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Re-engaging Grand Theory:  
European Integration in the 21st Century

Liesbet Hooghe and Gary Marks



European University Institute

**Robert Schuman Centre for Advanced Studies**

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European University Institute

Badia Fiesolana

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## **Abstract**

This paper engages three theories—neofunctionalism, intergovernmentalism, and postfunctionalism—that have their intellectual roots in the study of European integration in the past century. The purpose of this paper is to assess their use value for explaining EU developments in the 21st century. We briefly describe the genesis of each school and outline what is distinctive about its approach in relation to four landmark events: the Eurocrisis, the migration crisis, Brexit, and illiberalism. We conclude that each provides a distinctive framework that disciplines thinking about key actors, arenas, and causal mechanisms.

## **Keywords**

European Union, European integration, neofunctionalism, intergovernmentalism, and postfunctionalism





## Introduction\*

If the term *grand* connotes "noble, sublime, lofty, dignified,"<sup>1</sup> and if the term *theory* connotes a set of falsifiable propositions, then we are barking up the wrong tree, for the "isms" that we discuss in this paper—neofunctionalism, intergovernmentalism, postfunctionalism— are perhaps better described as schools rather than grand theories. They are flexible bodies of thought that resist empirical falsification. Each school engages researchers working on a wide variety of topics, but who share some affinities in the questions they ask. Each identifies key political actors, suggests paths of inquiry, and situates European integration within a broader literature.

If one wants to find disconfirmable hypotheses one must go inside these schools to research that is closer to the ground and correspondingly more specific in its claims-making. Our prior is that each has something to offer in explaining the course of European integration, and their relative use depends on the puzzle one is grappling with. Instead of synthesizing the grand theories into a super grand theory that would be no less resistant to disconfirmation than the theories it combined, our purpose here is to assess how each comes to grips with major episodes of European (dis)integration.

In the sections that follow, we briefly describe the genesis of each school and outline what is distinctive about its approach. We then assess their contributions, focusing on four landmark events of the past decade: the Eurocrisis, the migration crisis, Brexit, and illiberalism in Hungary and Poland.

## Comparing the Schools

One way to make headway in the study of European integration is to frame bodies of thought as mutually exclusive and then specify their conflicting expectations over some set of observations. So, for example, one might seek to counterpose neofunctionalism and intergovernmentalism to produce contradictory hypotheses that one can then test in a case study. Alternatively, one might perceive two or more schools of thought as complementary, and pull out elements of each to generate a composite theory. Both strategies are plausible, but what we wish to do here is prior to an effort to tailor neofunctionalism, intergovernmentalism, and postfunctionalism as contradictory or complementary. Our purpose is to engage each approach in its own terms, probing what is distinctive in each approach.

Table 1 makes a move in this direction by comparing the basic characteristics of each approach. What literature is each approach rooted in? What question or puzzle does each bring to the fore? What is the explanatory focus in each approach? Who are the chief actors? How does each approach conceive causality? Answers to these questions provide a key to the distinctiveness of each approach, as we discuss below.

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\* This is a revised version of a paper presented at the conference "Re-engaging Grand Theory: European Integration in the 21st Century," held at the European University Institute, May 31-June 1, 2018. We thank participants at the conference, and particularly Philipp Genschel, for comments. Any remaining errors or inaccuracies remain the responsibility of the authors.

<sup>1</sup> <https://www.etymonline.com/word/grand>

**Table 1: Comparing the Schools**

	<b>Literature</b>	<b>Puzzle</b>	<b>Focus</b>	<b>Actors</b>	<b>Causality</b>
<b>Neofunctionalism</b>	pluralism, public policy	mechanisms of regional integration	policy interdependence and supranational activism	supranational and transnational actors	path dependence
<b>Intergovernmentalism</b>	international political economy	outcomes of intergovernmental bargaining	government preferences and asymmetric interdependence	national governments and issue-specific interests	lowest common denominator
<b>Postfunctionalism</b>	political behavior	causes and effects of politicization	the structure of political conflict	political parties and public opinion	identity

Neofunctionalism is unusually eclectic in its intellectual roots.<sup>2</sup> It is deeply influenced by two theories—pluralism and functionalism—that gained traction in the immediate post-World War Two decades. From democratic pluralism and the work of Truman and Dahl, neofunctionalism developed the idea that government could be disaggregated into its component group actors. Instead of making assumptions about the interests of states, as classical realists had done, neofunctionalists conceptualize the state as an arena in which societal actors operate to realize their interests. So rather than explaining international politics as a game among states, neofunctionalists consider international relations as the interplay of societal actors. This has released neofunctionalists from the assumption that international relations is driven by the desire for state survival or economic gain. If groups within or among states believe that supranational institutions are more promising than national institutions in realizing their interests, then regional integration can be expected to result.<sup>3</sup>

Neofunctionalists took on the functionalist idea that international cooperation is a response to scale economies in the provision of public goods. Whereas functionalists argued that the only feasible way to bypass state sovereignty was by transferring specific state functions to specialized international agencies, neofunctionalists emphasized the potential for deeper and broader governance at the regional level. Whether this will lead to some kind of federal polity is unknown. Neofunctionalists have been more interested in the direction of regional integration than its outcome.

Neofunctionalists identify a series of mutually reinforcing processes that would lead to further integration. These include spillover among policies that are autonomous only in the short term; increasing reliance on non-state actors to implement such policies; a shift in citizen attachment towards supranational institutions; and as a result of each of these, more intensive exploitation of the benefits of trade and, more broadly, of interdependence. Neofunctionalists pay detailed attention to how regional integration in one policy might induce integration in other policies, either by opening up new possibilities for cooperation, or more likely, by generating unanticipated problems that might trigger further integration. Neofunctionalists are particularly attentive to the dynamic effects that arise from supranational activism. Supranational actors may engineer policy spillover as policy entrepreneurs, by brokering agreements, and by co-opting national bureaucrats or interest group leaders. Both non-state actors and national elites may learn from their past successes and failures, and this may alter their preferences as well as their tactics.<sup>4</sup> As integration proceeds and supranational actors get stronger, this dynamic can be expected to take a life of its own.

Neofunctionalists expect that the path of integration will be jagged. Crises may delay or even retard integration, but the predominant expectation is that, over time, policy spillover and supranational activism will produce an upward trend.<sup>5</sup> The term, *European integration*, itself reflects the neofunctionalist premise that we are witnessing a process that has a direction.

The causal path is characterized by path dependence.<sup>6</sup> The timing and sequence of prior integration matters because it progressively narrows the range of options. The micro-foundation for this is bounded rationality in which political actors typically have incomplete information and short time horizons. Prior

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<sup>2</sup> This point is made by Schmitter (2005: 256ff).

<sup>3</sup> Haas 2004: xiv.

<sup>4</sup> Haas emphasizes pressures by societal elites such as trade unions, political parties, business leaders, or other interest groups, while Lindberg focuses on socialization and learning by national bureaucrats through the expanding EU committee system.

<sup>5</sup> Haas made the net result clear in this early statement: “Even though supranationality in practice has developed into a hybrid in which neither the federal nor the intergovernmental tendency has clearly triumphed, these relationships [among civil servants and ministers, trade unionists and cartel executives, coal consumers and administrative lawyers] have sufficed to create expectations and shape attitudes which will undoubtedly work themselves out in the direction of more integration” (1958: 527). Later work makes this expectation conditional (Haas 2004; Schmitter 1969).

<sup>6</sup> This idea is intuitive for the early neofunctionalists and is explicitly taken up by Pierson (1996; 2000).

integration generates unforeseen crises that make the status quo untenable, but sunk costs make it difficult to reverse course.

Intergovernmentalists, by contrast, view European integration from the standpoint of national states searching for mutually advantageous bargains. Whereas neofunctionalism explains integration as the outcome of cooperation and competition among societal actors, intergovernmentalism explains integration as the outcome of cooperation and competition among national governments.

One stream of intergovernmentalism views regional integration as endogenous to fundamental shifts in the balance of power. In the case of European integration, the key development is the post-war US-Soviet duopoly which relegated European states to mid-range powers. The founding states had each been incapable of the most basic qualification of legitimate statehood, defending their populations from foreign occupation. However, all this did not abolish deeply rooted nations, nor did it extinguish the zero-sum nature of geopolitics within Europe itself. This underpins the idea that integration stands in contradiction to national diversity and, when these logics collide, national differences prevail. As a consequence, integration comes to a standstill once it touches high politics.<sup>7</sup> To the extent there is integration, it has its core in economics, and it either leaves state sovereignty untouched or it actually strengthens the national state.<sup>8</sup>

A more recent stream of intergovernmentalism extends this by applying international political economy to member state bargaining. It rejects the idea that state interests are zero-sum in favor of the idea that economic interdependence produces gains for states that cooperate. Like neofunctionalism, liberal intergovernmentalism conceives international institutions as a response to interdependence. Actors are rational and primarily driven by economic interests. Unlike neofunctionalism, it explains international cooperation as the exclusive product of national leaders, and behind these, national firms. Liberal intergovernmentalism combines a liberal theory of domestic preference formation with an institutionalist account of intergovernmental bargaining.

