Chapter 4
Theories off European integration

Assumptions and hypotheses
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Introduction

Why does the EU have a common currency, but only a rudimentary common security and defence policy? Why have the EU member states successively endowed the European Parliament with more competencies? Why do member states comply with the jurisprudence handed down by the European Court of Justice? Why has the membership base of the EU expanded from initially six member states to presently twenty-five?

In this chapter, we cannot offer answers to these questions. However, we will show how the European integration theoretic toolbox developed over the past decades can help students and scholars of European integration to go about finding systematic explanations for phenomena of European integration. The theoretical debate about the dynamics of EU integration has been dominated by two 'families' of integration theorising: intergovernmentalism and supranationalism. Within these families we further distinguish two variants: a realist and a liberal one for intergovernmentalism and a rationalist and a constructivist one for supranationalism. Rather than offering a history of the development of the theoretical debate, we will describe the core assumptions of the theories and specify their main hypotheses about the conditions for integration in three dimensions: the sectoral ('broadening'), the vertical ('deepening'), and the horizontal ('widening').

European integration: the sectoral, vertical and horizontal dimensions

We define European integration as a process whereby (a) new policy areas are regulated on the EU level partially or exclusively (sectoral integration), (b) competencies are increasingly shared across EU member states or delegated to autonomous supranational institutions (vertical integration), and (c) the EU expands territorially by accepting new members (horizontal integration). Table 4.1 provides an overview of the three different dimensions of European integration.

Sectoral integration refers to a process through which new policy areas or sectors are becoming increasingly regulated at the EU level. An increase in sectoral integration thus implies that at least one new policy sector is being (partially or exclusively) regulated by

the EU. In the most recent past, sectoral integration has progressed, for instance, in security and defence policy as well as in immigration and asylum policy. In the realm of

Table 4.1 Dimensions of European integration

	Sectoral integration	*Vertical integration*	*Horizontal integration*
What is being integrated?	Policy areas/ sectors	Decision-making competencies	Territory, borders and boundaries
What is integration?	Integration of new policy areas/sectors ('broadening')	Transfer of domestic competencies ('deepening')	Extension of the territory governed by the EU *acquis* ('widening')

sectoral integration, the key research question asked by integration theories thus runs as follows: Why and under what conditions do policy sectors become regulated at the EU level (and thereby 'escape' the exclusive authority and competence of nation states)?

Vertical integration refers to the distribution of competencies between EU institutions in integrated policy sectors. As already stated, the process of sectoral integration 'extracts' policy areas from the exclusive competence of individual member states and subjects them to institutionalised cooperation at the EU level. Assessing the scope of

Table 4.2 Sectoral and vertical integration in the EU

Policy sector	*1950*	*1958*	*1967*	*1993*	*2004*
Regulatory policies					
Movement of goods and services	1	2	3	4	4
Movement of capital	1	1	1	4	4
Movement of persons	1	2	3	4	4
Competition policy	1	2	3	4	4
Environmental standards	1	2	2	3	3
Health and safety standards	1	2	2	3	3
Labour market standards	1	1	1	3	3
Foreign and security policy					
Foreign policy/diplomacy	1	1	1	2	3
Security and defence policy	1	1	1	1	2
Humanitarian and development aid	1	1	1	3	3
Citizen policies					
Civil rights and human rights	1	1	1	2	2
Policing	1	1	1	2	2

Immigration and asylum	1	1	1	2	3
Expenditure policies					
Agricultural price support	1	1	4	4	4
Regional development	1	1	1	3	3
Research	1	1	2	2	2
Social welfare and pensions	1	1	1	2	2
Public healthcare	1	1	1	2	2

Notes:
1950: before European integration; 1958: entry into force of EEC Treaty; 1968: entry into force of Merger Treaty; 1993: entry into force of Treaty of Maastricht; 2004: status quo.
1=all policy decisions are taken at the national level
2=some policy decisions are taken at the EU level
3=policy decisions are taken at both levels
4=most policy decisions are taken at the central level
Sources: Donahue and Pollack 2001; Mix 2005

sectoral integration in the EU, however, does not allow us to draw conclusions about the form of institutionalised coordination and cooperation which sectoral integration takes. For instance, cooperation can have a largely intergovernmental character (the 'minimum level' of vertical integration), yet it can also mean that competences in a particular policy sector have been fully delegated to the EU level as, for example, in the case of monetary policy.

Table 4.2 provides an overview of sectoral and vertical integration in the EU. It is the task of theories of European integration to help us to understand why, for instance, sectoral integration has taken off in the regulatory and expenditure policy area much earlier than in the areas of foreign and security as well as citizen policies. Furthermore, integration theorists may ask why vertical integration has progressed furthest in the area of regulatory policy whereas in the area of citizen and foreign and security policies, cooperation is still very much characterised by intergovernmental decision-making.

Horizontal integration refers to the territorial extension of sectoral and vertical integration. When we are writing about horizontal integration, we most commonly refer to 'EU enlargement', the process whereby new states subject themselves to the *acquis communautaire* (the body of primary and secondary EU law). Yet, horizontal integration also comprises instances which do not reach the level of full EU membership, such as association or trade agreements between the EU and individual states or groups of states. Even among EU member states horizontal integration is not homogeneous: for instance, some EU member states have negotiated 'opt-outs' from Economic and Monetary Union (EMU) or have not joined the Schengen regime of passport-free travel. The research questions central to the analysis of horizontal integration thus run as follows: Why does the EU extend its membership base and thus its *acquis communautaire* by inviting certain states to join (but not others)? Why do non-EU member states (but not all of them) strive to join the 'club'? Table 4.3 offers an overview of horizontal integration in the EU.

