly compensates for by regulation. On the one hand, the EU uses regulation to harness national core state powers for joint European purposes. In the military field, soft laws, such as the Headline Goals or the European Defence Agency's (EDA) codes of conduct, serve to nudge member states into developing complementary and interoperable military capabilities, on which the EU (or the North Atlantic Treaty Organization [NATO]) can draw for joint military missions (Mérand and Angers 2014). In public administration, hard regulations oblige national bureaucracies to ensure the consistent implementation of EU policies that the EU cannot guarantee through its own bureaucratic resources. By forcing national administrators to provide and accept administrative inputs to and from each other (e.g., under the services directive or tax administration), these regulations break open formerly closed national systems of public administration, divest them of their operational independence and fuse them into a transnational European administrative space (Hofmann 2008; Wessels 2000).

On the other hand, the EU uses regulation to constrain externalities of the national exercise of core state powers. For instance, it regulates how the member states use their policing powers (Herschinger *et al.* 2011) to prevent 'crime shopping' in a borderless market. The Stability and Growth Pact and the various post-crisis fiscal regulations building on it restrict national fiscal autonomy so as to prevent spillover effects from unsustainable national deficits and debt. The intrusiveness of these fiscal regulations is 'beyond the writ of anyone in Washington' (Hallerberg 2014: 102), precisely because Washington's fiscal capacities are beyond the writ of anyone in Brussels. The United States 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). The EU regulates more because the member states are the dominant

fiscal powers and, consequently, the externalities between their fiscal policies are potentially much more disruptive than those between US state governments.

In conclusion, EU involvement in the exercise of core state powers has become a normal feature of the European constitution and of European politics. The extent of integration is still limited. However, this is also common in national ‘coming-together federations’ (Stepan 1999), especially in early phases of development. In Germany, for instance, the national government lacked a general taxing power until after World War I, and the US 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 (‘the United States are’ rather than ‘the United States is’; Sbragia [1992: 260, Fn. 7]). By American standards, the EU’s influence on core state powers is increasing fast (Kelemen 2014). What is peculiar about the EU case is not the limited extent of integration so much as the pattern. The very strong reliance on regulatory means of integration is unusual. To the extent that the EU has genuine capacities in core state powers at all, they do not usually serve for the direct exercise of fiscal, administrative or military functions at the European level but for the mobilization and co-ordination of national powers. The ESM, for instance, is not intended to replace national fiscal policy but to provide the minimal risk pooling necessary for keeping fiscal policy-making national in a supranational monetary union. The aim is to assist fiscal self-help but not to promote fiscal centralization.

POLITICAL AND INSTITUTIONAL CONSEQUENCES

The European integration of core state powers is closely related to three trends of change that clearly distinguish it from historical processes of 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 eventual 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 proliferation of 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 defence 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, while communitarized more strongly, also remain subject to special rules providing, *inter alia*, for unanimity voting in the Council, unilateral ‘emergency breaks’ (Art. 82(3) and 87(3) TFEU), and limits to the Commission’s right of legislative initiative (Art. 76 TFEU) (see Peers [2012] for a review).

Another perhaps more 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), beside it (e.g., the Eurogroup) and below it (e.g., the Political and Security Committee or the Standing Committee on Internal Security). As a consequence, the Council lost its old focality in intergovernmental decision-making. At the same time, new supranational agents such as the President of the European Council and the High Representative for Foreign Affairs and Security Policy challenge the Commission's pre-eminence as agenda-setter, mediator and process manager in European policy-making. During the eurozone crisis, for instance, it had to struggle hard with the van Rompuy Task Force over the reform agenda for fiscal surveillance and regulation (Bauer and Becker 2014: 219). Also, the Commission's status as the EU's central bureaucracy is eroding. To the extent the integration of core state powers involves the creation of new supranational capacity, the member states often prefer vesting it into task-specific '*de novo*' EU bodies (Bickerton *et al.* 2014) and not the Commission. Examples include banking supervision (ECB), diplomatic representation (EEAS), emergency lending (ESM), and a host of implementation and surveillance tasks assigned to more than 30 EU regulatory and executive agencies. The majority of EU staff 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). Anecdotal evidence suggests that the likelihood of a new body being set up under international law increases in relation to the material capacities entrusted to this body (Genschel and Jachtenfuchs 2014: 253). Hence, to the extent, that the EU draws on supranational capacities, these capacities are not always legally hers. This is perhaps most obvious in military and fiscal affairs. Important EU military missions have been directed from NATO headquarters in Belgium, and the International Monetary Fund (IMF) was involved in a major way in funding and supervising EU policy responses to the eurozone crisis.