The decision process breaks down in three steps: the domestic formation of national preferences; intergovernmental bargaining; and the creation of European institutions to secure agreements. In the first step, government preferences are shaped by powerful domestic groups and interest aggregation is funneled through national channels. The interests that drive decisions on European integration are primarily economic and issue-specific, and aggregation is pluralistic in that government preferences are chiefly the result of interest group, rather than party-political, pressures.<sup>9</sup>

Asymmetrical interdependence among states shapes intergovernmental bargains. States least in need of an agreement are best positioned to determine the terms of the bargain, especially when the decision rule is unanimity. Unlike neofunctionalism, which highlights unequal access to information, intergovernmentalism posits a flat informational environment making it feasible for governments to decide without the help of non-state policy entrepreneurs.<sup>10</sup>

Intergovernmentalism follows neoliberal institutionalism to conceive the institutional outcome as a functional response to a cooperation problem. It anticipates that states will delegate or pool just enough

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<sup>7</sup> Early intergovernmentalism has a more inclusive notion of state interest than traditional realism. Hoffmann (1966: 868) equates state interest with how foreign policy leaders interpret “the national situation,” broadly conceived to encompass any objective or subjective economic, cultural, geographical or political feature of a country’s position in the world. This was later extended to domestic politics and national institutions shaping member state preferences (Bulmer 1983; Rosamond 2000: ch 4).

<sup>8</sup> Milward argues that European integration “has been an integral part of the reassertion of the nation-state as an organizational form” (1992: 2-3).

<sup>9</sup> Governments may also be sensitive to “regulatory protection, economic efficiency, and fiscal responsibility” (Moravcsik 1998: 37; Moravcsik and Schimmelfennig 2009: 70).

<sup>10</sup> “Information and ideas are plentiful and relatively symmetrically distributed among member states” (Moravcsik and Schimmelfennig 2009: 71).

authority to ensure that national governments will find it in their interest to comply with the deal. The typical outcome, then, is a lowest common denominator, but the level of integration that this entails will vary with the nature of the cooperation problem.

Whereas neofunctionalism and intergovernmentalism view European integration as an efficiency improving process in which economic actors seek gains, postfunctionalism emphasizes the disruptive potential of a clash between functional pressures and exclusive identity.

Postfunctionalism is influenced by a stream of research that conceives the EU polity as domestic politics. Beginning in the mid-1990s, scholars began to analyze public opinion, party competition, and elections to understand the course of European integration.<sup>11</sup> Their intellectual roots lie in comparative politics and in research on political conflict, state formation, and national identity.<sup>12</sup>

The chief puzzle motivating postfunctionalism is to understand the causes and effects of the politicization that may result from the clash between functional pressures and identity. Postfunctionalism conceives politicization in three steps. First, there is a mismatch between the institutional status quo and the functional pressures for multilevel governance that arise from interdependence. European integration is here one aspect of a much broader phenomenon, the reconfiguration of the state to gain the benefits of providing public goods at diverse scales from the local to the national and international level.<sup>13</sup>

The second step is concerned with the arena in which decision making takes place. This can be insulated among government leaders, civil services, European bodies, and interest groups or decision making may enter the arena of mass politics where it is subject to mass media, political parties, social movements, and government coalitions. This depends on the stakes of the issue, and more importantly, on the capacity of contending actors to politicize an issue that would, by default, be negotiated in a conventional elite setting. The arena in which an issue is debated affects the nature of conflict.<sup>14</sup> Mass politics in elections, referendums, and party primaries opens the door to the mobilization of national identity as a constraint on integration.<sup>15</sup>

The third step analyzes how European integration shapes the structure of political conflict. This draws on the behavioral literature on the strategic interaction of political parties, the dimensionality of party competition, and voter choice.<sup>16</sup> To the extent that European integration engages identity issues related to the reconfiguration of the state, it disrupts established party systems, gives rise to new radical left and radical TAN<sup>17</sup> parties, and constrains supranational problem solving. The systemic effect is to polarize societies on a cultural divide that arguably takes the form of a durable socio-political cleavage.<sup>18</sup> Among voters, research indicates that those with a more exclusive attachment to the national ingroup are most prone to Euroskepticism and to support radical TAN parties.

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<sup>11</sup> See e.g. Bartolini 2005; Diez Medrano 2003; Evans 1999; van der Eijk and Franklin 1996; Hix 1999; Hooghe and Marks 1999, 2001; Kriesi 1998; Marks et al. 1996; Marks 1997, 1999; Marks and Wilson 1999; Marks and Steenbergen 2004; Nicolaidis 2003.

<sup>12</sup> Grande and Hutter 2016; Green-Pedersen 2012; Halikiopoulou et al. 2012; Höglinger 2016; Hurrelman et al. 2015; Kuhn et al. 2016; Laffan 2016b; McNamara 2015; Mylonas 2012; Nicolaidis 2013; Parsons and Weber 2011; Piattoni 2010, 2017; Polyakova and Fligstein 2016; Prosser 2016; Risse 2014; Rohrschneider and Whitefield 2016; Rovny 2014a, 2014b; Rovny and Polk 2016, 2018; Sides and Citrin 2007; Sternberg et al. 2018; Tillman 2013; Treib 2014; Tzelgov 2014; Van der Brug and van Spanje 2009; Van Kersbergen and De Vries 2007; Van Kessel 2015.

<sup>13</sup> Hooghe and Marks 2009, 2016, 2018. Marks (2012) theorizes jurisdictional design in the tension between the functional benefits of scale and the disintegrative pressure of communal identity.

<sup>14</sup> De Vries and Edwards 2009; Hobolt 2009; Hutter et al. 2016.

<sup>15</sup> Hooghe and Marks 2009: 7 and 12; De Wilde, Leupold, Schmidke 2016; Diez-Medrano 2003; Risse 2010.

<sup>16</sup> De Vries and Hobolt forthcoming; Hooghe et al. 2002; Marks and Wilson 2000; Van Elsas et al. 2016.

<sup>17</sup> Tradition/Authority/National.

<sup>18</sup> Bartolini 2005; De Vries 2018; Hooghe and Marks 2018; Kriesi et al. 2008; Teney et al. 2014.

The study of mass politics has its roots in political psychology and is distinct from the rationalist-economic logic that underpins neofunctionalism and intergovernmentalism. Public opinion scholars regard economic preferences as just one possible motivation of human behavior, and one that is often less powerful than religion, ethnicity, or communal identity. Hence the label postfunctionalist, which is a term that stresses agnosticism about whether decision making or its outcome will be characterized by functionality.

Neofunctionalism and intergovernmentalism conceive European integration as a cooperative process among interest groups and governments. The effect of divergent preferences is to produce deadlock—that is, a failure to shift the status quo, reap collective gains, or transcend the lowest common denominator. Postfunctionalism, by contrast, conceives European integration as a conflictual process arising from incompatible belief systems. In this perspective, European integration is a form of jurisdictional restructuring that, like the development of the national state, has produced a profound cultural divide. The range of possible outcomes under postfunctionalism is correspondingly wider than that under neofunctionalism and intergovernmentalism for it encompasses not only the status quo or its punctuated reform, but also the possibility of disintegration.

Each of these approaches can be distinguished quite sharply from the other two. Correspondingly, as we next suggest, each school interprets the landmark events in the course of European (dis)integration in the light of its basic premises.

## **The Eurocrisis**

The Eurocrisis was caused by the meltdown of confidence in the U.S. financial sector following the Lehman bankruptcy in September 2008, and is exogenous to all three approaches. However, scholars in each approach have had much to say about its effects in Europe. The Eurocrisis is, at one and the same time, a case of iterated intergovernmental bargaining, a crisis that has extended regional integration, and an example of the effects of heightened politicization.

