Quo Vadis, Europa?
Five Paths, their Plausibility and Impact

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Abstract
The article discusses the plausibility of five different paths of institutional development of the European Union: deepening integration towards a federal state, a differentiated and flexible union, covert integration, a segmented political order and disintegration/dissolution. Systematically varying either the preferences of the main actors or the macro conditions, i.e. decision-making rules, and external shocks, it discusses the plausibility of these paths and their overall effects on the European polity.

Keywords
EU: political union, differentiated union, covert integration, Segmented policy orders, disintegration/dissolution
I. Introduction*

In recent years, the European Union (EU) has been faced with critical developments, such as the financial crisis and Eurozone crisis, the migration crisis, the pandemic crisis of Covid-19 and the resulting economic crisis. All these developments pose a challenge to EU formal decision makers to reconsider the EU’s institutional architecture in order to deal with such incisive events. Being a ‘halfway house’ between a supranational and an intergovernmental polity\(^1\) with complex interlinked decision-making processes means that the EU has been relatively slow in reacting to sudden changes in its external environment. In consequence, the calls for a reconsideration of the given institutional architecture have become more frequent and more urgent.

This article, therefore, raises the question of whether the EU will follow the path of (i) redesigning the institutional architecture to establish an ‘ever-closer union’ or a federal state and engaging in increased legislative harmonization; (ii) establishing a two-tier or more differentiated union with elements of flexibility; (iii) continuing to muddle through with incremental changes on a path of ‘covert integration; iv) establishing segmented special policy making orders or (v) moving towards disintegration or dissolution? In the following, I will ask which of the five possible paths in the immediate and mid-term future of the EU are most likely to be pursued. The focus rests on these five paths because, on the one hand, a federal union/strengthened harmonization, differentiated integration and disintegration are the paths which are most discussed in the public political discussions; on the other hand, covert integration and segmented orders have been on-going de facto processes beyond public attention. They differ as regards their explicit goal orientation and planned redesigning of institutional arrangements in the case of a political union/harmonization, differentiated integration and disintegration are the paths which are most discussed in the public political discussions; on the other hand, covert integration and segmented orders have been on-going de facto processes beyond public attention. They differ as regards their explicit goal orientation and planned redesigning of institutional arrangements in the case of a political union/harmonization, differentiated integration and disintegration are the paths which are most discussed in the public political discussions; on the other hand, covert integration and segmented orders have been on-going de facto processes beyond public attention. They differ as regards their explicit goal orientation and planned redesigning of institutional arrangements.

Analytically, in order to answer the question of why which path is most plausibly embarked upon, I will use strategic interaction analysis (Lake and Powell 1999) based on negotiation theory under different institutional rules and under specific macro conditions, i.e. exogenous shocks. Varying either micro aspects of the preferences of formal decision-makers or macro aspects of the given institutional decision-making rule for changing the institutional architecture, the plausibility of choosing a path is assessed.

The five paths constitute different features of the explanandum. I will argue that the plausibility of the respective path being used depends on the micro side (i) on the preferences of the most important formal decision-makers, that is member states and European institutions, and their preferences over a specific path of development; (ii) on the macro side, it depends on an important factor of the environment, that is the decision-making rule to be applied when deciding about the future institutional shape of the polity, that is unanimity rule, qualified majority voting (‘QMV’), simple majority rule, the use of referenda in member states and the recourse to court rulings. Another macro factor, external shocks, such as the financial and economic crisis, the migration crisis; and the pandemic crisis are assumed to be reflected in the respective preferences of the relevant decision-makers for a political union and harmonization; differentiated integration; covert integration; segmented orders, dissolution, and

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\(^1\) Polity is defined as the formal institutional architecture of the EU.
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disintegration. Varying either the micro side or the macro side in strategic interaction analysis, the plausibility of using a path is logically and empirically assessed. The empirical methods used to analyse the preferences of the main actors over outcomes, the existing macro conditions of decision making as well as the outcomes are based on the secondary analysis of the existing relevant literature, the analysis of documents and press material.

Strategic interaction analysis is underlying existing theories of European integration. When describing the explanatory factors, i.e. the preferences of the relevant actors when negotiating with the each other, under given institutional conditions and conditions of external shocks, it uses liberal intergovernmentalism (Moravscik 1998). It further incorporates elements of the theories of centre formation (Bartolini 2005), neofunctionalism (Haas 1958, Schmitter 2005, Pierson 1996) and post-functionalism (Hooghe and Marks 2009). Building on strategic interaction analysis and this literature, this article will first ask: what is the plausibility that steps towards a European federal union will materialise in the short to mid-term period?

II. Path One: A European Federal State

A political union defined as a federal state is characterised by a concentration of decision-making competences for all policies and budgetary issues with institutions at the supranational level. Member states would be left with implementing powers of the legislative decisions taken at the central level. A European federal state would have a federal parliament which with a majority of members elects a government responsible to the parliament. In a two-chamber form, the second chamber consisting of representatives of member states would also engage in legislation at the supranational level. A central court is responsible for controlling the constitutionality of the laws adopted by the government and the observation of individual rights of the citizens.