The integration of core state powers has led to the rise of new EU institutions alongside, and partly in competition with, the central institutions of the traditional Community Method (the Commission and the Council of Ministers). This leaves the EU 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. The US federal government is also an 'organizational mess' (Moe 1990: 238). Yet this mess was created by two central institutions (Congress and the presidency) that remained visibly and uncontested above it. In the EU case, by contrast, the fragmentation extends to the central institutions.

Territorial differentiation

In historical examples of European state-building, the nationalization of coercive, fiscal and administrative 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: 60–3). 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: nine member states do not currently participate in European Monetary Union (EMU),⁴ six member states do not fully participate in EU policies on justice and home affairs,⁵ and Denmark has opted out of EU defence co-operation. In all these cases, the EU's *formal authority* over core state powers is limited to subsets of member states. This differentiation is partly transitory. Some Eastern European member states do not participate in EMU or the Schengen area because they are not yet ready and able to do so. However, the differentiation is partly durable (Schimmelfennig and Winzen 2014): Denmark, Sweden or the United Kingdom (UK), at least, are fundamentally unwilling, rather than just temporarily unable, to join the eurozone.

Territorial differentiation is often a matter of degree. It tends to vary with 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.⁶ The Single Bank Resolution Fund is restricted to the eurozone members but operates in a regulatory framework for all EU member states. Likewise in military affairs: the rules on defence procurement apply to all 28 member states, and the 'Headline Goals', for national force planning, apply to 27 member states (all but Denmark). Yet only 20 member states, on average, contribute troops and funding to EU military missions.⁷

Importantly, there is no uniform geographical pattern of differentiation: while some member states, including, most notably, the six founding members, regularly opt-in to EU policies, it is not always the same member states that opt-out. The differentiation process does not produce two distinct groups of ins and outs, 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: 19).

Political segmentation

The integration of core state powers correlates with the level of media attention to, and the political contestation of, European issues. The level of politicization was high in the early 1950s, when the re-armament of Germany and the creation of a European Defence Community were at stake. It decreased with the

turn to market integration in the late 1950s, even though flaring up intermittently when ‘constitutional issues’, such as the British entry, were at stake. It rose again with the introduction of monetary union, the Common Foreign and Security Policy and the integration of justice and home affairs in the 1990s (Grande and Kriesi [forthcoming](#)).

Contrary to the historical experience of federal state formation in the US 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. Media discourses remain nationally segmented, despite increased media attention to EU issues and institutions (Offerhaus *et al.* 2014). The home country remains the key reference point of individual self-identification, even for people supporting European integration. Party politics and systems of interest intermediation remain dominated by national organizations (Bartolini 2005). The main political conflicts remain territorially defined, despite the increasing pooling of authority at the European level. To the extent that European issues raise political conflict, they tend to divide European citizens along national borders, not across them (Grande and Kriesi [forthcoming](#)).

The integration of core state powers fuels the nationally segmented politicization of EU policy-making in two ways. First, to the extent that it bestows the EU with an important insignia of stateness, it stirs conflict between Eurosceptic and Europhile citizens and political groups. Eurosceptics generally oppose EU involvement in core state powers because they want to keep stateness as an exclusively national attribute. Europhiles support it because they hope to increase the stateness of the EU. We conjecture that a politicization of the cleavage between Eurosceptics and Europhiles is particularly likely if the issue involves European *capacity-building* because capacity-building involves a visible reallocation of ownership rights over core state powers to the European level. *Regulatory integration* is less prone to politicization because it only strengthens European control rights over power resources that remain notionally national. The façade of national statehood remains intact.

Second, the integration of core state powers contributes to a nationally segmented politicization of EU policies by stirring conflict between national publics. Again, we expect this conflict to be more visible and virulent in cases of integration by capacity-building. The creation of joint capacities immediately 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 ‘*juste retour*’ 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): Most Germans were prepared to pay for Greece – but only on German terms to be enforced on them.