Several features of the crisis are amenable to an intergovernmentalist account. In the first place, it was a crisis in the full sense of the term—an event of intense danger that required an extraordinary response. The very notion of a crisis suggests that ordinary procedures are insufficient and that the initiative lies chiefly with the member governments themselves. In this case, the contrast between normal EU policy making and the abnormal response to the Eurocrisis could hardly be sharper. The European Union was utterly unprepared for an existential threat to the Eurozone. Its financial resources were small, and Article 125 of the Maastricht Treaty denied the EU an insurance role of last resort. If the Eurozone were to survive, this would have had to come about as a result of intergovernmental bargaining.

The crisis hit Europe as a financial shock handled independently by national governments. However, it soon became clear that massive imbalances in the Eurozone threatened to bankrupt Greece with potentially disastrous consequences for the Eurozone. What then ensued was a lengthy process of intergovernmental negotiation characterized by 1) heavy interdependence, which induced Eurozone governments to coordinate, and 2) sharp asymmetries, which placed Ireland, Spain, Portugal, and above all Greece, in the position of dire supplicants for financial support and insurance. The iterated negotiation from October 2008 to 2012 was dominated by national governments, which were calculating the consequences of their actions in Euros. The result was a series of lowest-common denominator deals constrained by divergent preferences on the distribution of adjustment costs. This did just enough to avert the break-up of the Eurozone while minimizing the short-term pecuniary cost for the Northern states in the dominant bargaining position.<sup>19</sup>

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<sup>19</sup> For astute analyses using liberal intergovernmentalism as a baseline, see Schimmelfennig (2015) and Biermann et al. (2017).

Intergovernmentalism explains the particular bargaining outcomes as discrete episodes, whereas neofunctionalism connects them in a longer-term perspective.<sup>20</sup> The severity of the crisis in the Eurozone was an unintended consequence of economic and monetary integration, formalized in the Maastricht Treaty, which was itself the outcome of the deepening of the single market in the 1980s. However, monetary union was half-baked because it eliminated monetary flexibility at the national level but made no provision for fiscal insurance to respond to an asymmetric shock.

When the crisis hit, path dependency set Eurocrisis management on course for saving rather than ditching the Euro, and this generated intense pressure to fix its flaws. At first, intergovernmental negotiation produced institutions controlled exclusively by member state representatives operating outside the EU. However, these fixes were partial. In the following years, these fixes were nudged closer to the community method.<sup>21</sup> The emergency European Financial Stability Facility of May 2010, a limited liability company, was replaced in 2012 with the European Stability Mechanism, a permanent institution chaired by the President of the Eurozone and taking binding decisions by qualified majority. The 2011 Sixpack regulations on macro-economic surveillance were bundled into the Fiscal Stability Treaty of 2014, which legally binds member states to set up a balanced budget procedure at home, strengthens monitoring by the European Commission, and makes ESM and ECB support conditional on compliance. From 2016, supervision of Europe's larger banks shifted from national regulators to the ECB which can grant or withdraw banking licenses, set higher capital requirements, and restructure or fold a bank. Finally, the ECB extended its mandate to "do whatever it takes" to preserve the Euro, including the introduction of Outright Monetary Transactions and, from 2015, quantitative easing. Hence, the unintended consequence of monetary union was to intensify a financial crisis that induced member states to integrate in ways they had previously rejected. In short, the crisis arose as an unintended spillover and concluded with enhanced supranationalism.<sup>22</sup>

Postfunctionalism roots the response to the Eurocrisis in domestic politics, and in particular, in the rise of nationalist opposition to European integration that petrified governments even as the economic costs of inactivity rose. On the one hand, there was immense functional pressure to coordinate a response as early as October 2008 when the European economy was in freefall. On the other hand, as the crisis became salient in domestic politics, there was rising resistance to supranational solutions and to what was derisively called a *bailout*, a word that originally meant a temporary release from jail before it entered criminal slang.<sup>23</sup> Politicization of bailouts produced a spiral of repeated crisis followed by inadequate response on the part of Northern governments. As postfunctionalism might expect governments were more concerned with their own survival than with the resolution of the crisis.<sup>24</sup>

Political entrepreneurs in the tabloid media, radical TAN parties, and some radical left parties framed the Eurocrisis as a contest among nations and as one pitting their nations against foreign rule from

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<sup>20</sup> This is point made by Jones et al. (2016).

<sup>21</sup> Jones, Kelemen and Meunier (2016: 1027, 1015) call this sequential dynamic "failing forward."

<sup>22</sup> Bauer and Becker 2014; Börzel and Risse 2018; Dehousse 2016; Niemann and Ioannou 2015; Saurugger 2016; Schimmelfennig 2018a.

<sup>23</sup> <https://www.etymonline.com/word/bail>

<sup>24</sup> The domestic tightrope walked by the Merkel government in Germany has been well documented (see e.g. Jacoby 2015; Jones 2010). As Schmidt (2014: 199) writes, "Merkel demanded that Greece put its own house in order before any help would be forthcoming because she worried that the German Constitutional Court might block a Greek bailout on German constitutional grounds. But she was also all the while hoping that Greece would tighten its own belt sufficiently to calm the markets while allowing her party to win the Nord Rhine Westphalia elections on 9 May 2010 before any action would need to be taken." Domestic pressure was severe in several creditor countries: "Other EU leaders also threw in monkey wrenches along the way, again over national considerations involving coalition partners or electoral pressures. On the second Greek bailout, for example, the need for parliamentary ratification in all 17 Eurozone countries slowed the process, and worried the markets even more as the Finns insisted on collateral from Greece for its participation in the second bailout, and the Slovakian government fell over internal divisions in its coalition" (Schmidt 2014: 200).

Brussels.<sup>25</sup> The consequence was that Northern governments were reluctant to follow the advice of most academic economists, international agencies, including the World Bank and the IMF, and the Obama administration. Trade surplus countries in the North were unwilling to pay the political price of rebalancing trade with the South by increasing domestic consumption and ditching their “me first” policy of export-led growth.<sup>26</sup>

The result was that the rulers of Northern states were caught between the Scylla of a functionally inefficient response and Charybdis of unacceptable electoral risk. As Jean-Claude Juncker quipped: “We all know what to do, we just don’t know how to get re-elected after we’ve done it.”<sup>27</sup> Politicization in the shadow of exclusive national identity decisively narrowed options for reform.<sup>28</sup> One response was an effort to depoliticize by framing the Eurocrisis as a regulatory issue, devolving decisions to non-majoritarian institutions that bypass the community method and parliamentary scrutiny. Another was to shield decisions from electoral pressures by resorting to ad hoc intergovernmental constructs that bypass treaty reform and avoid referendums.<sup>29</sup>

This brought the Eurozone close to collapse. The eventual cocktail of ECB measures, bailouts, heightened macro-economic surveillance, and banking supervision was partial, delayed, and Pareto-inefficient. Politicized procrastination carried a high price tag for the North as for the South.

A further implication is that reform for European-wide solidarity, including progress towards fiscal union, is off the table. Attempts by Monti, Hollande, and Rajoy in 2011 and 2012 to shift the debate from austerity to growth-oriented policies ran aground, and Macron’s plans to revive a more ambitious functional response to the Eurozone’s structural flaws have not received overwhelming support. Public solidarity across national borders is a minority position.<sup>30</sup> A postfunctionalist analysis does not downplay the force of functional pressures, though it does seek to explain why policies that are functionally rational may not be politically feasible.<sup>31</sup>

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<sup>25</sup> The True Finns exploited the Eurocrisis to reposition the party “from traditional populism that opposes domestic elites to a new brand that militates against other EU nations and foreign immigration,” (Pappas and Kriesi 2015: 306). The party’s vote increased from 4.1 percent in 2007 to 19.1 percent in 2011. The Dutch Party for Freedom and Progress led the charge against the Euro, even while it provided parliamentary support to a liberal-Christian democratic minority cabinet in the first two years of Eurocrisis. It withdrew its support in 2012 over the government’s austerity plans, and ran its 2012 electoral manifesto under the slogan “Their Brussels, our Netherlands,” and against “the blind inhabitants of the ivory towers in Brussels” who supported bailouts for Greece and other troubled European economies. In Germany, the Alternative für Deutschland emerged in 2013 as an anti-Euro party. In Italy and Greece, radical left parties rose to prominence on a stark anti-foreign and anti-EU populist message. See Kriesi and Pappas 2015; March and Keith 2016; Hooghe and Marks 2018; and Hutter et al. 2016.

<sup>26</sup> Hall (2018: 20-21) notes that Germany’s grand coalition until 2009 and again from 2013 paid a political price because employers are an important constituency for the Christian Democratic party and low-skilled workers are central to the Social Democratic party. Renunciation of export-led growth would have imposed a political cost for coalition governments in Finland and the Netherlands (Copelovitch et al. 2016; Iversen et al. 2016; Walter 2016).