Theories of European integration

The purpose of theories of integration is to explain the scope and dynamics of European integration in its sectoral, vertical and horizontal dimension. They allow us to formulate expectations as to when and under what conditions integration will progress (or stall) across the different dimensions. Irrespective of the enormous diversity of theories of European integration (see, for example, Caporaso and Keeler 1995; Rosamond 2000; Cram 2001; Wiener and Diez 2004 for overviews), we argue that these approaches can be grouped into two broad 'schools of thought': intergovernmentalism and supranationalism.

Neofunctionalism, belonging to the supranationalist 'school of thought', was the dominant theory of integration in the early periods of integration theorising, with prominent scholars such as Ernst Haas, Leon Lindberg, Joseph Nye and Philippe Schmitter defining the neofunctionalist research agenda. The mid-sixties saw the birth of inter-governmentalism to mark a counter-point to neofunctionalism with Stanley Hoffmann being its most prominent proponent. Since the mid-eighties, both 'schools of thought' have undergone a process of internal diversification. While Andrew Moravcsik's liberal intergovernmentalism was the major new innovation within the intergovernmentalist camp, Wayne Sandholtz's and Alec Stone Sweet's supranational institutionalism marked

Table 4.3 Horizontal integration in the EU

Enlargement round	Candidate countries	Application	Accession negotiation	Accession	'Opt-outs'
Northern enlargement	Denmark, United Kingdom, Ireland	1961, 1967	1961, 1970	1973	UK (EMU/ Schengen); Denmark (EMU);
	Norway	1962, 1967	1962, 1970		Ireland (Schengen)
Southern enlargement	Greece	1974	1976	1981	
	Portugal, Spain	1977	1978/79	1986	
EFTA enlargement	Austria	1989	1993	1995	
	Sweden, Finland, Norway, Switzerland	1991/92	(except Switzerland)	(except Norway)	Sweden (EMU)
Eastern enlargement	Turkey	1987			
	Cyprus, Malta	1990	1998/2000	2004	EMU and participation to be negotiated in

			the future
Poland, Hungary	1994	1998	
Czech Republic Estonia	1995		
Slovenia	1996		
Latvia, Lithuania, Slovakia, Bulgaria, Romania Croatia	1995	2000	2004 (except Bulgaria and Romania)
Croatia	2003		

a major refinement of neofunctionalism. The recent past has also seen the rise of a constructivist research agenda in integration theorising (see, for instance, Christiansen *et al.* 2001). In this chapter, we offer a classification of integration theories in order to provide students of European integration with a menu of testable hypotheses to systematically analyse and explain instances of sectoral, vertical, and horizontal integration. We will distinguish between a *realist* and a *liberal* version of intergovernmentalism on the one hand, and a *rationalist* and a *constructivist* version of supranationalism on the other.

The key distinction between intergovernmentalism and supranationalism can be found in their different answers to the question whether or not the process of integration can be seen as a transformative, self-reinforcing process. Intergovernmentalists practise denial: for them, the process of integration is under the control of member state governments, which determine the speed and substance of any further steps of integration. Supranationalists answer this question in the affirmative: under certain conditions, the institutions created by member state governments trigger a self-reinforcing process which begets further integration and which not only escapes member state control, but which also—in the course of the process of integration—exercises a transformative impact on the identity of member states.

Within the intergovernmentalist camp, realist and liberal intergovernmentalism (RI and LI) differ with respect to the determinants of member state government's preferences, their bargaining power, and the choice of EU institutions. For LI, governmental preferences and bargaining power are sector-specific, that is, they vary from policy area to area. Furthermore, as far as institutional choices are affected, the main concern for governments is to establish institutions which monitor and control compliance of EU rules and regulations. For RI, actors' preferences and their bargaining power are determined by the geopolitical situation within which member states interact; institutional choices reflect member state government's concerns about securing autonomy and influence. Within the supranationalist camp rationalist and constructivist supranationalism (RS, CS) differ with respect to the effect of EU institutions in the integration process. For RS, the loss of member state control over the process of integration has its roots in the EU's institutional decision-making arrangement and its status quo bias, as well as in governments' short time-horizons. In contrast, CS assumes

that the process of integration fundamentally affects, and is affected by, the identities and worldviews of governments and EU institutions. In the ensuing sections, we will present the four-fold classification of theories of integration in more detailed fashion.

Intergovernmentalism: realist and liberal

Intergovernmentalism is a variant of rationalist institutionalism in International Relations (IR) theory specifically tailored to explain European integration. We will therefore begin our presentation of intergovernmentalism by explicating its theoretical roots in rationalist IR theory and then move on to concrete propositions on European integration. The presentation is mainly based on Andrew Moravcsik's *Choice for Europe* (1998, above all 3–77), the most complete and theoretically sophisticated treatment of inter-governmentalist integration theory. Table 4.4 provides an overview.

Rationalist assumptions

It is the first basic assumption of intergovernmentalism that European integration is similar enough to general international politics, and the European Union is sufficiently like other international institutions, that it can be profitably studied and explained in an IR perspective. Indeed, Moravcsik maintains that the 'EC is best seen as an international regime for policy co-ordination' (1993:480; cf. Hoffmann 1982:33) and that European integration represents 'a subset of general tendencies among democratic states in modern world polities' (1998:5). IR theories traditionally assume that states are the central actors in international politics and that they act in a context of anarchy, that is, in

Table 4.4 Intergovernmental ism

Level of abstraction	Dimensions of integration:		
	Sectoral	*Horizontal*	*Vertical*
General assumptions	Rationalist institutionalism in International Relations: states interact in an anarchical international system		
Explanatory theory	Bargaining theory	Club theory	Functional theory of institutions
Factors explaining integration	Exogenous preferences and relative bargaining power of governments *LI:* sector-specific societal preferences and issue-area power *Rl:* geopolitical preferences and overall power		Governmental interests and control *LI:* monitoring and sanctioning of compliance *Rl:* state autonomy and influence

the absence of a centralised authority making and enforcing political decisions. Policy-making in international politics generally takes place in intergovernmental negotiations, and agreements require the consent of all state participants.