Regulatory integration, by contrast, tends to conceal the distributive implications of integration by imposing the same formal constraints on all member states. Compliance with these regulatory constraints is construed as a national problem to be solved by each member state individually. This deflects media attention and political conflict from the European rules to the national strategies of implementing them. In cases of blatant non-compliance, the regulatory nationalization of responsibility for joint policies 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’ and a more federal Europe, but drives the people of Europe apart and leaves the EU territorially and institutionally fragmented. The more the EU is involved in the policy fields that define the state, the more obvious its enduring difference to the state become. Yet, there is 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 defence affairs, and virtually absent in public administration. 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. Finally, most fundamentally, the trends towards differentiation, fragmentation and politicization are virtually limited to the integration of core state powers. Why? What is the difference to market integration?

ACTOR CONSTELLATIONS

The traditional theories of integration, neofunctionalism and liberal intergovernmentalism were calibrated to explain market integration. Despite well-known differences, their explanatory core is quite similar. They both assume that governmental preferences for (or against) integration are mostly economic, and reflect the position of dominant sectoral business interests (e.g., Moravcsik and Schimmelfennig 2009; Sandholtz and Stone Sweet 2012). Whatever the merits of this model for explaining market integration, it is less useful for explaining the integration of core state powers. Business interests tend to be less affected than in market integration, state élites tend to be affected more, and the likelihood of mass politicization tends to be higher. We extend the standard model to include state élites and mass publics, and explicitly theorize their impact on governmental preference formation.

State élites

The creation of EMU, the handling of the euro crisis, and the liberalization of European defence 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, arguably 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 defence policy, internal security or public administration, there is no business lobbying at all, simply because there is no market and hence no market players with direct stakes in the integration process. Issue-specific interdependence may still shape government preferences in a major way (Moravcsik and Nicolaïdis 1999: 61–2), but not through their effect on domestic business interests but through their impact on state élites.

State élites include all non-elected professionals who are formally responsible for the handling of national core state powers and derive status and income from it (Skocpol 1985: 9–14) – e.g., diplomats, high-ranking civil servants, military officers, central bankers, policy experts and advisers. State élites will support integration to the extent that this serves their institutional and functional interests (Scharpf 1988). Institutional interests refer to a general preference for preserving and strengthening the government institution or bureaucracy on whom individual members of the state élite depend for their livelihood and career; functional interests refer to a general preference for ‘making the policies work’ for which individual members of the state élite are responsible and on which their professional reputation and career prospects depend (Downs 1967). Examples of state élites pushing for more integration include military professionals hoping to accelerate domestic military reform by increasing European pressure, diplomats in search of a European turf that is safe from encroachment by finance ministries, civil servants making a career out of liaising between EU institutions and national administrations, high police officials depending on foreign information to do a proper job at home, and central bankers colluding at the European level to increase their independence from political controls (Deflem 2000; Heidbreder 2014; Mérand and Angers 2014; Wessels 1998).

Yet, state élites do not support integration unconditionally. They will oppose integration moves that threaten their interests. The perhaps most basic interest concerns the survival of their home institution. State élites do not want to be made redundant. This is why they will generally prefer the European regulation of national core state powers to European capacity-building: The former potentially adds to the role of national officials, while the latter tends to reduce it. In cases where European capacity building seems warranted for functional reasons, state élites will prefer intergovernmental arrangements that secure a role for national officials in managing the newly created capacities. They will be sceptical of supranational architectures that exclusively empower Eurocrats. When they cannot prevent the emergence of supranational capacities, they will be tempted to sabotage them. The creation of the EEAS, for instance, provoked anxieties of redundancy in many national diplomats. They reacted by more or less veiled attempts to tarnish the EEAS’s professional reputation (Adler-Nissen 2014). Finally, state élites will prefer sector-specific capacities and

regulations to more general, cross-sectoral arrangements. Institutional fragmentation along sectoral lines helps them demarcate their turf and prevent intrusions from other competing departments or bureaus.

In conclusion, state élites are for the integration of core state powers what private business is for market integration: the group of actors most immediately affected and concerned. Yet, in contrast to business actors, whose interests are often best served by strong supranational rules and capacities, state élites often prefer intergovernmental arrangements with low or no centralized capacities.