<sup>27</sup> *The Economist*, quoted in Haughton (2016: 72). Juncker made the remark when asked about labor market reforms. Piqued by “the Juncker curse,” three European Commission officials from the Directorate General for Economic and Monetary Affairs responded with a paper that advocated electorally viable labor market reform (Buti et al. 2008).

<sup>28</sup> In a study of NAFTA, the EU, and regional integration in Latin America, Hurrelman and Schneider (2015: 254) conclude that “The overall effect of politicization has been constraining, not in the sense of halting the integration process but rather in the sense of limiting the options available to political elites when considering the next integration steps” (see also Bickerton et al. 2015: 26).

<sup>29</sup> Börzel 2016; Genschel and Jachtenfuchs 2018; Grande and Kriesi 2016.

<sup>30</sup> Kleider and Stoeckel (2018) find that economically left-leaning low-income citizens in poor EU member states exhibit the strongest opposition to EU transfers (see also Kuhn and Stoeckel 2014: 638; Bechtel et al. 2014; Stoeckel and Kuhn 2018).

<sup>31</sup> The Eurocrisis illustrates a paradox in Europe’s contemporary development: “Resilience in the Union’s system of governance [comes]... at the cost of fragility in politics and a weakening of the Union’s legitimacy” (Laffan 2016a: 929).



The permissive consensus that once facilitated elite problem solving seems broken. Mainstream parties have been losing ground in the electoral arena since the 1980s, but their decline accelerated with the Eurocrisis. European integration was caught in a cultural cleavage that is reshaping the structure of political conflict. This affects parties across the ideological spectrum, but perhaps most severely it has blindsided social-democratic parties that were in power during the formative years of the Eurocrisis.<sup>32</sup>

Neofunctionalism, intergovernmentalism, and postfunctionalism each have something to say to the Eurocrisis, though they ask different questions and focus on different mechanisms. Their contribution depends not just on their relative validity, but on the puzzle the observer wishes to confront. How can one explain intergovernmental bargaining? How can one explain the longer-term moves, however timid, towards deeper integration? Why was the response to functional pressures so slow and so partial? The approaches can, and have been, used both to generate competing hypotheses and frame composite explanations for the causes, course, and outcome of the Eurocrisis.

### **The migration crisis**

In the 1950s and 1960s Europe was the chief source of emigrants. By the end of the twentieth century, it became the chief destination.<sup>33</sup> In 2015, an estimated 2.7 million immigrants arrived from outside the EU-28, of whom around half sought asylum. Spurred by civil war in Iraq, Libya, Syria, and instability in several African countries, the number of asylum-seekers rose from 260,000 in 2010 to 627,000 in 2014 and spiked at 1.3 million in 2015 and 2016.

Immigration is a national competence for all EU members, though the Schengen area has a shared regime for asylum seekers, the Common European Asylum System, known as the Dublin system. This requires asylum seekers to process their application in the first country they enter. The Dublin system was not designed to absorb large numbers, and it was pushed over the brink when Italy and Greece abandoned vetting people in the summer of 2015 and let them journey north. The crisis unfolded in August 2015 when the German government formally suspended the Dublin regulation for Syrian refugees in order to admit them directly, and then partially reversed course three weeks later by temporarily reinstating border controls with Austria. These events set off a chain reaction of unilateral moves in which Schengen member states closed borders, turned back asylum-seekers, and refused to implement a relocation scheme for 160,000 refugees that they had legally committed to.

The conspicuous display of unilateralism is consistent with an intergovernmentalist account in which a subset of states were determined not to compromise. In contrast to the Eurocrisis, which was widely seen as an existential threat to the Eurozone, the migration crisis produced weak pressure for cooperation. Whereas transnational finance was instrumental in pressing for deeper integration to save the Euro, in the migration crisis, human rights groups were the only consistent humanitarian voice and they were drowned out by persistent unilateralism. Moreover, the economic cost of non-agreement in the migration crisis is modest. Even a wholesale suspension of Schengen would not upend economic growth. The states least affected by migratory pressures could stonewall pleas for accepting refugees without fearing that their defection would come back to bite them if others followed suit. From a game-theoretic perspective, the least affected states had a dominant strategy that was independent of the response they expected from frontline states. The outcome is consistent with intergovernmentalism: a lowest common denominator outcome in which defectors get their cake and eat it by blocking reform that would impose a common framework while refusing responsibility for incoming refugees.<sup>34</sup>

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<sup>32</sup> Hobolt and Tilley 2016; Hutter and Kriesi 2018.

<sup>33</sup> <[http://ec.europa.eu/eurostat/statistics-explained/index.php?title=Migration\\_and\\_migrant\\_population\\_statistics#Migration\\_flows](http://ec.europa.eu/eurostat/statistics-explained/index.php?title=Migration_and_migrant_population_statistics#Migration_flows)>  
<[http://ec.europa.eu/eurostat/statistics-explained/index.php/Asylum\\_statistics](http://ec.europa.eu/eurostat/statistics-explained/index.php/Asylum_statistics)>

<sup>34</sup> The European Commission ended the relocation scheme after fewer than 28,000 refugees had been transferred. The failure to coordinate asylum seekers has put the Schengen system under strain, but Council negotiations on a revision of the Dublin

While intergovernmentalism is pertinent to headline bargaining on refugee quotas, neofunctionalism's wider lens helps to explain why, beyond the limelight, there has been an incremental, albeit haphazard, increase in supranational activity.<sup>35</sup> A neofunctionalist analysis looks for a) dysfunctions in the status quo that can trigger a crisis following an exogenous shock; b) sunk costs that stack the deck against disintegration; and c) supranational and transnational actors offering deeper integration to fix dysfunctionality. From this perspective, the Dublin regime was the unintended result of functional spillover from Schengen, which abolished passport controls at internal borders. Induced to coordinate but reluctant to give up sovereignty over a core state power, member states settled on a minimalist joint system characterized by "low harmonization, weak monitoring, low solidarity and lack of strong institutions."<sup>36</sup> This could hobble along only if the flow of asylum seekers was small and dispersed. The refugee crisis of 2015 and 2016 violated both assumptions.

Why did member states not decide to fold this dysfunctional system? Neofunctionalism highlights the path dependent constraints on disintegration: 1) the considerable costs of policy adjustment after three decades of Schengen policy coordination; 2) the cost of delay at resurrected borders at a time of economic recovery; and perhaps most importantly, 3) the symbolic defeat of ditching a popular institution and hollowing out a key pillar of European integration—the free movement of people.<sup>37</sup> For each of these reasons, political leaders were deeply reluctant to dismantle Schengen.<sup>38</sup>

Supranational actors took the initiative in proposing reform. In May 2015, the European Commission's "European Agenda on Migration" outlined immediate steps to tackle the crisis along with medium-term reform of the Dublin system. The Commission's plan for refugee relocation was rejected, but supranational cooperation was upgraded for processing immigrants and monitoring borders. An all-EU technical team with seconded national officials provides support for border management and registering and relocating refugees at "hotspots." Initially intended as crutches for struggling member states, these hotspots have filled a void in the Dublin system in particularly vulnerable places.<sup>39</sup> A European Border and Coast Guard (EBCG) accountable to the European Parliament and composed of mandatory national contingents has a mandate for border control, coordination with national coastal guards, and rescue missions, albeit short of giving the agency the right to return migrants and deploy coastal guards.<sup>40</sup>

Postfunctionalism places the migration crisis in the context of domestic politicization in order to explain why transnational pressure was weak and why so many governments were unwilling to

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system, which would include a permanent relocation scheme at times of crisis, are deadlocked (Paravicini and Herszenhorn 2018; Biermann et al. 2017: 14; Börzel and Risse 2018; Schimmelfennig 2018a; Zaun 2018).

<sup>35</sup> Niemann and Speyer 2018; Niemann and Zaun 2018; Scipioni 2017. For a more skeptical assessment, see Schimmelfennig (2018a: 980).

<sup>36</sup> Scipioni 2018: 9; see also Genschel and Jachtenfuchs 2018; Niemann and Speyer 2018.

<sup>37</sup> Biermann et al. 2017: 9; Niemann and Speyer 2018; Webber 2014.