Which are actors’ preferences regarding the outcome of an ‘ever closer union’? From a macro-structural and process perspective based on Hirschman’s (1970) and Rokkan’s (1975) work Bartolini (2005) argues that starting out from a common market with increasingly loose boundaries with exit options due to economic internationalization, engaging in a process of political structuring is difficult (Bartolini 2005:387). Political structuring, i.e. the development of a European socio-political infrastructure of intermediate bodies, associations, political and social movements linking citizens to interest groups and political parties, would enable cross-country political alliances engaged in conflict processing (Bartolini 2005:248/49). This transboundary political structuring is a precondition for the formation of pro and contra political union preferences of member states. What is more, unclear external European boundaries do not allow to develop a common culture and loyalty to the EU. Further, the established division of labour of market-integration related tasks at the supranational level and fiscal, welfare state and cultural policy at the national level, due to the ensuing market dynamics undermined the possibilities for welfare state policies at the member state level (Scharpf 1999). The latter constitute an important legitimation resource for national governments (Kielmannsegg 2020). As a result Bartolini concludes that “…‘Euronational’ elites increasingly perceive a tension between their supranational level…and the nurturing of their sources of ruleship.” (Bartolini 2005:405). This increasingly perceived tension between member state goals and the goals of the centre are precisely what is reflected in member states preferences as regards plans of a deepening integration of the institutional structure and increased efforts at legislative harmonization, i.e. nourishes a primarily sceptical attitude.

While Bartolini from a macro-process perspective explains why member states would be reluctant to advance on a path towards a federal state, Moravscik (1998) in his liberal intergovernmentalist argument starts from domestic preference formation. In two steps he analyses first how member state preferences are formed domestically, and then are processed in a collective decision-making process at the EU level.

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Kielmannsegg argues that the nation state has legitimation resources and solidarity resources that the EU does not command (FAZ 2020, 29.4. 2020).

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The given power asymmetries among member states in interaction with other institutional actors, determine the decision outcomes.\(^3\) He claims that given the economic interdependence of member states, exogenous shocks create demand for further integration, which can be brought about if the preferences of governments converge. Lowest common denominator bargaining solutions ensue, and credible commitment problems are solved by pooling competences and delegating them to the supranational level based on negotiated formal treaty change.

Neofunctionalism based on historical institutionalism points out an integration dynamic driven by spillovers and path-dependencies of prior institutional integration steps. These institutional rules mostly are the result of a compromise and as such remain incomplete. As a result, in the course of their application they are specified by supranational actors with pro-integration preferences, such as the Commission or the European Court of Justice. The path-dependency deepens with increasing returns and high exit costs and endogenous interdependence (Pierson 1996).

Post-functionalism as developed by Hooghe and Marks (2009) departs from the assumption of an increasing mass politicization of European politics due to polarizing issues such as the Eurozone crisis and the migration crisis in the course of which the EU moved more and more into national core state powers (Genschel and Jachtenfuchs 2014). In consequence member governments have increasingly encountered a “constraining dissensus” (Hooghe and Marks 2009) among their voters which tends to slowing down further integration.

Turning to the plausibility of steps towards a federal union and stepped up legislative harmonisation, the question is: what are the main actors’ empirical preferences regarding a political union and accelerating harmonization? The main actors shaping the European polity are the member governments, the European Council, the European Parliament (EP), and the Commission.

As to the large member states’ preferences, it is only France under President Macron which favours taking some steps to a deepening integration, such as a fiscal union with a European budget and appointing a European finance minister. None of the other large member states of Germany, Italy, Spain, and Poland have proposed such a plan nor have they supported Macron’s plan. The German government’s response to Macron’s proposal was hesitant and offered limited support for a very restricted form of fiscal union (Schimmelfennig 2021; Schoeller and Karlsson 2021).

However, more recently the various crises the EU has been experiencing point to the need of considering whether the different crises impacted upon member states’ preferences in the sense of increasing the willingness to move in the direction of a political union and to redistribute financial capacity. The interventions to solve the Euro and the sovereign debt crisis and to deal with the banking crises led to a cleavage between creditor and debtor states, or north and south. The migration crisis resulted in a temporary closing down of borders and in particular an East – West divide as regards the willingness to accept migrants.\(^4\) The cleavages led to a high domestic politicization and tended to strengthen the populist sovereign anti-European public opinion in a number of member states.

Only more recently the pandemic Covid 19 crisis with its symmetric impact on all member states and the ensuing economic crisis which are not considered to be self-inflicted, at the difference of the Eurozone crisis, brought a change of preferences of important decision-makers and resulted in the adoption of the Recovery and Resilience Facility of 2020 or Recovery Fund EU Next Generation on pooling debts and sell European bonds funded with EU own resources and market capitalization (Wolff and Ladi 2020). In other words, we can observe a crisis-induced preference change in important member states regarding path one of deeper formal integration.

\(^3\) This article starts from the second step taking member state preferences as givens, not explaining them. They are, however, taken into account when pointing to the political pressure member state governments see themselves exposed to from anti-European political parties at home.

\(^4\) and more recently this divide has deepened due to the emergence of illiberal democracies in Hungary and Poland, in which the crucial divisive issue is centered around the abiding by the rule of law of the illiberal democracies.
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Notwithstanding, we also identify the formation of groupings of smaller and larger member states which, faced with the various crises, have formed joint positions as regards a possible political union. The Visegrad countries, Poland, Hungary, the Czech Republic, and Slovakia, and the so-called New Hanse League, the Netherlands, Denmark, Finland, and Sweden, and the Baltic states, also stated preferences against a deepening political union.