Mass publics

There is broad agreement in the extant literature that the EU has become increasingly politicized: *Mass publics*⁸ care for European integration if it affects salient issues of sovereignty, redistribution and collective identity. 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 and political contestation. 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 ‘capacity for autonomous action, backed up by credible military forces’, requested by the Franco-British St. Malo declaration in 1998, respectively the European Army called for more bluntly by Jean-Claude Juncker recently (Die Welt 2015).

According to postfunctionalist reasoning, mass politicization typically constrains sectoral demands for integration because it brings issues of identity to the fore. If mobilized by party leaders or protest entrepreneurs, identity-minded voters tend to resist authority transfers to the European level (Hooghe and Marks 2009: 13). Empirically, however, it is not clear that European mass publics are generally Eurosceptic. European defence integration, for instance, enjoys consistently high levels of public support (Mérand and Angers 2014: 49). In fiscal policy, nine out of ten European voters purportedly support more European co-operation as the most effective tool for crisis management. 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).

There are also theoretical reasons to doubt that the politicization of identity concerns should always work against integration. According to Eurobarometer polls, the people identifying exclusively with their home country are in a minority in the EU. A majority thinks of itself, at least sometimes and in some respects, as European (Risse 2014: 1208). Distributive interests could potentially also lead to mass support for integration. People rightly or wrongly conceiving of themselves as winners of EU policies or transfers will likely support integration. Hence, in principle, mass publics can be a source of demand for integration as well as an obstacle for integration. We would expect people

with strong national attachments or deep-seated fears of material loss to demand a low level of integration and to prefer regulatory and intergovernmental modes of integration. People with cosmopolitan views or strong expectations of material gain may, in turn, be mobilized towards high levels of integration involving European capacity-building and strong delegation to supranational actors.

How does mass politicization affect processes of preference formation and aggregation? 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 euro crisis) because spillover dynamics create hard to ignore functional pressures for integration (Niemann and Ioannou 2015: 197), and governments can keep Euro-sceptic 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 and state élites (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. The substance and shape of these compromises will reflect the domestic constellation of mass attitudes and sectoral interests.

Simplifying greatly, we can distinguish four actor constellations (Figure 2): mass attitudes and sectoral interests (business groups or state élites) can either be aligned in support of, or in opposition to, further integration (boxes I and IV), or they can conflict because mass publics oppose integration while important sectoral interests support it or vice versa (boxes II and III). Each constellation will shape government preferences differently with important implications for intergovernmental bargaining, collective institutional choice and the role and function of supranational EU institutions.

The *permissive consensus* (box I) represents the actor constellation more or less explicitly assumed in most studies of market integration. It elicits a strong government preference for effective integration. The government will defer to supranational leadership and back integration under the Community method. This also happens in core state powers. Think, for instance, of the support the large member states with competitive defence industries provided for the

		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>

Figure 2 Actor constellations in European integration

liberalization of European defence markets (Blauberger and Weiss 2013). Standard liberal intergovernmentalist assumptions about the bargaining behaviour of governments, and standard neofunctionalist assumptions about the entrepreneurship and commitment function of supranational institutions apply.

Sectoral resistance (box II) refers to a constellation where the general public is more integration-minded than important sectoral interest. Here, governments will seek to combine public declarations of integration-intent with institutional safeguards for national control of future factual integration. For instance, the spread of the open method of co-ordination 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, for instance, ‘headline goals’ with soft and, as some argue, rather ineffective regulation and weak supranational institutions like the EDA (Menon 2014; Mérand and Angers 2014). In general, we expect governments to ‘oversell’ integration under conditions of sectoral resistance, for example by draping regulatory policies in capacity building language (e.g., ‘EU battlegroups’) or by feigning commitment to integration through the creation of new but essentially powerless supranational institutions (mock commitment).