<sup>38</sup> In a speech to the European Parliament on November 25, 2015, Commission president Juncker linked the survival of Schengen to that of the Euro when he claimed that "a single currency does not make sense if Schengen falls" (Juncker 2015). In a joint statement on December 3, 2015, the Visegrad countries declared their enduring support for Schengen and added that "the preservation of free movement is not a divisive issue but must remain the key objective for all member states and the European Institutions" (cited in Guild et al. 2015: 13). In a joint press conference with the Italian Prime Minister in Rome on May 5, 2016, German Chancellor Merkel stressed that "Europe must defend the Schengen Agreement or risk falling back into separate nationalisms. The very future of Europe is at stake." (<<https://euobserver.com/migration/133354>>).

<sup>39</sup> Scipioni (2017: 10) observes that "this exemplifies an approach aimed at circumscribing the role of member states during implementation and instead delegate powers to EU agencies."

<sup>40</sup> Niemann and Speyer (2018: 27) note that this "bears witness to a change of mentality: IBM [integrated border management] is now being treated as a shared responsibility, and the external borders are increasingly perceived as common borders. While under the previous Frontex regulation, border management was organized as a flat network with the member states as largely independent actors, the EBCG is now the main body in a hierarchical model."

cooperate. Whereas the Eurocrisis raised issues of identity indirectly by tapping unwillingness to redistribute across national borders, the migration crisis touched a nerve of exclusive national identity by contemplating the intermixing of culturally dissimilar populations.<sup>41</sup>

This links to a literature that reveals how the migration crisis ramped up cultural polarization.<sup>42</sup> In the Fall of 2015, for the first time in Eurobarometer's history, immigration became the number one concern for citizens across Europe, exceeding concern with unemployment.<sup>43</sup> Following on the heels of the Eurozone crisis, the migration crisis intensified a long-simmering transnational divide by linking immigration to European integration.<sup>44</sup> This divide has some of the distinguishing characteristics of a social cleavage capable of structuring political conflict on a generational time scale.<sup>45</sup> It has polarized electorates into socially distinctive groups based on education, occupation, urban-rural location, and gender. And it has led to the rise of nationalist political parties in a majority of EU countries.

This is the postfunctionalist context for understanding the response to the flight of millions of refugees from war-torn Libya, Syria, and Iraq. The transformation of party competition has narrowed the options for mainstream parties seeking an EU-wide response to the flow of refugees. Nationalist challengers across Europe, most vocally in the Visegrad countries but also in the primary host countries—Germany, Austria, and Sweden—impelled governments to introduce restrictions. By early 2016, electoral pressure to shut the door appeared irresistible.<sup>46</sup> In Spring 2016, the Merkel government adopted restrictions through an asylum law reform (Asylpaket II) and the EU-Turkey Statement of March 2016, and in its wake Chancellor Merkel's popularity recovered. The Austrian SPÖ/ÖVP government, which had initially welcomed refugees, changed course to build fences to keep refugees out and to promote yearly caps. In Sweden, the social democratic government, supported by the moderate right, reimposed border controls and introduced less generous welcoming services in order to become less attractive to refugees.<sup>47</sup>

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<sup>41</sup> Börzel and Risse (2018: 15, 17-18) contrast identity politics in the migrant crisis and Eurocrisis. While the latter was “mainly about how much solidarity is required in a multilevel political community,” the former engages the “Who question” – who belongs to the community. This taps into “pre-existing attitudes among minorities of Europeans ... Debates about migrants and refugees are dominated by cultural frames focusing on the ‘self/other’ or ‘ingroup/outgroup’ distinction ... The main conflict line ... puts ideas about a multicultural, open and cosmopolitan Europe, on the one hand, against an alternative vision which we term ‘nationalist Europe,’ for lack of a better term” (see also Risse 2010: 245–6; Wodak 2015). What opponents of European-wide responsibility sharing needed to do was “turn[ing] latent attitudes among citizens into manifest political behaviour, e.g., voting...” for anti-immigrant and Euroskeptic political parties.

<sup>42</sup> The vote for political parties taking either extreme GAL or extreme TAN positions has increased from 37.5 percent in 2006 (before the crisis) to 55 percent in 2017. Chapel Hill Expert Survey data; fourteen countries (Polk et al. 2017).

<sup>43</sup> More precisely, more people selected immigration as “one of the two most important issues facing [our country] at the moment” than the percentage of people selecting unemployment.

<sup>44</sup> Hutter and Kriesi (2018: 5) note that “European integration and immigration transformed the programmatic components of the second dimension ... the dimension that has traditionally been characterized by religious conflicts. ... [W]e label this second dimension and the issues embedded in it cultural.”

<sup>45</sup> We label this a transnational cleavage because it has as its focal point the defense of national political, social and economic ways of life against external actors who penetrate the state by migrating, exchanging goods or exerting rule (Hooghe and Marks 2018; Marks et al. 2018). The divide has spawned a multiplicity of terms, including cosmopolitanism vs. parochialism, multiculturalism vs. nationalism, universalistic vs. traditionalist-communitarian, integration vs. demarcation (Bornschiefer 2010, 2018; De Vries 2017; Hutter and Kriesi 2018; Inglehart and Norris 2016; Kriesi et al. 2006; Stubager 2010). US scholars characterize the divide as open vs. closed (Johnston, Lavine and Federico 2018) and fluid vs. fixed (Hetherington and Weiler 2018).

<sup>46</sup> In Germany, the Alternative für Deutschland (AfD) made major inroads in 2016 state elections in Sachsen-Anhalt (24.2 percent), Mecklenburg-Vorpommern (20.8 percent), Berlin (14.2 percent), Rheinland-Pfalz (12.6 percent) and Baden-Württemberg (15.1 percent). In Austria, the FPÖ became the largest party from Summer 2015 through the end of 2016. In Sweden, support for the anti-immigrant Sweden Democrats rose from 14 percent in 2014 to 25.4 percent during the crisis (Zaun 2018: 51-53).

<sup>47</sup> Zaun 2018: 52ff.

Neofunctionalism, intergovernmentalism, and postfunctionalism illuminate different sides of the migration crisis. Intergovernmentalism explains why an interstate deal to share responsibility for refugees was a non-starter. Neofunctionalism reveals the surprising ability of supranational actors to engineer some incremental steps towards a more supranational Schengen. Postfunctionalism shows how the migration crisis has intensified a cultural divide across Europe that pits proponents of a multicultural, open, Europe against its opponents. Across East and West Europe, the crisis has been a major factor contributing to the electoral success of radical TAN parties.

## Brexit

The causes of Brexit lie within, rather than beyond, Europe. The puzzle confronting theorists of European integration encompasses the origins, as well as the course and consequences, of this landmark event.

Intergovernmentalism has engaged Brexit on two fronts. The first has been to challenge the claim that Brexit will have a substantive effect either on the UK or on the EU as a whole. The view that Brexit is epiphenomenal is logically consistent with two core premises of intergovernmentalism: first, that the course of European integration depends on the benefits of cooperation mediated by intergovernmental bargaining; and second, that intergovernmental bargains depend not on referendum outcomes but on economic interests, relative power, and credible commitments. On both grounds, Brexit can and has been regarded as an “illusory”<sup>48</sup> event that has implications for UK domestic politics but not for the association of the UK with the European Union.

This line of argument is buttressed by analysis of the power-politics of post-referendum negotiations. The functional benefits of economic integration—recognized by all three approaches—gives both the UK and the EU a common interest in maintaining UK membership of the single market in goods and services. However, the Brexit negotiations are a lesson in asymmetry. It is one thing for a member state to use its leverage under unanimity voting to gain an opt-out from a proposed reform, but quite another to gain an opt-out from the rules governing exit.<sup>49</sup> As Xavier Bettel, the Prime Minister of Luxembourg, joked, “Before they [the UK] were in and had a lot of opt-outs; now they are out, and want a lot of opt-ins.”<sup>50</sup> An opt-in requires the assent of all remaining member states along with the European Parliament. The UK is, in any case, a weak supplicant with a lot to lose while the EU is in the driver’s seat with much less to lose. The expected result is that the UK seeks to remain part the single market, but preserves its sovereignty by formally divorcing itself from the EU.

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<sup>48</sup> Moravcsik (2016) provides a vigorous defense of the view that “the reality” of UK reliance on the EU renders the referendum on EU membership moot. When push comes to shove, economic interests trump identity: “leading Eurosceptics have shown themselves to be the craftiest political illusionists of all. Now that Brexit appears within their grasp, they are backing away from it. What they really seek is domestic political power.” Rather than exit the EU, the UK government would be expected to do “just what EU members — Denmark, France, Ireland and the Netherlands — have always done after such votes. It would negotiate a new agreement, nearly identical to the old one, disguise it in opaque language and ratify it. The public, essentially ignorant about Europe, always goes along.” The premise is that one does not have to investigate the character or effects of referendum because, on causal grounds, “The illusory nature of Brexit was evident at the start.”