In the course of this process, in many member states the increasing influence of right- and left-wing anti-European and anti-migration populist parties, put pressure on main-stream parties to adjust their agendas against an ever closer union (Hutter et al 2016). Thus, except for a few small member states such as Belgium and Luxembourg which tend to favour a closer union, there is little support for a European federal state from most national governments.

The European Council which has to accommodate the diverging preferences of all member states, is assumed to take a smallest common denominator position as regards a reshaping of the EU. This would at most be very modest steps into the direction of a federal union.

In contrast, the supranational institutions, the Commission and the EP, point to preferences for institutional steps into the direction of a political union, at least for the Eurozone countries. In the Four and Five Presidents’ Reports of 2012 and 2015, as well as the 2017 White Paper on the Future of Europe steps of a deepening integration in the direction of a parliamentary democracy were proposed. In another 2017 White Paper the Commission, however, only proposed a menu of five possible scenarios: to continue to muddle through; doing less more efficiently; enhanced cooperation for integrated groupings in specific policy areas; rewinding back to a single market; and a leap forward to deeper integration for all, without explicitly opting for one option (EC White Paper 2017). Further, the Juncker Commission put forward a proposal for a transformation of the European Stability Mechanism into a European Monetary Fund. In 2019 it drew up plans for a Eurozone budget in which governments would be offered financial incentives to implement economic reforms agreed with the Commission.

It also proposed that the EP elect the Commission which constitutes a step in the direction of a parliamentary democracy which was strongly supported by the EP. Under the van der Leyen Commission no overall reform was proposed, but individual institutional reforms that would strengthen the EP’s powers, such as giving it a formal right of legislative initiative. Most recently, as described above, under the shock of the pandemic Covid 19 and the following ongoing economic crisis the Commission joined forces with the proposals of France and Germany for a Recovery Pact and, supported by the EP, to take more steps into the direction of a fiscal union with the adoption of the Recovery and Resilience Facility of 2020.

In the next analytical step the described preferences of the most important formal actors are linked to the existing macro condition of the relevant decision-making rules, in order to assess the plausibility of choosing path one of a federal union. From the fact that a reform of the treaties is subject to the unanimity rule of the formal decision makers, i.e. member states, it follows that an ambitious reform of the treaty is implausible since the majority of actors is disinclined to form a full political union. Nonetheless, individual partial steps in this direction, under the impression of an incisive crisis such as the pooling of some fiscal capacity under the Recovery and Resilience Facility of 2020, constitute steps in that direction.

Beyond the unanimity rule of a treaty change, additional institutional factors need to be considered. These institutional rules come to bear at the lower, national level in the event of a treaty reform and introduce an element of uncertainty. National parliaments have to confirm a treaty change. In some member states, national referenda need to be held before a treaty reform can enter into force.

In conclusion, given actors’ diverse preferences over the desired outcomes, the negative influence of the various redistribution crises hanging over Europe with their divisive impact, and the requirement to adopt a treaty change by unanimity or a de facto large consensus, and submit it to national parliaments

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5 For a detailed analysis see Schoeller 2017.
for confirmation and/or to national referenda in some member states, render a decision for a single European federal state implausible. However, this does not exclude that, under the impact of a crisis, partial reform steps into this direction may be taken.

III. Path Two: A Differentiated Union

A differentiated or two-speed/two-tier Europe is defined by the features (i) of individual member states participating in joint policy making in specific areas, while others do not participate (opt-outs); (ii) the designed cooperation of a (core) number of member states in joint policy making and joint institutions across various policy areas beyond trade integration while others locate themselves around this core, participating only in a free trade area, or a common market area with specific freedoms.

The vast literature on differentiated integration takes different analytical perspectives. Focusing on the modes of differentiation, Schimmelfennig (2017) distinguishes between instrumental and constitutional differentiation. Under the instrumental logic which is employed in the negotiation between the EU and an accessant state, the result may be a preliminary agreement with a member-to-be during which particular rules do not apply because these rules blocked the accession negotiations (Schimmelfennig 2017:4).

Constitutional differentiation, by contrast, is used in intergovernmental negotiations on treaty revisions that aim at strengthening the supranational policy competences. Given member states’ diverse preferences regarding transferring additional powers to the EU, differentiation offers itself as a solution, allowing for opt-outs of certain joint policy areas close to core state powers (Schimmelfennig 2017: 5/6).

From a structural perspective Schimmelfennig et al (2015:765) distinguish between a vertical dimension in which policy areas have been integrated over time and a horizontal territorial differentiation focusing on the fact that integrated policies are not applied in all member states. The authors explain these different forms, on the one hand, by functional interdependence driving integration and, on the other hand, by political counterforces, especially in phases of politicization that prevent a deepening integration.

Linking the perspectives of sovereignty and capacity, Winzen and Schimmelfennig (2016) based on Koelliker (2005) offer yet another reasoning focusing on different types of collective goods at stake. Given the economic and social diversity of member states, different collective goods are not of equal importance to all of them. Public goods, such as clean air are freely accessible and not subject to rival consumption, while club goods, such as the customs union, are excludable. In both cases, costs of production may be distributed unequally and not all involved members value the benefits equally. In consequence, the more heterogeneous the group of participating states becomes, the greater the likelihood that either the EU will refrain from producing a given collective good, leaving it to member states, or that some member states will decide to set up a ‘club’ that excludes others (Winzen 2016; Koelliker 2005).