The second fundamental is a rationalist framework, which entails a general explanatory program and basic action-theoretic assumptions. As for the explanatory

program, rationalism is an individualist or agency theory, which requires an explanation of, first, actor preferences and, second, collective outcomes as a result of aggregated individual actions based on these preferences. The core action-theoretic assumption is 'rational choice': actors calculate the utility of alternative courses of action and choose the one that maximises their utility under the circumstances. Rationalist institutionalism in IR theory then seeks to explain the establishment and design of international institutions as a collective outcome of interdependent ('strategic') rational state choices and intergovernmental negotiations in an anarchical context.

In correspondence with IR rational institutionalism, intergovernmentalism generally assumes that governmental preferences are exogenous, that is, they are not formed or changed in the course of international negotiations or by international institutions. Governments enter negotiations with predefined ('national') interests and leave them with the same interests. The international institutional or interaction context has an impact on the costs of pursuing state interests and attaining state goals but does not affect the substance of these interests and goals.

A second commonality is the bargaining theory of international cooperation and the functional theory of institutions that Moravcsik uses to explain integration. Rationalist institutionalism distinguishes several interrelated problems of international collective choice in problematic situations of international interdependence—that is, situations in which non-cooperative behaviour is the individually rational choice but in the end leaves all states worse off. The basic problem consists in overcoming such collectively suboptimal outcomes and achieving coordination or cooperation for mutual benefit. This efficiency problem, however, is connected to problems of distribution and enforcement. First, how are the mutual gains of cooperation distributed among the states? Second, how are states prevented from defecting from an agreement in order to exploit the cooperation of others?

In this context, rational-institutionalist theory argues that the outcome of international negotiations, that is, whether and on which terms cooperation comes about, depends on the relative bargaining power of the actors, on the one hand, and on the effects of international institutions, on the other. First, efficient, welfare-maximising solutions to problematic situations of international interdependence require reliable information on the state of the world, cause-effect relationships and other actors' preferences and capabilities. International institutions are better at providing this information than governments alone. They furthermore reduce transaction costs by providing a forum for multi-actor negotiations and services for effective and efficient communication.

Second, the solution to the problem of distribution depends on the actors' bargaining power. Bargaining power results from the asymmetrical distribution of (i) information and (ii) the benefits of a specific agreement (compared to those of alternative outcomes or 'outside options'). Generally, those actors that have more and better information are able to manipulate the outcome to their advantage (cf. Schneider and Cederman 1994), and those actors that are least in need of a specific agreement are best able to threaten the others with non-cooperation and thereby force them to make concessions.

Finally, compliance with international norms and rules requires effective monitoring and sanctioning. Again, international institutions are established because they fulfil these tasks more effectively and efficiently than individual states. Different institutional designs then reflect the specific problems of cooperation caused by, above all, the

severity of distributional conflict and enforcement problems and by uncertainty about the preferences of other actors and the state of the world (Koremenos *et al.* 2001). Bargaining theory thus mainly explains sectoral integration whereas the functional theory of international institutions accounts for vertical integration. What about horizontal integration then?

When states integrate their markets and economies, they produce external effects for non-member countries (for instance, by diverting trade and investments). However, third countries can also produce externalities for the integrated states. For example, lower taxation or less social and environmental regulation attract business away from the integrated market and bring its rules and policies under pressure. In addition, horizontal integration might produce economies of scale and increase the budget of the international organisation. Thus, in a rationalist perspective, the question is whether a given integrated area already has optimal size or whether collective welfare may be maximised by admitting further countries. The rationalist theory that deals with the problem of organisational size is club theory. A club is a voluntary association deriving mutual benefit from producing and sharing collective goods. Membership in clubs can be limited—and needs to be because new members are not only additional contributors to the club goods but also rival consumers who restrict the old members' access to the club goods (causing so-called crowding costs). The core hypothesis of club theory therefore posits that a club will expand (only) until the marginal costs of admitting a new member equals the marginal benefits. Since clubs are voluntary associations, all old and new members must derive a positive utility from expansion lest they use their veto. Otherwise, the cooperation problems in horizontal integration are the same as in sectoral integration. The states have to find an efficient, welfare-maximising solution (an optimal size for the integrated area), to distribute the costs and benefits of enlargement among the old and new members, and to secure compliance. Correspondingly, bargaining theory and the functional theory of institutions are used to explain horizontal integration as well.

Intergovernmentalism and European integration

Which specific propositions on European integration does intergovernmentalism derive from these general rational-institutionalist assumptions? The theoretical framework still leaves the relevant actors and preferences, as well as their resources and constraints, unspecified and does not provide concrete hypotheses about the extent of sectoral and horizontal integration in European integration or the specific institutional design of the European Union.

Two main authors represent traditional, realist intergovernmentalism: Stanley Hoffmann (1966; 1982) and Alan Milward (1984; 1994). These are their core tenets:

• Member states are and will remain the dominant actors in the process of European integration: they shape European integration according to national goals and interests.
• The extent of European integration is limited by the state interest in autonomy, the interest in self-preservation of nation-state bureaucracies, the diversity of national situations and traditions, the dominance of national identities, and by external actors and influences (such as the United States or NATO).

• European integration does not undermine the nation-state but has strengthened it in the post-World War II reconstruction, in the global competition with other economic powers and emerging markets, and against domestic societal interests and pressures.
• Sectoral integration is limited to the economic sector and related 'low polities'; core functions of the state (the 'high polities' of internal and external security or foreign policy) will be prevented from being integrated by states anxious to preserve their autonomy.
• For the same reason, the supranational organisations of the EU are and will remain weak. They lack the expertise, the resources, or the popular support to expand their power at the expense of the member states.

Thus, the analysis of European integration must start with the preferences of states or governments, as well as their interdependencies and interest constellations, and must focus on negotiations among governments and between governments and the community organisations.