The *constraining dissensus* (box 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 Eurosceptic mass publics). This often involves policy-framing and sometimes double-talk and deception. For instance, many economists agree that a sustainable EMU needs a strong European fiscal backup. Yet they fear that any obvious attempt to create backup capacity at the EU level must founder on public opposition (e.g., de Grauwe 2014: 119). This fear helps to explain the prominence of banking union during the euro crisis: breaking the sovereign–banking nexus by strengthening the regulatory surveillance of deficient banks seemed like an easier political sell to sceptic publics than breaking it by the creation of a fiscal union among the member states. More generally, we would expect governments to ‘undersell’ integration under conditions of a constraining consensus by, for instance, emphasizing European regulation, by keeping European capacity building to a sheer minimum, by organizing capacity-building along intergovernmental lines, where it cannot be avoided, (think of the new emphasis on several liabilities in institutions such as the ESM or the ECB) or by shifting politically controversial decisions to supranational institutions. Under these conditions, supranational institutions do not resemble heroic engines of integration that knock over reluctant member states in order to advance integration but rather garbage trucks of integration that keep integration afloat by disposing of the unresolved problems the member states dump on them. Thus, the governments of the member states repeatedly used and abused the ECB as a ‘policy maker of last resort’ in instances in which they could not, or would not, agree among themselves how to handle the crisis (Eichengreen 2012: 131).

Faced with *general opposition* by mass publics and sectoral interests (box 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 Eurosceptic public (Bickerton *et al.* 2014: 13). While the domestic politics of this constellation are simple, it tends to lead to considerable intergovernmental complications. Differentiated integration and intergovernmental agreements based on international (rather than EU) law are the means of choice to cope with these complications.

We surmise that our typology of actor constellations (Figure 2) can help explain the pattern and extent of the integration of core state powers mapped in above, and the trend towards institutional fragmentation and territorial differentiation associated with it. It also helps to conceptualize the differences between the process dynamics and outcomes of market integration (mostly box I) and of the integration of core state powers (mostly boxes II–IV). Obviously, more work is required to show this conclusively. This would include not only more comparative research on government reactions to different actor constellations but also a more nuanced conception of mass publics that pays closer attention to how media discourses, party competition and civil protest movements affect government preferences.

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 élite-driven than it used to be. We argued that all these changes are empirically linked by the EU’s growing involvement in the exercise of core state powers. To support this argument, we mapped the pattern and extent of EU involvement, explored its political and institutional correlates, and identified causal actor constellations and conditioning constraints.

Our argument opens 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 – state élites and mass publics rather than sectoral business interests – 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!

Biographical notes: Philipp Genschel is professor of European public policy at the European University Institute, Florence. Markus Jachtenfuchs is professor of European and global governance at the Hertie School of Governance, Berlin.

Addresses for correspondence: Philipp Genschel, European University Institute, Villa La Fonte, Via delle Fontanelle 18, 50014 San Domenico di Fiesole, Italy. email: philipp.genschel@eui.eu / Markus Jachtenfuchs, Hertie School of Governance, Friedrichstr. 180, 10117 Berlin, Germany. email: jachtenfuchs@hertie-school.org

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NOTES

- 1 Source: adopted budget for the financial year 2014; OJ L51 of 21/02/2014 available at <http://eur-lex.europa.eu/budget/www/index-en.htm> (accessed 5 February 2015).
- 2 See especially TFEU (Treaty on the Functioning of the European Union) Art. 119(2) forcing EU institutions to prioritize price stability to other macroeconomic goals, and TFEU Arts. 123 and 125 prohibiting the monetary financing of public debt, and the bail-out of public institutions respectively.
- 3 The figures for 2014: European Commission (24,781 people); EU regulatory and executive agencies and joint undertakings (5,636); European Parliament (6,786); Council (3,101); Court of Justice (1,991); External Action Service (1,661); ECB (1,907); European Investment Bank (EIB) (2,124); civilian and military missions (5,029); and other bodies including the Economic and Social Committee, Committee of the Regions, etc. (2,605).
- 4 Bulgaria, Croatia, the Czech Republic, Denmark, Hungary, Poland, Romania, Sweden and the United Kingdom.
- 5 Bulgaria, Cyprus, Denmark, Ireland, Romania and the United Kingdom.
- 6 However, the rules of the Two Pack also only apply to eurozone member states.
- 7 The Athena funding mechanism, to which all 27 participating members states contribute, in relation to their gross domestic product (GDP), only covers about 10 per cent of a mission's operation costs (Mérand and Angers 2014: 54).
- 8 Mass publics is a general term for a complex phenomenon including mediated public debates, party competition and the mobilization of civil protest (Hutter *et al.* forthcoming).

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