Against the background of these general arguments, what are the main actors’ preferences as to differentiated integration? As described under path one, only few member states favour a full political union. From this and the fact that a number of opt-out policies and the possibility of enhanced cooperation exist, we may derive that a sizable number of large and small member states favour differentiated integration. The European Council, given diverse preferences of member governments, are assumed to favour a differentiated or flexible integration as a form of compromise between the different member state preferences.

By contrast, the Commission and the EP are assumed to favour a deepening of political union and to be sceptical vis-a-vis a differentiated Union, except in the case of constitutional differentiation in which the EU and an accessant state in negotiations agree on a transitional differentiation (Schimmelfennig
For the EP, a differentiated Union is not attractive because its competences would vary depending on whether the Community method or intergovernmental methods are used (Schoeller and Héritier 2019). In a 2019 resolution on this subject (DI 17.1.2019) it expressed considerable reluctance to move towards more differentiated integration, in particular in the form of separate international treaties (De Witte 2019:16).

The *macro conditions*, as on the first path regarding the types of exogenous shocks/crises affecting actors’ preferences, are assumed to be the same as under path one. If a crisis is perceived to be *asymmetric and self-inflicted*, the demands for solidarity for the less affected member states are more challenging. To commit all members to redistribution in favour of those suffering most from the crisis, requires considerable political costs of consensus finding.

But here the different institutional rules come into play: In the case of differentiated integration these political costs of decision-making can be reduced since no unanimous decision is required and member states can opt out of a common policy. In other words, differentiated integration offers the political benefit of overcoming the decision-making impasse into which the unanimity rule and consensual decision making may have led. Special solutions for the countries afflicted by the crisis, a separate policy and institutional solution may be chosen.

In short, pressure to accommodate diverse interests lead to piecemeal changes and compromises in the form of opt outs, two-speed integration, and increased voluntary cooperation. Thus, empirically, in reaction to the Eurozone crisis, we did not experience a big leap towards a political union. Rather the Six Pack and Two Pack, the Fiscal Compact, the European Stability Mechanism, Banking Union, and Open Monetary Transactions all reflect a mixed picture of deepening cooperation or centralisation at the supranational level under the auspices of the European Central Bank and the Commission on the one hand, and a strengthening of intergovernmental governance by member states on the other hand as emphasized by new intergovernmentalism (Puetter 2014; Bickerton et al. 2015). While the Eurozone group strengthened its own power of crisis management, Germany and other Northern creditor states then resisted further centralisation in the form of common bond issuance or other measures to mutualise sovereign debt (Schoeller and Héritier 2019). The path chosen was one of differentiated integration through the European Stability Mechanism (ESM), as a special international agreement outside the treaties because path one of deepening formal integration ended in a gridlock. Most recently, however the Recovery and Resilience Facility of 2020, is a step which is not based on differentiated integration.

In contrast, when Germany and Italy, tried to lead to a redistributive solution to the refugee crisis, they failed. What emerged was the notion of ‘flexible solidarity’, where a solution of a redistributive problem offers different options in which member states can contribute. Instead of taking in refugees, some member states may contribute to border control capacity or provide financial resources to the refugee problem.

In conclusion, given actors’ diverse preferences as to the overall goal of the institutional architecture of the EU and the less stringent decision-making rule, i.e. no need of unanimity, differentiated integration is a plausible path to be chosen.

**IV. Path Three: Covert Integration**

Covert integration is defined as a deepening of integration in terms of uploading of policy-making competences and more stringent common policies which take place *outside* the main formal democratic political decision-making arenas, the European Council, the sectoral Councils of Ministers and the EP interacting with the Commission, without being explicitly and formally mandated by political actors. The roots of covert integration are stalled formal decision-making processes and/or lowest common denominator outcomes of decision-making processes in the form of vague decisions due to diverse preferences of actors and unanimity or consensus decision-making rules. Covert integration may be
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understood as possible escape route from gridlock which may amount to a deepening of integration in a covert mode (Héritier 1997).  

If decision-making outcomes, be they institutional rules or policy measures, are compromises containing vague formulations, this opens the way for a renegotiation of the specifics of a policy or an institutional rule in the course of their application outside the public attention of the open political arenas. If actors in favour of deepening integration prevail in these renegotiations, this may inadvertently lead to more ambitious integration in individual policy areas, when specified by executive or judicial actors (Héritier 2007). The EU’s non-majoritarian actors, the Commission and the ECJ are quite effective in bringing about deepening integration ‘by stealth’ (Pollack 2005; Pierson 1996) and opening processes of covert integration (Héritier 1997, 2003, 2007, 2012; Farrell and Héritier 2004).

While the vagueness of a legislative mandate or a rule is a necessary precondition for covert integration to emerge, there are many different patterns and modes of covert integration which may be more policy or more process-oriented strategies. Instances of policy oriented strategies are the transformation of salient controversial policy issues into detailed technical, low-salience issues which are not in the public eye; engaging in transversal policies, such as competition and state aid policy, or the national recommendations under the European semester under the stability and growth pact. Both lead to supranational institutions playing a role in national policy making issues of no prior European competence; the Commission using Communications to make recommendations to the EU institutions, but also to member states on how to conduct (for instance health) policies (Weismann 2021). More process-oriented strategies are: moving first when interpreting a vague institutional rule or a policy in order to shape it to one’s own preferences, delegating policy decisions to non-majoritarian actors with pro integration preferences such as the ECJ (Schmidt 2019) or independent regulatory agencies; the introduction of parallel options of regulation at the national and European level which may lead to a crowding out of national regulations because private actors to save transaction costs tend to comply with European regulations rather than the national ones; building upon existing institutions and using their latent capacities to deepen European integration.