Andrew Moravcsik's liberal intergovernmentalism (LI) shares the intergovernmentalist thrust of these propositions in general but embeds them systematically in a liberal theory of international relations and a rationalist analysis of international institutions. In its most condensed form, it is the general argument of LI that

> EU integration can best be understood as a series of rational choices made by national leaders. These choices responded to constraints and opportunities stemming from the economic interests of powerful domestic constituents, the relative power of each state in the international system, and the role of institutions in bolstering the credibility of interstate commitments.
>
> (Moravcsik 1998:18)

As indicated by the label 'liberal intergovernmentalism', LI follows a liberal theory of foreign policy preference formation: governmental preferences are issue-specific and reflect the interests of societal interest groups (intermediated by domestic political institutions). In agricultural policy, they reflect the cost-benefit calculations and the relative power of agricultural producers and consumers, whereas in energy policy, they reflect the interests of the dominant energy producers and consumers, and so on. Insofar as European integration has been predominantly economic, so have state preferences. While the general interest in European integration resulted from the pressure to cooperate for mutual benefit from economic gains in an expanding and 'globalising' international economy, concrete preferences emerged 'from a process of domestic conflict in which specific sectoral interests, adjustment costs and, sometimes, geopolitical concerns played an important role'. They reflected 'primarily the commercial interests of powerful economic producers' in market integration and 'secondarily the macro-economic preferences of ruling governmental coalitions'—as in monetary integration (Moravcsik 1998:3). In other words, domestic interests, shaped mainly by the competitiveness of the national economy, acted as a filter between the structural incentives of the international economy and the national preferences in European integration. As a consequence, governments pursue integration as 'a means to secure commercial advantages for producer groups, subject to regulatory and budgetary constraints' (Moravcsik 1998:38).

To the extent, however, that European integration expands into other sectoral domains, other interests and interest groups become relevant. In contrast, realist intergovernmentalism (RI) assumes that governments have comprehensive ('geopolitical' according to Moravcsik) foreign policy goals that span and dominate specific sectors, and that they are able to define and pursue them independently of societal pressures. These goals are the maximisation of state autonomy, security, or influence.

LI describes the most relevant negotiation processes in European integration as processes of *intergovernmental* bargaining concerning the *distribution* of gains from substantive cooperation. More concretely, they have in the past consisted of *hard bargaining,*

> in which credible threats to veto proposals, to withhold financial side-payments, and to form alternative alliances excluding recalcitrant governments carried the day. The outcomes reflected the relative power of states—more precisely patterns of asymmetrical interdependence. Those who gained the most economically from integration compromised the most on the margin to realize it, whereas those who gained the least or for whom the costs of adaptation were highest imposed conditions.
>
> (Moravcsik 1998:3)

The difference in the assumptions about state preferences between RI and LI entails differences in the explanation of negotiations and integration outcomes. First, LI assumes that just as states have issue-specific preferences, they also have issue-specific bargaining power. It is the relative intensity of issue-specific preferences that determines the bargaining power of the actors—in contrast with the overall power resources (such as territory, population, armed forces) that realism emphasises. As a consequence, small states may well stand up to big states in EU negotiations or extract concessions in specific issue-areas.

Institutional choice is again driven by governments—and by their concern about each other's future compliance with the substantive deals reached. By transferring sovereignty to international institutions, governments remove issues from the influence of domestic politics, which might build up pressure for non-compliance if costs for powerful domestic actors are high. They also remove them from decentralised intergovernmental control, which may be too weak to secure compliance, in particular if powerful member states violate the rules (Moravcsik 1998:9, 73). The degree to which governments favour pooling (voting by procedures other than unanimity), and the delegation of sovereignty to supranational institutions, depends on the value they place on the issues and substantive outcomes in question: the higher the gains of a cooperative agreement for a government, and the higher the risk of non-compliance by other governments, the higher its readiness to cede competences to the EU to prevent potential losers from revising the policy (Moravcsik 1998:9, 486–7).

In contrast with LI, RI assumes that states are primarily concerned about autonomy and influence in institutional choice. They only consent to transferring competencies to the European Union if they expect net gains in autonomy and influence. This, for instance, is the essence of Joseph Grieco's voice-opportunity thesis, which posits that weak states are particularly interested in European integration and willing to sacrifice

formal sovereignty because they see it as a way to bind the stronger states and to enhance their influence on international outcomes (Grieco 1996). Another trade-off is captured by Klaus Dieter Wolf's 'new raison d'état' (1999). Governments agree to those transfers of national competencies, and thus to external autonomy losses, that reduce their domestic vulnerability to societal pressures. Social movements and interest groups cannot organise and influence politics at the European level as effectively as in the domestic context.

The core propositions of intergovernmentalism have three negative corollaries. First, the efficiency problem of international negotiations, the search for welfare-maximising collective solutions, is far less relevant in European integration than the distribution problem. Information and ideas are plentiful and symmetrically distributed among states, and transaction costs are generally low so that intergovernmental negotiations reliably produce efficient outcomes (Moravcsik 1998:479–80). It follows, second, that the bargaining power of supranational actors is low because they are deprived of their main bargaining resource: scarce and asymmetrically distributed information. Finally, if they obtain competencies nevertheless, it is only because governments need them to monitor and sanction each other. But they continue to act in the interest and under the control of the member states.

Intergovernmentalism: basic assumptions

- States (governments) are the relevant actors who rationally initiate, steer and control the process of integration on the basis of exogenous, predominantly material preferences.
- The scope, form, and substance of political integration are negotiated between governments and reflect intergovernmental constellations of preferences and power.

Intergovernmentalism: hypotheses

The core hypotheses about sectoral and horizontal integration resemble each other, yet they partially differ for RI and LI:

- Sectoral and horizontal integration expands to the extent that it increases the utility of the member governments (and candidate governments).

  — *LI:* Utility is defined by the issue-specific welfare interests of the dominant domestic interest groups.
  — *RI:* Utility is defined by the overall interest of the state in autonomy, security, and influence.