<sup>49</sup> Treaty reforms and major institutional reforms require unanimity. While this provides a state seeking to block further integration the power to extract the lowest common denominator outcome, it puts a state demanding *disintegration* in a weak position. As Schimmelfennig (2018b: 7) notes, “... the Eurosceptic state and the rest of the EU switch their institutional bargaining positions. Whereas integration-friendly states become the defenders of the status quo, the Eurosceptic state demands its revision and loses the power that EU rules of treaty change confer upon status quo defenders. Rather, the member state that is most negatively affected by, and thus most adverse to, disintegration defines the limits of treaty change.” This leads Schimmelfennig (2018b: 17) to conclude that “even though [one cannot] predict where the process will end, the expected direction is clear – towards more UK concessions and a ‘softer’ Brexit.”

<sup>50</sup> Press conference, March 8, 2018. [https://www.youtube.com/watch?v=JPXTkpGWD\\_g](https://www.youtube.com/watch?v=JPXTkpGWD_g) accessed April 15, 2018.

Neofunctionalism places great emphasis on the economic interdependencies that sustain pressure for integration even in the face of domestic resistance. In 2016, 43.4 percent of UK exports went to the EU, and 53.3 percent of imports came from the EU.<sup>51</sup> The threat of economic disruption serves as a mighty disincentive for a hard Brexit. Beyond this, neofunctionalism observes that the cost of a clean break is greatly increased by the UK's dependence on EU rule making and adjudication. This has been demonstrated in the desperate plea by the UK for a transition period, recently set by the EU at twenty-one months, in which the UK could begin to substitute its own regulatory machinery for that in the EU. However, there are neofunctionalist grounds to expect that the UK will be extensively subject to EU rules and European Court of Justice rulings for the foreseeable future.

A postfunctionalist account provides a window on the decision to hold a referendum, on the referendum debate itself, and on the tensions in the Conservative party that have shaped the UK's subsequent bargaining strategy—or the absence of one. More generally, the Brexit referendum illustrates a tension between functional pressures for integration and nationalist resistance that is part of a wider divide across Europe.<sup>52</sup>

Prime Minister Cameron's decision to hold a referendum following the general election of 2015 was a calculated effort to stem the rise of UKIP and suppress a growing EU rejectionist faction within his governing Conservative party.<sup>53</sup> This worked. The Independence party was removed as an electoral threat, and the rejectionist wing of the party held their fire in order to campaign for the Conservative parliamentary majority that was necessary to deliver Cameron's promise. For Cameron himself this was a Mephistophelean pact: the referendum would take place only if he beat the odds by forming a single-party Conservative government, and he was convinced that victory in the election would be followed by victory in the referendum. In the event, he was wrong. Postfunctionalist analyses of the role of national identity in mass settings were confirmed.<sup>54</sup> Revealingly, subsequent research suggests that the two sides of the public debate never connected. Functionalist predictions of economic dislocation on the one side were met by nationalism and fear of immigration on the other. The Remain camp insisted on avoiding issues of identity, let alone any suggestion of emotional attachment to Europe, while Leavers sidestepped functionalist arguments by offering delusory promises of milk and honey, including increased funding for the National Health Service and reinvigorated trade with Commonwealth countries.<sup>55</sup> The decisive issue was immigration, and by connecting fears about immigration to Europe, anti-immigrant and Euroskeptical attitudes become increasingly intertwined.<sup>56</sup>

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<sup>51</sup> Ward (2018: Appendix). It is perhaps worth noting from a neofunctionalist standpoint that, along with Malta and Greece, the UK is one of three EU member states that trades mostly with non-EU countries (2013 data cited in Schmitter and Lefkofridi 2016: 11).

<sup>52</sup> Clarke et al. 2017; Curtice 2017; Evans and Tilley 2017.

<sup>53</sup> Jensen and Snaith (2016: 1308) conclude from a survey of key economic stakeholders that "No evidence suggests that the decision to negotiate was demand-driven by powerful interest groups within the UK. Instead the decision was a tactical move on behalf of Cameron to appease the hardcore Eurosceptics within the Conservative Party in England."

<sup>54</sup> Hooghe and Marks 2009; for astute applications to Brexit, see especially Dennison and Geddes 2018; Hobolt 2016; Schimmelfennig 2018b.

<sup>55</sup> As Gamble (2018: 2) notes, "Many Leavers have hailed Brexit as a new 1688, a second 'Glorious' Revolution restoring English liberties and national self-confidence. Other commentators see it as a new 1534, a second Act of Supremacy overthrowing foreign jurisdiction over England."

<sup>56</sup> Using the British Election Survey, Evans and Mellon (2016) show that the difference in EU approval between people who believe immigration is an important problem and those who do not widened sharply following the 2004 Eastern enlargement. The difference flattens, but does not decline, during the economic crisis, and then rises steeply from 2012 until 2016. Dennison and Gamble (2018: 8) show that, on the eve of the economic crisis, over forty percent of Britons listed immigration as one of the three most important issues, and while its salience waned somewhat in subsequent years, it sharply rose from 2012. On the eve of the referendum, more than 50 percent of the population flagged immigration as one of the three most important issues.

Few events reveal so clearly the disruptive effect of a referendum in a climate of polarized politicization. Far from resolving tensions in the Conservative party, the referendum exacerbated them.<sup>57</sup> The vote provided just a single *bit* of information. It presented voters with the simplest possible choice on one of the most complex topics in the history of British politics. And like all referendums, a dichotomous choice says nothing about the trade-offs involved, the compromises necessary to realize them, or the likely consequences. Postfunctionalist accounts perceive the functional pressures on the UK government arising from asymmetric economic interdependence, but they do not conclude that these produce an economically rational outcome. Nationalism can, and sometimes does, subvert multilevel governance.

## The Illiberal Challenge

The illiberal challenge to the independence of the judiciary, separation of powers, and protection of basic liberties in Hungary and Poland is perhaps the greatest contemporary challenge to the legitimacy of the European Union. Writers in each school have sought to explain the EU's response, the extent to which it has been effective, and in some cases, they have something to say about the causes of illiberalism.

The strategic context of illiberalism is one of weak economic interdependence. Domestic events in Hungary and Poland are considered by many to undermine the core values of the European Union, but they do not pose an economic threat. Governments of both countries have been careful to comply with the rules of the single market while they have been backsliding on liberal democracy.

An intergovernmentalist perspective highlights the difficulty of imposing sanctions on Poland and Hungary using Article 7 of the Treaty on European Union. Because these governments are prepared to veto sanctions on each other, the European Council is stymied by the unanimity minus one threshold for determining that there has been a breach of the EU's core values.<sup>58</sup> The problem goes back to the Treaty of Amsterdam (1997) where, in the lead-up to Eastern enlargement, the member states established a concern with the content of domestic law, but preserved for member states the exclusive right to make the final decision about sanctions. On the one hand, Article 7 punctures national sovereignty by extending the remit of the EU to purely domestic legislation; on the other hand, it sustains national sovereignty by requiring a positive vote from all member states except the offender. In retrospect, a solution to the current impasse could have been achieved by inserting a clause denying a state a vote on sanctions if it was already subject to a formal warning which, under the current system, requires a supermajority of member states, but not unanimity.<sup>59</sup> However, this would have constituted a major break with the principle of the national veto on such a sensitive topic.

Beyond the unanimity restriction of Article 7 lies a more fundamental problem. Because Article 7 deals with domestic, not European, legislation, it is not reinforced by secondary legislation that would allow the Commission or the European Court of Justice to pin down what precisely is in contravention of the EU's core democratic principles.<sup>60</sup> Importantly, Article 51(2) of the Charter of Fundamental Rights limits the application of the Charter to member states only when they are implementing EU law.

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<sup>57</sup> Grande and Schwarzbözl 2017.

<sup>58</sup> As set out in Article 2 of the Treaty on European Union.

<sup>59</sup> The first stage of Article 7 may issue a formal warning to any state accused of violating fundamental rights on a four-fifths majority in the Council and two-thirds in the Parliament.

<sup>60</sup> "A Regulation, Directive or Decision cannot be interpreted in a way which violates EU fundamental rights; thus should the Member State exercise its discretion in a way inimical to those very rights it would indirectly violate that piece of secondary Union law" (Spaventa 2016: 11; see also Blauburger and Kelemen 2017: note 12; Blauburger 2014: 459).