Over the past decades, a considerable part of deepening European policy and indeed institutional integration evolved through these multiple hidden paths. What we follow in the public political European debates is only “the tip of the iceberg”. Covert integration ‘through the back door’ raises

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6 Path one of deepening formal integration through treaty change and harmonizing legislation and covert integration often are linked in time. A formal institutional change in the direction of a political union will generally produce institutional rules which are incomplete contracts that will be renegotiated or re-interpreted and specified through the more hidden paths of covert integration. The direction of this informal institutional change in favour of deepening integration depends on the pro integration preferences and relative power of the actors engaged in renegotiation or reinterpretation.

7 State aid, for instance, under the control of the Commission, has been a powerful instrument for making an inroad into national policy shaping competences. By conditioning the acceptance of state aid on soft Commission policy criteria, member states see themselves induced to follow these criteria and have to make plausible why policy measures other than state aid would not be likely to solve the problem at hand. This offers the Commission the possibility of assessing all types of national policy measures even though they do not fall under European competences (Blauberger 2009). This also happens in the case of the Country-specific recommendation under the European Semester. By giving recommendations to member states on how to comply with the debt and deficit rules, the Commission ‘advises’ on all kinds of policies, also such policies that are core competences of the nation state, e.g. health policy, education policy or the welfare state (Magnus Schoeller 2021).

8 The EP increased its institutional powers using a first mover strategy, i.e. establishing a new (informal) rule which is not excluded by the existing pertinent formal rule. Instances are the introduction of hearings for Commissioner candidates and heads of important agencies where the EP formally did not have a confirmation power, but now de facto has a confirmation power. Another strategy frequently applied is a delaying strategy in case of urgent issues: holding back its confirmation in the legislative process until the Council satisfied a request of widening the EP’s power in another arena of decision-making, for instance in delegated rulemaking (Héritier et al. 2019).

9 The TARGET system, by lending to banks with liquidity deficits and borrowing from banks in countries with excess reserves, inadvertently became ‘the interbank market maker of last resort’ (Schelkle 2018: 388).
obvious problems of democratic legitimation of European policy making. Once citizens realise that the extent of integration has progressed without their being aware of it, this make trigger political protest.

Having deployed the general argument of why and how covert integration happens, the question is: How plausible is it that covert integration (continues) to be used as a path of institutional development in the EU?

As under the paths one and two, actors’ preferences as regards the future design of the European institutional architecture, a political union, a differentiated integration or a disintegration of the European Union, are assumed to diverge. For obvious reasons, covert integration as an explicit goal of a desirable path of European integration is not explicitly stated by any formal decision maker.

The macro conditions, i.e. the pressure of the financial crisis, and the resulting economic recession in some member states, as well ongoing migration pressures, the recent pandemic crisis and its economic consequences are assumed to persist. Given the diverse preferences over outcomes, these conditions tend to deepen the conflicts and increase the difficulties of finding common solutions to redistributive problems. However, as opposed to scenario two, under which differentiated solutions of integration are chosen in a process of designed and negotiated treaty revisions and policy changes in the central political arenas, under scenario three, these macro conditions are expected to impact upon preferences of the relevant actors and induce them to resort to incremental policy and informal institutional changes invisible to the wider public.

The relevant institutional rules under which covert integration may be deployed are, as mentioned above, the vagueness of the rules adopted which subsequently are changed in the course of their implementation.

To conclude, given divergent preferences over outcomes of the formal decision-makers, assuming the continuing pressure of redistributive crises, incomplete rules will allow covert integration to continue if in the specification of these rules actors with pro-integration preferences prevail.

**Path IV: EU as a Segmented Order**

A further path of development identifiable in the EU are segmented political orders. Policy segments are defined as “…networks and recurring patterns of interaction stretching across institutions and levels of governing, reaching into the sphere of non-governmental organizations” (Egeberg et al 1978) which deal with specific policy issues. They bring together actors with similar problem conceptions, choice options, and policy instruments and tend to exclude actors with different policy approaches (Bátora et al. 2020:3 ff.). Their emergence does not derive from a deliberate overall redesigning of European policies, but from a reaction to an urgent problem in view of political opposition in the formal political arena, i.e. the Community Method. By taking recourse to institutional bricolage, hybrid organizations are created (Bátora et al. 2020: 19; 21; 25). Bátora et al link segmented orders to the concept of ‘interstitial organizations’ which exist between established governmental, non-governmental and intergovernmental organizations providing action capacity in policy spheres characterized by legal or political constraints (Bátora, 2013, 2020). Sectoral agency networks, the European Stability Mechanism, the European External Action Services and Frontex are considered examples of such ‘interstitial organizations’ (Bátora et al. 2020:21, 25).

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10 There is a certain commonality between differentiated integration and segmented orders. Both deviate from the path of formal overall treaty change and legislative harmonization of policies. But segmented orders are confined to specific policy areas and cut across institutional domains (Bátora et al 2020:17/18). The latter is not the case for differentiated integration.