- The substantive regulation of sectoral and horizontal integration (distribution of welfare gains) results from the distribution of bargaining power among governments.

  — *LI:* Bargaining power decreases with the availability of outside options, and as the intensity of issue-specific societal preferences increases.
  — *RI:* Bargaining power increases with overall power resources.

Intergovernmentalist hypotheses about vertical integration also have a realist and a liberal variant:

- *LI:* Vertical integration deepens as compliance problems increase (relative to expected welfare gains).
- *RI:* Vertical integration deepens if and as long as it increases the autonomy and influence of member governments.

Supramationalism: rationalist and constructivist

Like intergovernmentalism, supranationalism has its origins in International Relations theory. In the fifties and sixties neofunctionalism and transactionalism were the main challengers of the dominant realist approach; constructivism, on the other hand, was 'imported' from International Relations to European studies in the nineties. In contrast to intergovernmentalism, supranationalist approaches share a transformative ontology: they hold that the international system is not bound to be anarchical, but can be transformed through processes of institutionalisation and identity change. Furthermore, supranationalism assumes that the process of integration has a transformative and self-reinforcing effect: even though the beginnings of the integration project may well reflect the interests of the most powerful states, further integration has been largely the result of a self-reinforcing dynamic that was and is beyond the control of the member states. Supranationalist approaches differ, however, with respect to the mechanisms underlying this self-reinforcing process. RS is founded on a rationalist theory of international institutions and thus conceives of institutions as factors enabling or constraining actors; the self-reinforcing process of integration displays path-dependent features which prove to be enabling for some actors (supranational actors) while they are difficult to reverse for others (member state governments). In contrast, CS sees the ongoing process of integration as a product of actor socialisation and identity change. While RS shares its rationalist-institutionalist assumptions with intergovernmentalism, CS departs from a different institution theoretic perspective: sociological institutionalism. Sociological institutionalism is founded on an idealist ontology and a logic of action driven by 'appropriateness' and not by 'anticipated consequences'. According to the logic of appropriateness, actors follow what is normatively expected of them in a particular role or situation (March and Olson 1989:160–1). From a sociological institutionalist perspective, states interact in a highly institutionalised and culturally dense environment, which is structured by collectively held ideational schemes and rules. In contrast to RS (and the intergovernmentalists), CS takes preferences not as exogenous; preferences are endogenous, the products of ideational structures and social interaction. Consequently, international institutions are not so much instruments to efficiently solve collective action problems; rather, their goals, institutional structure and procedures mirror collectively held norms and values and a common identity. Table 4.5 provides an overview of RS and CS.

Historical institutionalism and socialisation

The key task of supranationalism is to explain—both from the perspective of RS and CS—the self-reinforcing process of European integration. In the following paragraphs, we will treat RS and CS separately, pointing at the theories which underlie them,

historical institutionalism in the case of RS and theories of socialisation in the case of CS, and conclude by advancing RS and CS hypotheses about European integration.

Historical institutionalism

Historical institutionalism constitutes an important counterpoint to functional theories of institution-building. Functional theories of institution-building explain institutional choices by imputing these choices from the effects which states wish these institutions to produce. Hence institutional choices are explained by their (expected) effects, and functional theorists assume that the effects of institutions correspond to what the founders had in mind when they created the institutions in the first place. Historical institutionalists

Table 4.5 Supranationalism

Level of abstraction	Dimensions of integration:		
	Sectoral:	Vertical:	Horizontal:
General assumptions	States and other actors interact in an institutionalised international environment RS: rationalist institutionalism CS: sociological institutionalism		
Explanatory theory	Dynamic theory of integration/institutionalisation RS: historical institutionalism CS: theories of socialisation		
Factors explaining integration	RS: intensity of transnational exchanges, autonomy of supranational actors, rule density, path dependence CS: identiiy, legitimacy, resonance		

reject this conjecture (Pierson 1996, 2000). First, historical institutionalists doubt that political actors are as far-sighted as suggested by functional theorists; instead, historical institutionalists assume that political actors have rather short time-horizons, and do not always take into account the potential long-term consequences of their initial institutional choices. Second, historical institutionalists dispute that actors can foresee the exact consequences of their actions, and initial institutional choices can thus have 'unintended consequences': complex social processes that involve a large number of actors are likely to produce feedback-loops and interaction effects which cannot possibly be foreseen or understood by the most far-sighted of actors (Pierson 1998:39). Third, historical institutionalists contend that political actors can only marginally correct certain institutional developments due to institutional path dependence (Pierson 1996) and 'joint decision traps' (Scharpf 1988) even if they realise that institutional developments contradict their initial preferences. In order to stabilise institutions, political actors often introduce high thresholds to change them (for instance, supermajority or unanimity decision rules), which can block institutional reforms even if they are desired by a majority. Over time, institutional changes may lose their attractiveness due to the existence of sunk costs: when new institutions are introduced, actors make personal investments to adapt to the new institutions. These investments are often so high that, as a

consequence, actors 'stick' to these institutions even if new and more efficient alternatives appear which—absent these investments or sunk costs—appear more attractive. Unless there are major 'exogenous shocks' (such as wars, revolutions, economic crises) the institutional route once taken becomes increasingly hard to change, a state of affairs which is captured by the metaphor of path dependence.