Both the threshold of unanimity and the absence of secondary legislation reveal the unwillingness of national governments to allow supranational bodies to intervene in domestic constitutional reform.<sup>61</sup> With ironic understatement a report to the European Parliament notes that “The application of EU fundamental rights upon national authorities' acts or measures has not been universally welcomed by the Member States. ... From a national sovereignty perspective then, the wide application of EU fundamental rights raises the specter of competence creep, so that potentially no area of domestic law can be sheltered from EU scrutiny.”<sup>62</sup>

Neofunctionalism, by contrast, highlights a notable upswing in supranational activism on the part of the Commission and the European Court of Justice. The Commission has used the three-stage process added to Article 7 in the Nice Treaty to make assessments of democratic backsliding, followed by recommendations and then dialogue.<sup>63</sup> Given the intergovernmental barrier to imposing sanctions under Article 7, these moves by the Commission are chiefly symbolic. However, in an effort to divert further pressure, the PiS government promised in April 2018 to introduce equal retirement age for male and female judges, remove its block on the publication of three 2016 Constitutional Court rulings, and amend legislation that allows the justice minister to fire court justices.<sup>64</sup> Whether the Polish government will follow through is uncertain, and in any case it insists on retaining the bulk of its illiberal legislation, including a law that makes it illegal to blame Poland for any crimes committed during the Holocaust.

More effectively, perhaps, the Commission has been seeking ways to exert pressure on illiberal states by other means than Article 7. There are several avenues. For example, the Commission used its competition powers to block the Fidesz government from penalizing independent television companies by imposing an advertisement tax (Blauberger and Kelemen 2017: 326). In 2018, the Commission sought to give some protection to journalists in illiberal societies by proposing a whistleblower directive that would require member states to have a framework protecting individuals who report a threat to the public interest.<sup>65</sup> The Commission recently initiated a bill to set up a European Values Instrument within the EU's multi-annual financial framework for 2021-2027 to support citizen initiatives promoting the rule of law. The budget is intended to be equivalent to the sum that the EU spends on third countries. And perhaps most worrying for the governments of Poland and Hungary, the Commission is now seeking to link the rule of law to cohesion funding so that a qualified majority vote in the Council could cut off aid to a targeted country.<sup>66</sup>

The European Court of Justice has awakened to the threat to judicial independence and is now hearing cases with major implications for illiberal governments. In a judgment that temporary salary cuts for judges in Portugal do not compromise the rule of law, the court went on to establish a general obligation for member states to guarantee the independence of courts.<sup>67</sup> The principle is simple and compelling.

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<sup>61</sup> This restrictive view is contested: “Given the obligations of homogeneity under Article 6 TEU and the procedure under Article 7 TEU, it is even doubtful whether we can say that the Member States, each, still are the sovereign masters of their constitutions” (Pernice: 2002: 7).

<sup>62</sup> Spaventa 2016: 12-13.

<sup>63</sup> Sedelmeier 2017: 345-46.

<sup>64</sup> Shotter et al. (2018).

<sup>65</sup> Abazi and Alemanno (2018).

<sup>66</sup> Bayer and Gray (2018).

<sup>67</sup> The ECJ's February 27, 2018 judgment in the case of Associação Sindical dos Juízes Portugueses (Case C-64/16) states that “The very existence of effective judicial review designed to ensure compliance with EU law is of the essence of the rule of law ... It follows that every Member State must ensure that the bodies which, as ‘courts or tribunals’ within the meaning of EU law, come within its judicial system in the fields covered by that law, meet the requirements of effective judicial protection. ... In order for that protection to be ensured, maintaining [a national] court or tribunal's independence is essential.” In the words of Pech and Platon (2018: 4) “The Court has gone therefore beyond the limited functional necessity of national remedies sufficient to ensure the application of EU law and now requires that Member States guarantee

National courts are an intrinsic part of a European system of authoritative adjudication; hence “The guarantee of independence, which is inherent in the task of adjudication ... is required not only at EU level ... but also at the level of the Member States as regards national courts” (Case C-64/16: 42).<sup>68</sup> This demolishes PiS’ claim that its judicial reforms are national and therefore not subject to EU jurisdiction. As yet, no case regarding the independence of domestic courts in Poland, Hungary, or Romania has come before the ECJ, but a path has been opened.

In an even more potent case, the ECJ will soon issue a preliminary judgment on whether a drug-trafficker should be returned from Ireland to his native Poland following a routine European Arrest Warrant. The referral was made by a High Court judge in Ireland who refused the warrant on the grounds that the Polish government has undermined the independence of its court system, and thereby has undercut the basis of judicial reciprocity. If the ECJ were to uphold Justice Donnelly’s judgment, the implications could reach into other areas of judicial reciprocity, including contracts, taxes, and family law. As the *Economist* (April 28 2018) points out, “Judges in Europe often have been able to get to the parts that governments cannot reach.”

So EU pressure on Hungary and Poland has ratcheted up despite the failure to impose intergovernmental sanctions. The Commission and the ECJ have developed new channels of influence. Will illiberalism come, in time, to be regarded as a source of supranationalism?

A postfunctionalist account probes the sources of illiberalism and helps explain why the governments of Hungary and Poland have been able to resist EU pressure, and even utilize it to sustain their own support. Under what circumstances can the EU affect the agenda of the Fidesz and PiS governments? The answer hangs on how EU actions are perceived in the target country, the strength of the domestic opposition, and the vulnerability of an illiberal government to domestic pressure.

Illiberalism is allied to a nationalist discourse of parochialism, conservatism, and anti-elitism which is mobilized against the perceived threat of foreigners, multinationals, and the European Union.<sup>69</sup> The Chapel Hill expert survey shows that political parties in Hungary, and more recently Poland, take decidedly more polarized stances on the GALTAN dimension relating to cultural issues and nationalism than on the conventional left-right dimension concerned with economic redistribution.<sup>70</sup>

Fidesz and Law & Justice have each cultivated a social movement base of nativists mobilized against those who favor a multilevel and multicultural Europe. This has gone furthest in Hungary, where, following Fidesz’ defeat in the 2002 election, Victor Orbán put himself at the head of a grassroots movement of close to 16,000 Civic Circles organizing anti-government demonstrations, rallies, petitions, strikes, and blockades invoking the idea of a unitary Hungarian national community.<sup>71</sup> This

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and respect the fundamental requirements of justice as defined by EU law and the ECJ itself, failing which they can be sued directly on the basis of Article 19(1) TEU.”

<sup>68</sup> Judgment of the Court (Grand Chamber) February, 27 2018

<<https://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=CELEX:62016CJ0064&from=EN>>, accessed on May 5, 2018.

<sup>69</sup> This discourse has dominated Hungarian and to a lesser extent Polish politics since the early 1990s (Vachudova and Hooghe 2009; Tóka and Popa 2013; Vegetti 2016).

<sup>70</sup> In Hungary, the vote-weighted standard deviation on GALTAN, averaged over five waves of the CHES survey (2002, 2006, 2010, 2014, 2017) is 2.6 against 1.2 on the economic leftright. In Poland, it is 2.9 against 2.1 (Polk et al. 2017). In both countries, the cultural dimension is judged to be more salient than the economic dimension.

<sup>71</sup> Four notions of community have been distinguished (Greskovits 2017:15-23): local patriotism, e.g. by restoring historical monuments, publishing local almanachs, organizing sports events; a medievalist version reenacting a traditionalist Hungarian identity, e.g. by organizing youth summer camps on Attila the Hun, runiform writing, or Hungarian martial arts; a European Hungary that accentuates Hungary’s uniqueness in Europe, the risks of accession for the national community, and a Europe of national communities; and, finally, a Greater Hungary of fifteen million encompassing Hungarians in the diaspora. Greskovits (2017:9) concludes the Civic Circles were “a mass-movement, whose strength in numbers was comparable to the combined membership of Hungarian parties (124,000 in 2008), the net membership of all trade unions



provides Fidesz with a powerful organizational base to ramp up its nationalist message and neutralize right-wing competitors.<sup>72</sup> When Fidesz came to power in 2010 it modified the constitution, centralized the party's hold over key institutions, including the election commission and the media council, manipulated electoral rules, and gerrymandered districts.<sup>73</sup> In doing so, Fidesz undermined the *liberal* elements of democracy—the rule of law, press freedom, freedom of association, the right to criticize and to be heard to criticize.<sup>74</sup> This has crystallized a sharp polarization in which associations of every kind, from dog-keepers to fishing anglers, espouse partisan ideology.<sup>75</sup> The electoral success of this strategy has made it difficult for opponents, particularly those with foreign supporters, to contest the new status quo. Hungary's foreign minister, Péter Szijjártó, recently told the European parliament “The Hungarian people appear on the Hungarian election's name rolls, while you don't.”<sup>76</sup>