11 The concepts of segmented political orders and interstitial organizations have some affinity to the concepts used by the theory of regulatory orchestration by international organizations and delegated governance developed by Abbott et al. 2015. They show how international organizations as orchestrators use ‘intermediaries - including non governmental organizations
As under the paths one, two and three actors’ preferences as regards the future design of the European institutional architecture are assumed to diverge. Similarly, the macro conditions, i.e. the pressure of the financial crisis, and the resulting economic recession in some member states, as well as ongoing migration pressures, the recent pandemic crisis and its economic consequences are assumed to persist and impact upon actors’ preferences. Given the diverse preferences over outcomes, these conditions tend to deepen the conflicts and increase the difficulties of finding common solutions to redistributive problems. These macro conditions and the lack of consensus of member states regarding the political architecture of the EU polity lead to a use of segmented orders based on an incremental bricolage of policy and institutional solutions. Different from covert integration this does not happen in a manner which is invisible to the wider public, but is decided in the relevant political arenas subject to different majority rules, but not to the unanimity rule since it does not imply a treaty change. By involving different institutional levels and public and private actors, the link of segmented orders and interstitial organizations to the mainstream political arenas and their responsibility mechanisms is obfuscated.

To conclude, given the divergent preferences of actors and the sustained pressure to act fast in crises situations, the politically less demanding institutional decision making rules of segmented orders, make it plausible that they will continue to be used as a path of development in the EU polity.

Path V: Disintegration and Dissolution

Features of disintegration are defined: first, as a repatriation of specific policy-making competences to the national level or the ex post opting out of member states from specific joint policies; second, it may take the shape of the exit of individual member states of the Monetary Union or/and the EU entirely.

Dissolution, by contrast, is a planned step of designed institutional change to abolish the Union altogether which has to be formally accepted by all member states.

Beyond the above definition we find more differentiated descriptions in the literature on EU disintegration. It is pointed out that a binary notion of integration vs disintegration is too simple and that we may find processes of disintegration in some sectors alongside with processes of integration in other sectors (Vollaard 2014; Krastev 2017; Webber 2018). Moreover, disintegration may also be conceptualized as a process of disunion in one member state (Krastev 2017) which may derive from the impact of European boundaries on the diminishing cohesion of single member states. Subunits may be encouraged to split off from the centre (Bartolini 2005). Additionally, disintegration may be understood as a process in which some member states engage in deliberate non-implementation of European legislation. It is also asked whether including illiberal democracies in the EU, such as Hungary and Poland, constitutes a form of disintegration as regards European values (Krastev 2017).

Sticking to the initial simple definition of disintegration and dissolution, which are the theoretical explanations offered for why the EU may embark on a path of disintegration or even dissolution? The continuing absence of political structuring in the EU, i.e. the existence of a socio-political infrastructure of intermediate bodies, the fact of open boundaries due to economic internationalization and the weakness of a common European cultural identity as compared to national ones may be considered as important causes (Bartolini 2005:248/49), as discussed under path one.

Vollaard building on Bartolini’s theoretical argument emphasizes that external de-consolidation mechanisms lead to conflicts between national electorates and a power shift to more mobile and competitive corporate actors (Vollaard 2018: 249). A partial disintegration due to the permeability of boundaries, in his view, however, does not mean integration in reverse. Due to a lack of viable national and international alternatives, he considers an “…immediate, complete disintegration of the EU… as quite unlikely” (Vollaard 2018:249/250). Focussing on large powerful member states, Webber (2013),

and international organizations - to steer global regulation without engaging in hard, direct regulation, emphasizing voluntary collaboration and support.
contends that as long as the EU’s “semi-hegemonic’ state, Germany, supports integration, disintegration is unlikely to happen.

Post-functionalism (Hooghe and Marks 2009) emphasizes both functionalist factors driving integration and identity issues hindering integration. It views possible disintegration processes as stemming from an increasing political saliency of identity issues regarding constitutional and cultural questions. This saliency is caused by immigration and the polarizing effects of the financial and economic crisis that gave rise to mass politics reactions in member states (Hooghe and Marks 2009; Hutter et al 2016). The voicing of discontent with European policies, often expressed through the channels of national referenda, reflects an increasing conflict between elites and masses (Jones 2012, Jones 2018) which may lend momentum to partial disintegration. However, as Schimmelfennig argues, differentiated disintegration is more difficult to obtain than differentiated integration because the defenders of the status quo have superior bargaining power (Schimmelfennig 2017:17).12

Developing further the post-functionalist argument, Jones emphasizes that economic interests and identity issues have always been linked in European politics. The question is when and why identity issues prevail and what this means for possible disintegration steps. Building on the empirical evidence generated by Hutter et al (2016) on the politicization of political discussions in the EU, he argues that a path of integration may be reversed because of identity-based politicization. He uses Myrdal’s theory of the promotion of equality of opportunity in a group. If the promotion of equality of opportunity leads to greater efficiency in the allocation of resources and greater acceptance of the institutional rules, economic prosperity increases and integration advances, thereby creating further incentives to deepen integration (Jones 2019. 440ff). However, this may turn into the reverse direction if due to lack of efficiency of the distribution of resources the reduced joint gains are distributed unequally creating losers and winners (Jones, 2019:443) The ensuing adverse politicization and political conflicts may end in a path of disintegration (Hooghe and Marks 2009).