Socialisation

Theories of international socialisation depart from the assumption that institutions only have a regulative effect by affecting actor behaviour as constraints or opportunity structures; rather, theories of international socialisation conceive of institutions as constitutive forces, i.e they constitute and change actors' understanding of a situation and problem as well as their interests and identities. Theories of international socialisation postulate and analyse different mechanisms and conditions for the transformation of interests and identities of state and non-state actors in international institutions; furthermore, they propose mechanisms for the change of state and societal structures as a consequence of these transformations. In the context of European integration research, the effects of EU-level institutions on domestic institutions and actors are analysed by the research programme on 'Europeanisation' (see, for example, Featherstone and Radaelli 2003; Cowles, *et al.* 2001). In the constructivist theory of socialisation, the central mechanisms capturing transformative processes are social learning mechanisms, processes of imitation, persuasion and social influence. Checkel (2001:562–3) and Johnston (2001:498–9) have elaborated a catalogue of conditions under which these mechanisms are likely to be effective (see also Risse 2000:19). Social learning is most likely when actors face novel situations characterised by high uncertainty: when a socialising agent possesses the authority to act on behalf of a community or collectivity which a particular actor identifies with or desires to belong to; when the social learning process affects norms and rules which enjoy a high degree of legitimacy in the community or collectivity; when the social learning process takes place in an environment corresponding to an 'ideal speech situation' which encourages deliberation and is characterised by the absence of external and political constraints; and when the domestic or societal resonance of international norms and rules is high (or, at least, when domestic/societal rules and norms do not contradict international rules and norms).

Supranationalism and European integration

How do the mechanisms of institutional path dependence and social learning feature in supranationalist theories of European integration? How do path dependence and social learning affect sectoral, vertical and horizontal integration? Neofunctionalism, the predecessor theory of Supranationalism, does not establish a clear distinction between rationalist and constructivist mechanisms; both groups of mechanisms of transformative change are subsumed under the label of spill-over mechanisms. Ernst Haas saw in the logic of spill-over the central mechanism to explain the 'expansive logic' of European integration (see Haas 1968:283–317). Later works have categorised the factors and conditions producing integration's expansive logic into functional, political, and cultivated spill-over mechanisms (see Schmitter 1969; Tranholm-Mikkelsen 1991:15–

16). In contrast to intergovernmentalism, which is founded on a theory of inter-state bargaining, Supranationalism is rooted in a theory of pluralism: groups, not states, are the central actors in the integration process. In modern, economically interdependent societies, it is the competition among interest groups—striving to maximise the utility of their individual groups—which drives the political process. Policy outcomes are the result of the differential pressure exercised by different interest groups (see Haas 1961:374, 378; 1968: xxxiii-xxxvi).

Functional spill-over

Functional spill-over results from the connectedness of different policy sectors. The functional spill-over mechanism postulates that there will be a demand for further integration if the gains resulting from integration in policy sector A remain sub-optimal, unless adjacent policy sectors B and C will also be integrated, or when integration of A has negative effects on sectors B and C unless they are all being integrated collectively (see Lindberg and Scheingold 1970:117). To put it differently: the externalities of sectoral integration incite governments to undertake further, previously unplanned, steps of sectoral integration in order to prevent welfare losses. A similar logic is behind what Haas calls 'geographical spillover' as a trigger of horizontal integration/enlargement (Haas 1968:313–15). States which may be initially reluctant to join the EU will feel pressured to join eventually given the negative externalities of staying outside the Community.

Political spill-over

Political spill-over occurs as a reaction to initial integrative steps once interest groups, bureaucrats and other domestic political actors direct their expectations and activities at the new, supranational level of decision-making. To the degree that integration improves the likelihood that the actors will realise their political aims at the supranational level rather than on the national level, we are likely to observe the formation of transnational coalitions and the development of common problem-solving perspectives (Haas 1968: xxxiv). Even though this process does not necessarily have to be harmonious (Schmitter 1969:166), political actors will—in the course of time—develop new loyalties which transcend the nation state. Lindberg and Scheingold (1970:199) characterise this process as actor socialisation, thereby underlining the proximity of political spill-over to CS (see also Haas 2001). Interest groups, bureaucrats and other domestic actors will—on the basis of these newly acquired identities, attitudes and coalitions—exercise pressure and influence on governments and press them to advance the process of integration.

Institutional spill-over

This third kind of spill-over is triggered by the activities of the EU's supranational actors, the Commission, the European Court of Justice and the European Parliament. On the one hand, these actors contribute to the processes of functional and political spill-over: they allude to connections between different policy sectors and point to the potential positive externalities of further integration and, conversely, the negative externalities and

consequences of potential failures to advance sector integration (Nye 1971:59). For the same reason, supranational actors support the formation of transnational coalitions. On the other hand, supranational actors—first and foremost the Commission—also help the governments of EU member states to discover their common interests and possibilities for efficient cooperation. Furthermore, they play a crucial role in helping the member states to 'upgrade their common interest' (see Haas 1961) in finding bargaining solutions which are considered optimal from an integration perspective. This argument, however, is founded on the condition that supranational organisations—such as the Commission— possess an information advantage vis-à-vis the member state governments which they are willing to fully exploit (a condition that runs fundamentally counter to intergovernmentalist assumptions). In this sense, the Commission seeks to 'cultivate' the ground to advance the integration process through its role as a mediator and provider of ideas, a process also referred to as *cultivated spill-over*.

The work of a 'supranationalist' group of researchers around Alec Stone Sweet, Wayne Sandholtz, and Neil Fligstein is the most prominent example of research in the tradition of Ernst Haas (Stone Sweet and Sandholtz 1997, 1998; Fligstein and Stone Sweet 2001, 2002; Stone Sweet *et al.* 2001). In their works, they have argued that European integration progresses as a result of the interplay of three developments: the expansion of transnational exchange, supranational actors' capacity to pursue an integrative agenda, and the role of European rule-making in solving policy externalities (see Stone Sweet and Sandholtz 1997:301). Their approach, however, can be firmly located in the RS camp since they conceive of social, transnational and political actors as self-interested, utility-maximising and strategically acting actors and emphasise the regulative role of institutional arrangements which serve as incentive structures enabling or constraining actor behaviour. Stone Sweet and Sandholtz advance their argument in close correspondence with the concepts of functional and political spill-over: as transnational economic exchange expands, the costs of national rule-making increases, as does the demand of transnational actors—interest groups, transnational corporations, producer and consumer groups—for supranational rule-making and policy coordination. This demand will be stronger, the more these actors expect to profit from cross-border exchange and hence, the larger the perceived advantage of uniform EU-level rules vis-à-vis different national rules. Transnational actors direct their demands for uniform EU-level rules to facilitate cross-border exchange at their respective national governments; yet if these prove reluctant to push the agenda for more uniform EU-level rules, transnational and societal actors do also turn to supranational institutions to voice their demands. In keeping with the logic of institutional spill-over, the Commission and the European Court of Justice use the powers and information at their disposal to expand the scope of EU-level rules to facilitate cross-border exchange and thus help to increase collective transnational utility (Sandholtz and Stone Sweet 1997:299, 306; 1998:4).