Illiberalism in Hungary and Poland has been tolerated, and even cushioned, in the place where one might expect it to be most vulnerable—the European Parliament. The allies of Fidesz in the European People's Party, and in particular the CDU/CSU, have resisted the call to expel Fidesz because doing so would cost seats. The European People's party has proven to be a second line of defense from proceedings under Article 7. PiS' position in the European Conservative and Reformists fraction is less secure because Brexit has all but neutralized its chief ally, the British Conservative Party.<sup>77</sup>

In response to the migration crisis, the defense of Fidesz in the Parliament has recently acquired an ideological angle. By linking the refugee crisis to the nationalist-cosmopolitan divide, Fidesz sees itself as an integral part of a coalition of conservative nationalists across Europe. One tangible expression has been Orbán's close relationship with the Bavarian Christian Social Union which invited him to its party conference in 2015 in the midst of the refugee crisis. The CSU repeated the invitation, this time to its January 2018 party conference.<sup>78</sup>

Fidesz has sought to deflect attention from its domestic attempt to undercut opposition by going on the offensive in advocating a state-centric Europe and an ethnic-conservative conception of national community. Its ideological allies tone down criticism of illiberalism. When at the 2018 CSU

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(580,000 in 2005), or the sum of employees and unpaid volunteers of non-profit organizations (537,000 in 2006)” (also Greskovits and Wittenberg 2016; Enyedi 2005). The Civic Circles were chief mobilizers to get out the vote for the 2004 referendum on citizenship for ethnic Hungarians in Romania. When Fidesz came to power in 2010, it passed laws that accelerated citizenship for ethnic Hungarians in the diaspora. More than 400,000 were registered to vote for the 2018 elections. The Hungarian diaspora disproportionately supports Fidesz.

<sup>72</sup> In his foundational speech of the Civic Circles in 2002, Orbán set the tone: “Civic Hungary is not one smaller or larger part of this country. It is the whole. [...] Even if our parties and elected representatives might be in opposition in the parliament, we, all those present in this square, will not and cannot be in opposition, because it is impossible for the nation to be in opposition. It is only a government that may end up in opposition to its own people if it abandons acting in the nation's interest” (quoted in Greskovits 2017: 4).

<sup>73</sup> Fidesz came in power in 2010 after obtaining 52.3 percent of the popular vote; in the latest 2018 elections, it obtained 49.3 percent. PiS gained power in 2015 with 37.8 percent of the vote, and its electoral support since has been fluctuating between 35 and 45 percent. An electoral system that overrepresents large parties and rural districts translates pluralities of the vote into a two-thirds majority of the seats for Fidesz and a narrow absolute majority for PiS. On Fidesz policies see Vegetti 2016: 6; Greskovits and Wittenberg 2016; McCoy, Rahman, Somer 2018.

<sup>74</sup> Zakaria (1997) coined the concept and Orbán embraced it in 2014 (Bíró-Nagy 2016). An illiberal democracy maintains competitive elections, but breaks down checks and balances on centralized executive power.

<sup>75</sup> A person wrapped up in partisan polarization is more likely to adjust their policy preferences to the group they feel attached to than the other way around. As two observers note, “there are magazines for dog-keepers, bird-watchers, fishing anglers and many other hobbies that voice right-wing or left-wing political views. It has been found that instead of discussing their monthly rents and other housing issues, tenants and owners of condominiums use political labels to denounce each other in meetings” (Lengyel and Ilonszki 2010: 165; Vegetti 2016: 1, and 9).

<sup>76</sup> Bayer and de la Baume (2018).

<sup>77</sup> Kelemen (2017).

<sup>78</sup> Handelsblatt, Jan 5, 2018, <<http://www.handelsblatt.com/politik/deutschland/viktor-orbn-zu-besuch-bei-der-csu-seehofers-grenzschutzkapitain/20817488.html>>. SPD-leader and former President of the EP, Martin Schultz, took the CSU to task for inviting Orbán to its party conference (Handelsblatt, Jan 5, 2018).

conference then-leader Horst Seehofer was asked whether the rule of law was respected in Hungary, he replied that “Orbán stands on a foundation of the rule of law,” noting that Orbán is the democratically elected prime minister of an EU member state.<sup>79</sup> After Orbán’s electoral victory in April 2018, Seehofer warned the European Union not to conduct a “politics of arrogance and prejudice” and stressed that “nothing is a stronger confirmation than success at the ballot box.”<sup>80</sup>

However, the divide is two-sided, and there are clear signs of mobilization on the cosmopolitan side. Conservative nationalism has generated a counterreaction from those committed to an open Europe. A few days after the election in Hungary, the European Parliament’s Committee on Civil Liberties, Justice and Home Affairs released a draft report that calls for sanctions against the Hungarian government in response to its violation of judicial independence, freedom of expression, and the rights of Roma and Jewish minorities and refugees. The Committee is expected to approve the report in June 2018, and the full plenary will consider it in September.<sup>81</sup> In his acceptance speech for the Charlemagne prize on May 9, 2018, French president Macron referred to Hungary and Poland by name when he warned against “the temptation to abandon the very foundations of our democracies and our rule of law ... let’s give up none of the rule of law or all these rules, either in the European Union or the Council of Europe.”<sup>82</sup>

Under what circumstances can the EU affect illiberalism? Intergovernmentalism explains the difficulty of imposing sanctions via Article 7 under the current rules. Neofunctionalism directs attention to the efforts of non-state actors, particularly the Commission and the ECJ. Postfunctionalism probes the domestic sources of illiberalism and suggests that transnational actors can make a difference to the extent that they can leverage domestic opposition. These insights are not mutually exclusive, and neither, perhaps, are the approaches that suggest them.

## Conclusion

Many who study the European Union situate themselves in relation to distinct schools of thought, each of which engages distinct literatures, puzzles, actors, and arenas. When proponents of each school confront each other in explaining particular episodes, they take fundamentally different positions on the causality of European (dis)integration. This has the virtue of revealing in sharp outline how the assumptions of each approach differ. However, it is one thing to argue that one or the other school is more or less useful in explaining a particular episode, and quite another to regard this as a definitive test of their validity. Each school of thought has already proven robust to sweeping disconfirmation. The reason, we suggest, is that each provides a way of coming to grips with the politics of the European Union by offering a flexible ontology rather than a tightly specified theory producing unique predictions. Intergovernmentalists can, and do, argue among themselves about how best to explain bargaining outcomes in the Eurocrisis; neofunctionalists have contrasting explanations of the role of supranational actors in the migration crisis; postfunctionalists differ on the sources of Euroskepticism.

The thrust of this paper is to conceive the “grand theories” as analytical approaches that may be used to motivate competing hypotheses or to frame compound theories. That is to say, they discipline thinking about the behavior of key actors, the arenas in which they act, and the causal mechanisms that connect their actions to institutional outcomes. Instead of asking which theory is most valid, one might more

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<sup>79</sup> SHZ-Schleswig-Holsteinischer-Zeitungsverlag, Jan 5, 2018 <<https://www.shz.de/deutschland-welt/politik/ich-werde-alles-dafuer-tun-horst-seehofer-will-eine-grosse-koalition-id18724921.html>>

<sup>80</sup> Handelsblatt, April 9, 2018 <<http://www.handelsblatt.com/politik/international/reaktionen-auf-die-ungarn-wahl-csu-gratuliert-viktor-orbn-zur-wahl/21154152.html>>.

<sup>81</sup> Bayer and de la Baume 2018a,b.

<sup>82</sup> “Speech by M. Emmanuel Macron, President of the Republic, on receiving the Charlemagne prize, May 19, 2018, <http://www.elysee.fr/declarations/article/speech-by-m-emmanuel-macron-president-of-the-republic-on-receiving-the-charlemagne-prize/>. Following Macron’s speech, Chancellor Merkel stressed that Europe had to guard against “narrow-minded, backward-looking nationalisms and authoritarian temptations.”

appropriately ask which theory is most useful for explaining particular meso-level phenomena. Our purpose in this paper is to do this by taking a detached view of the use value of each approach for decisive episodes in the course of European integration in the 21<sup>st</sup> century.

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**Author contacts:**

**Liesbet Hooghe and Gary Marks**

University of North Carolina at Chapel Hill

and

Robert Schuman Centre for Advanced Studies

European University Institute

Villa Schifanoia

Via Boccaccio 121

50133 Firenze

Italy

Email: [hooghe@email.unc.edu](mailto:hooghe@email.unc.edu)

Email: [marks@unc.edu](mailto:marks@unc.edu)