Other, more normative views in the literature, argue that a Union without a mental map of where to go, and just five scenarios (as presented by Juncker in 2017) is an indicator of disintegration (Zielonka 2016). Zielonka considers the EU as a failure of the ‘liberal project’ which deepened economic and social inequality. It presents itself as a package not only of economic liberalisation and a conduit of internationalization, of free movement and migration, but also as a lifestyle of a ‘new normality’ of secularisation, pronounced attention to identity issues such as individual rights for minorities, a package which is viewed sceptically by many European citizens (Zielonka 2016). In this situation, he argues, engaging in piecemeal corrections of past mistakes of a liberal Europe would not be enough. In consequence, the EU is caught in a catch-twenty-two situation where integration persists at many levels, but it cannot or does not wish to move up to a political union (see first path), but cannot either move down back to twenty-seven sovereign member states (Zielonka 2016).

Going through the strategic interaction analysis for path five, what are the preferences of actors as regards a planned dissolution of the EU? There are no explicit statements of the European Council, individual governments, the Commission and the EP to that effect. Neither are there preferences for a unilateral exit, such as was the case for the United Kingdom. Brexit did not trigger other exit referenda in other member states. Nor have formal governmental positions of member states been put forward calling for a referendum over an exit from the monetary union.

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12 There is a possible link in time between differentiated integration and disintegration in that multiple differentiation steps may end up in disintegration. When does this happen? A distinction between meso political institutes (rules of selection, responsibility, inclusion/exclusion, representation, decision, competence, accountability, delegation, redress) and macro institutional regimes offers an answer to this question: when changes occurring through differentiation affect founding political institutes, contradicting or undermining them, thereby disturbing the balance between political institutes it may lead to disintegration. If a differentiated measure of integration just complements founding political institutes, it would not lead to disintegration. (Bartolini 2021).
Hence, there are no member state preferences in favour of dissolution. The decision-making rule to bring about a treaty change with the intention of abolishing of the Union formally requires member states’ unanimous decision, or a critical number of member states deciding to leave the EU. Given the opposite preferences of member states this is unlikely to materialise.

As to disintegration, the preferences of member states for a repatriation of competences converge in that they do not demand such a repatriation. Some member state groupings, such as the New Hanseatic League, object to an integration of fiscal capacities without strict fiscal constraints (Schoeller 2020), but not a repatriation of existing European competences. Neither did the European Council, the Commission or the EP express preferences to that effect.

Unilateral member state action in the form of individual national referenda over an exit from the Union are institutionally easier to realize than a collective decision of all member states. Incentives to resort to such referenda would depend on the relative gain a country would draw economically from an exit, on geopolitical factors, on the handling of distributional economic and migration issues, and the contentedness with the own national policies and institutions, but also the specific exit conditions and the experience with Brexit (De Vries 2016; Laffan 2019).

The macro condition of exogenous shocks, as under scenarios one, two, three and four, are assumed to be a legacy of the financial/Eurozone crisis and resulting economic recession in some member states, the refugee/migration crisis and the pandemic crisis and its economic consequences with their impact on decision makers’ preference formation. These conditions tend to deepen the conflicts and increase the difficulties of finding common solutions to redistributive problems. Yet, the pandemic crisis being a symmetric shock has, for the first time, led to initial solidarity measures when combatting the economic consequences of the pandemic with the Recovery Pact EU Future Generations.

**VI. Conclusion: Scope conditions and Impact**

From the analysis of the political dynamics resulting from the interaction of actors’ preferences, exogenous events, and given institutional rules, I conclude that, of the five available paths, differentiated integration, covert integration, and policy segmentation rather than a political union or dissolution and disintegration, are the most plausible paths to be chosen. This is because differentiated integration, covert integration and segmented orders imply less political costs of institutional change as compared to agreeing on an encompassing change of the institutional architecture of the EU as under path one and five.

This raises further questions: first, if all three, differentiated integration, covert integration and segmented political orders, originate from deadlocks of potential treaty change ambitions, and legislative harmonization attempts, how can we explain why one or the other is chosen? The following scope conditions may be distinguished: The institutional starting point of the three paths differ: differentiated integration and segmented policy orders set out from an explicit intention to redesign a policy and its institutional underpinnings, but are not based on the most demanding decision-making rule of unanimity as is the case with a treaty change. By contrast, covert integration sets out from an already existing vague institutional rule or policy decision which leave room for the reinterpretation or re-bargaining of their details when applied in practice. Hence the political costs of institutional change under covert integration are small when compared to differentiated integration and segmented policy orders. It also means that covert integration can set in whenever an institutional rule or a policy is defined in vague terms.

Second, the three paths also differ in terms of the ambition of aspired institutional and policy change. It is sectorally ambitious and innovative in the case of a segmented policy and in the case of differentiated integration albeit allowing for opt-outs of individual member states; in contrast the intended institutional and policy change is modest in the case of covert integration and on purpose kept out of the reach of public attention.
Third, as regards the structural impact of employing the three paths of differentiated integration, covert integration, and segmented policy orders, there are important implications as regards the structure of the European polity, policy outcomes and democratic legitimation.