Apart from the integrative impetus generated by transnational agents who are promoting cross-border exchange and uniform EU level rules, Stone Sweet and Sandholtz advance another factor for explaining further integration. This factor can be captured in what they call the logic of *institutionalisation* (1997:310–12; Fligstein and Stone Sweet 2001:31; see also Haas 1968:283). Even though the EU's primary law laid down in the Treaties may have been created by member state governments reflecting their preferences and respective bargaining power, the application of the EU Treaty may develop in

directions unforeseen or unintended by member state governments. First, actors who operate under the Treaty rules adapt to them and use the opportunities offered by them to realise their own preferences which may not be congruent with those of the member states who enacted the rules in the first place (see Lindner and Rittberger 2003:451–55). Second, Treaty rules never represent a 'complete contract' which caters for every possible contingency. Hence, rules are open to interpretation; actors (obviously) may offer controversial interpretations, and sometimes they may not even offer clear prescriptions or proscriptions for action. In situations like these, supranational organisations such as the Court and the Commission—who have been charged by the member states with applying and interpreting these rules—may exploit this 'grey zone' for their own advantage. The process of rule-modification and rule-interpretation is a continuous one:

> As they interpret and apply the rules, courts, legislators, and administrators necessarily modify them by establishing their effective meaning. The new or changed rules then guide subsequent interactions, as the actors which act under these rules adapt their behaviours to the rules. The disputes that arise thereafter take shape in an altered rule structure and initiate the processes that will again reinterpret and modify the rules. The new rules guide actor behaviour, and so on.
>
> (Stone Sweet and Sandholtz 1997:310)

Unlike early neofunctionalism, RS disputes that integration progresses automatically and in a linear fashion. However, RS expects that once a certain level of integration is reached, this will be next to impossible for governments to reverse (Fligstein and Stone Sweet 2001:38, 55). As stated, RS takes recourse to the mechanisms of high institutional thresholds and sunk costs postulated by historical institutionalism in order to explain the (near) irreversibility of an institutional path once taken (Pierson 1998:43–7). First, the rules to amend or change the Treaties are very restrictive since they demand unanimous agreement among the member state governments plus ratification in each member state; furthermore, policy changes within the Treaties require at least a qualified majority. When thus only a minority of states benefits from a particular rule, it will do everything it can to block change. EU policy-making thus possesses a high degree of 'policy stability' (Tsebelis 2002:281–2). Second, over the course of the past half-century, national political systems have become increasingly penetrated by rules originating at the EU level. The sunk costs of adapting national rules and policy-making processes to the exigencies of EU politics render the mere existence of a state outside the EU increasingly unattractive. In this sense 'exit' is also becoming an ever more unlikely policy option for an existing EU member state as is the threat of leaving the EU as a credible bargaining strategy.

    LI and RS converge on several issues. Both approaches are founded on a rationalist model of action. Both see the most fundamental source of integration in societal interests. RS does also not dispute that governments are central and powerful actors in the integration process and that bargaining constitutes an important mode of interaction among the member states (Pierson 1998:29; Stone Sweet and Sandholtz 1997:314). Yet RS claims that governments are not *the* central actors and that interstate bargaining is not the only mode of interaction through which preferences are aggregated. Obviously, there

are also a number of differences between RS and LI. First, RS stipulates—unlike LI—that socio-economic pressure for integration, for instance by producer groups, is not only channelled through the state; rather, societal and transnational actors form transnational coalitions and direct their demands to supranational institutions, thus bypassing the state. Second, intergovernmental negotiations are embedded in transnational and supranational contexts: intergovernmental conferences take place in an environment which undergoes significant changes in periods between two intergovernmental conferences. In this respect, intergovernmental conferences are convened against the back-ground of new demands by transnational actor coalitions and an institutional context shaped by the self-reinforcing dynamic of the process of institutionalisation mentioned earlier. Third, supranational organisations are not only willing but also able to make extensive use of their powers and to promote rules and policies that member states would not have agreed on during intergovernmental negotiations (see, for example, Lindner and Rittberger 2003; Rittberger and Stacey 2003). In the light of the preceding discussion, the demand for further integration is thus less the result of 'exogenous shocks' but rather of endogenous, path-dependent processes, and intergovernmental negotiations are less the generators of integration but its product (Caporaso 1998:350; Stone Sweet and Sandholtz 1998:12, 26).

In contrast to RS, KS has not (yet) developed a comprehensive theory of European integration. Yet, there exist a number of analyses of EU politics inspired by constructivist theorising which enable us to infer elements of a constructivist theory of integration. According to CS, the willingness of actors to further European integration depends on the degree to which they identify with 'Europe', on the perceived legitimacy of further integrative steps, and on the degree to which attempts for further integration resonate with political ideas and norms in the domestic realm. Furthermore, the process of integration can have a transformative effect: it may strengthen actors' identification with the EU and increase the legitimacy of further integrative efforts.

A crucial factor in CS theorising is *identity*. Actors' willingness to support European integration varies with the degree to which political actors in the member states identify with the EU (which does not imply that domestic actors have to 'give up' their national identity; European, national or regional identities can exist alongside each other). This stipulation affects all dimensions of European integration: the willingness of non-EU member states to opt for EU membership, as well as the willingness of EU member states to further sectoral and vertical integration. CS agrees with neofunctionalism that political actors' identification with the EU increases through direct experiences with and participation in EU affairs (socialisation). The transformative potential of European integration can precisely be traced back to these processes of socialisation (see, for example, Egeberg 1999; Risse *et al.* 1999; Risse 2003).