Path two of differentiated integration results in an ever more complex and fragmented institutional policy making structure. It produces political benefits because it allows to move forward in spite of diverging preferences of formal decision-makers, but also causes political costs. In a fragmented decision-making structure it becomes increasingly difficult to understand the overall working of the EU. It also implies that there is no central arena in which all relevant issues are brought to the table at the same time, considered, and discussed in their entirety by all relevant actors in order to decide which policy objectives to prioritize. As a result there is less political space to conclude compromises and package deals accommodating the divergent preferences of actors with the view of reciprocity over time for all concerned and preventing that there are structural minorities always losing out. This central political arena being foremost the EP, it always has been reluctant to advance on the path of differentiated integration, particularly in the forms in which it is excluded, such as separate international treaties (de Witte 2020). The more the possibilities of exit (opt outs, flexibility etc.) are available, the less the EU will be able to impose ‘positive’ costly integration decisions and “...the weaker will be the incentive to ‘structure’ political voice at the European level” (Bartolini 2005:408).

The counter-argument is that differentiated integration diminishes disintegration tendencies and has always been combined with more integration. As such it “…has proven a successful instrument for a balanced exercise of sovereignty and self-determination in European integration” (Schimmelfennig 2017:16).

This balancing exercise has been linked to the notion of the EU as a democracy involving a union both of individual citizens and state peoples (Cheneval and Schimmelfennig 2013; Bellamy and Kroeger 2019). Focusing on the perception of differentiated integration as fair or unfair, Bellamy and Kroeger argue that both from the viewpoints of states and individuals substantive fairness should be paret-optimal for non-members and procedurally fair if it still allows for self-determination. Therefore, they call for some collective control by members and non-members of the process of differentiated integration which would guarantee that non-members also partially benefit from enhanced cooperation, if enhanced cooperation as a form of differentiation also derives from the passive participation of non-members (Bellamy and Kroeger 2019:12).

Continuing to proceed on path two of covert integration, may be risky, since it operates ‘through the back door’. This raises obvious problems of democratic legitimation of European policy making. When citizens at one point realise that integration has deepened dramatically via hidden channels, without their being aware of it, this may trigger a backlash. This may manifest itself, for instance, in the negative outcome of national referenda on European issues or in increasing nationalism. Moreover, piecemeal and covert interventions as a reaction to multiple crises tend to reinforce executive and non-majoritarian actors such as the European Central Bank, the Commission, independent regulatory agencies, as we have seen during the financial crisis and the Eurozone crisis. Executive administrative centralisation incurs less political coordination costs compared to legislative action and treaty revisions.

Path four of continuing on the path of multiple segmented orders when dealing with urgent policy problems which tend to a cognitive closure as regards problem definition and policy instruments also lead to fragmented policy making structures. The overall picture of an EU including segmented political orders is a polity in which multiple segments exist alongside each other producing policies (Bátora et al. 2020:8). They are linked to the main political channels of formal decision-making, the European Council, sectoral Councils, the EP and the Commission through “smaller transversal pipes” (Bátora 2020;13 Bátora et al. 2020:24). As opposed to state-building as a process of integration on a specific territory (see Bartolini 2005), segmented orders solidify within certain sectors only and as such limit

13 Bátora oral communication, seminar Centre of European Governance and Politics, RSCAS, 18 Dec. 2020
cross-sectoral coordination (Bâtora et al 2020:9/10, even if a sectoral policy order should cause negative external effects for other orders and the entire EU. This is compounded by the fact that different organizations are linked and “…rules and jurisdictions…overlap, mix or combine, and various procedural lacunae and ambiguities emerge” (Bâtora et al. 2020:7). The consequence is that there is only a loose link to the main channels of democratic legitimation through the EP, the European Council, sectoral councils and national parliaments.

All three paths that emerged from the analysis as the most plausible paths reflect a crucial feature of the EU polity: an inherent ambiguity of orientation between supranationalism and intergovernmentalism and a balancing between the two, reflecting “…a lack of agreement of what the EU is” (Fossum 2020:2.). The organization at the heart of this balancing act is the European Council mediating between different institutional claims, one from the European level and the other from the member state level. Questions of how to balance the two principles constantly crop up and influence politics and policy-making while applying treaty provisions and shaping them in turn (Fossum 2020; Wessels 2015; Puetter 2014).

To conclude, which is the overall picture resulting from the analysis of the five different paths of institutional change in the EU, their functioning and their structural impact on the overall EU polity? Path one, treaty revisions in intergovernmental conferences and the Community Method of European legislation seeking to harmonize policy making across member states still constitute the formal master path to institutional and policy change. However, this main avenue, given the diverse preferences of member states that are deepened by the impact of various crises with redistributive exigencies, it is frequently blocked. Therefore, institutional and policy escape routes from deadlock have emerged over the years along the paths of differentiated integration, covert integration and segmented policy orders and disintegration. Different types of crises have triggered institutional and policy reactions, to some extent, along path one resulting in the uploading of supranational capacity in the case of the Eurozone crisis and the pandemic crisis. More frequently, however, the changes occurred in the form of differentiated integration, covert integration and segmented policy orders because of the high political costs of formal treaty reforms and policy harmonization. The European house being a constant construction site is transformed in its institutional set-up, with incremental patched-up institutional changes around the main two pillars when trying to reconcile the tension between the pressures of supranationalism and intergovernmentalism.
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Author contacts:

Adrienne Héritier
Robert Schuman Centre for Advanced Studies, European University Institute
Villa Schifanoia, Via Boccaccio 121
I-50133 Florence

Email: adrienne.heritier@eui.eu