Actors' willingness to support European integration also depends on the perceived *legitimacy* of sectoral, vertical, and horizontal integration. Legitimacy determines to what extent attempts for integration are considered 'appropriate'. How far an integrative step is considered legitimate depends on the degree to which it resonates with domestically held political norms and ideas. Willingness to further European integration then increases with the degree to which further integration is compatible with national 'constitutional traditions' (Wagner 2002) or domestically held 'legitimacy ideas' (Jachtenfuchs *et al.* 1998). Legitimacy, however, does not necessarily have to be rooted in domestic traditions, institutions or ideas. Legitimacy can equally be generated outside of the

national context. Legitimacy can be generated externally: rules and institutions which operate outside the EU context and which command a high degree of legitimacy are likely to be 'copied' onto the EU's institutional blueprint by political actors independent of the rule's or institution's 'functionality' (DiMaggio and Powell 1991; see also McNamara 1998). Legitimacy can also be generated internally, for instance, if a new integrative effort is compatible with EU-level discourses and practices, or if it provides a good 'fit' with more abstract norms and principles of 'good' or 'appropriate' governance (Rittberger 2003, 2005). The normative environment may thus provide an impetus for further integration, even though it may not be considered 'efficient' from the perspective of the member states (Schimmelfennig 2001, 2003).

Finally, CS emphasises that EU institutions and procedures encourage deliberative processes (see Joerges and Neyer 1997; Lewis 1998), which stands in stark contrast to LI's focus on hard-nosed inter-state bargaining processes. In fora such as 'comitology' or Coreper—which operate outside direct government control, are exposed to a low degree of publicity, and do not face strong external pressures—an atmosphere that facilitates processes of persuasion and socialisation is encouraged even though the participants may be national bureaucrats or government representatives.

Supranationalism: basic assumptions

• The process of European integration generates a self-reinforcing dynamic which begets further integration and which governments did not intend, which they are unable to control or to reverse.
• Transnational societal actors in conjunction with supranational actors are the relevant actors pushing the integration process. The scope, form and content of integration develop as a result of complex transnational social and institutional processes and transcend the preferences and power-constellations of national governments.

Supranationalism: hypotheses

The core hypotheses across the different dimensions of integration resemble each other, yet they differ for RS and CS:

• *RS:* Integration is likely to progress, if it increases transnational societal actors' expected utility and to the degree to which supranational actors possess and are able to make use of their capacity to further the interests of transnational actors. Variation in scope of integration reflects variation in the relative intensity of transnational activity and the capacity of supranational actors. The framework of substantial regulations and rules of integration corresponds with the constellation of transnational interests and supranational rule-making and rule-interpreting activity.
• *CS:* Integration is likely to progress, if actors' identification with the EU increases, when integrative efforts enjoy a high degree of legitimacy and resonance in the member states. Variation in the scope of integration reflects variation in the relative intensity of identification with the EU, institutional legitimacy and societal resonance. The framework of substantial regulations and rules of integration depends on the legitimacy and resonance of these regulations and rules.

Conclusion

In this chapter we have presented the most important theories that are currently employed to explain European integration in its sectoral, vertical, and horizontal dimension: realist and liberal intergovernmentalism (RI and LI) as well as rationalist and constructivist supranationalism (RS and CS). In order to explain the wealth of European integration phenomena, we have presented and classified theories of European integration as well as their central hypotheses. It is hardly a controversial claim that not one single theory of European integration can claim to possess the explanatory power to account for 'European integration' in its entirety. As existing theory-driven empirical research has amply demonstrated, a combination of the factors and conditions postulated by different theories of integration may be necessary to account for phenomena of sectoral, vertical and horizontal integration. We echo others when we claim that intergovernmentalism and supranationalism are not incommensurable, but can in principle engage in a fruitful 'theoretical dialogue' (Jupille *et al.* 2003:19). For instance, there is no reason why LI should not be generally open to theoretical 'dialogue' with approaches which share its rationalist foundations and a positivist commitment to theory-testing, such as RS.

However, given its emphasis on states as key actors in the integration process, LI has been particularly 'strong' in accounting for the main substantive and institutional outcomes of intergovernmental conferences, while RS—with its emphasis on the autonomous influence of supranational actors and institutions—has been able to capture both processes and instances of sectoral integration (Stone Sweet *et al.* 2001; Fligstein and Stone Sweet 2002) and vertical integration (Hix 2002; Farrell and Héritier 2003; Rittberger and Stacey 2003) which occur *between* Treaty re-negotiations.

Recently, there have also been attempts to combine LI and RS in order to explain how (rational) choices made by member state governments during intergovernmental conference may lead to effects which were either unintended or even unavoidable (Lindner and Rittberger 2003) in the light of the constraints faced by member states during intergovernmental conferences. Yet we also see that theoretical dialogue can occur between approaches which do not necessarily share the same theoretical foundations. By identifying a theory's respective 'home turf', by specifying the elements of each theory that do the explaining, and 'by bringing together each home turf in some larger picture' (Jupille *et al.* 2003:21), we can offer *additive* explanations of integration phenomena which we could otherwise only partially account for. Recent work on horizontal integration in the EU ('enlargement') has demonstrated that elements from constructivist approaches are a necessary complement to rationalist approaches such as LI in order to account for the decision of EU member states to support Eastern enlargement (Schimmelfennig 2001, 2003).

In order to reap the benefits of theoretical dialogue, it is, however, unavoidable for students of European integration to specify the elements of their theories, to deduce testable hypotheses and to be aware of the empirical domain where the theory is expected to do 'best' in explaining integration phenomena. In this chapter we have sought to offer an integration theoretic toolbox which, as we hope, proves to be user friendly while, at the same, encourages rigorous theory-driven research on European integration.

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