

# An overview of the book: a story of integration and differentiation

During its 60 years of existence, the European Union (EU) has come a long way. From originally comprising six member states, it has expanded to 27. From its initial specialization in coal and steel industries, it has become an organization dealing with all major policies. And, while it had embraced the principle of ‘supranationalism’ from the start, its technocratic and intergovernmental beginnings have been complemented by a strong judiciary and parliament over the course of time. This remarkable expansion of tasks, competences and membership is, however, only part of the story of European integration. From its beginnings, European integration has varied between policies that were strongly integrated and policies with, if any, only a few competences of the Community. This is what we call ‘vertical differentiation’. Moreover, in the past 20 years, many of the new steps taken towards integration have not applied uniformly to all member states, while non-member states have participated increasingly in EU policies. This is ‘horizontal differentiation’. Integration in the EU thus varies across both policies and countries. It is *differentiated* integration.

Monetary policy is one of the most integrated policies to be found in the EU. The euro is arguably the strongest symbol of European integration. But it is legal tender in only 17 of the 27 member states. Britain and Denmark have secured a formal ‘opt-out’ in treaty negotiations; they have the legal right to stand apart from the Economic and Monetary Union (EMU). Whereas Sweden is legally obliged to join, it stopped the process unilaterally. Other countries would like to join the EU but do not fulfil the criteria. At the same time, non-member states such as Kosovo and Montenegro, together with several micro-states, have introduced the euro without participating in the European System of Central Banks. Since the debt crisis began in 2010, speculation about a break-up of the eurozone has thrived. It was suggested either that individual countries (the most prominent being Greece) abandon the euro, or that the eurozone be subdivided into ‘northern’ and ‘southern’ currency areas. A structural feature of the eurozone that many identified as the deep cause of the crisis is the dualism of highly-integrated monetary policy and weakly-integrated fiscal policy. Some therefore demand that fiscal union follow monetary union; others oppose slipping into a ‘transfer union’.

As the debt crisis continues, there are indications that the very measures designed to rescue the eurozone might deepen the divisions within the larger EU. Commission President Barroso, in particular, has warned tirelessly against a split between the euro and the non-euro member states, and against creating new institutions outside the Community framework. The 'pact for the Euro' was concluded in March 2011 to improve financial stability and competitiveness in the EU, and unites not only the current eurozone members, but also Bulgaria, Denmark, Latvia, Lithuania, Poland, and Romania. By contrast, the Czech Republic, Hungary, Sweden, and the UK do not participate. The negotiations on treaty reform in December 2011 have resulted in further differentiation. Because the UK made treaty reform conditional on veto rights on financial policy, the other member states decided to negotiate a separate fiscal compact outside the framework of the EU. The Treaty on Stability, Coordination, and Governance was agreed in January 2012 by all member states except Britain and the Czech Republic.

Cross-border movement of people is another example. Travel and migration have long remained national policies in the European Community. A first attempt to integrate these policies was made by a group of member states outside the Community framework in the Schengen Treaty of 1985. During the 1990s, however, these policies have been integrated into the EU, and the Union's competences have been increasingly strengthened. Yet, five member states do not belong to 'Schengenland'. Britain – and Ireland, on its coat-tails – does not wish to participate. Bulgaria and Romania would like to join 'Schengenland' but, at the time of writing, their entry – originally planned for March 2011 – is still blocked by some Schengen member states. Cyprus is also expected to join the Schengen area but the division of the island remains a major obstacle. By contrast, four non-member states – Iceland, Liechtenstein, Norway, and Switzerland – are members of the Schengen area. Croatia has a special arrangement for passport-free travel of its citizens to the neighbouring EU member states. In addition, visa requirements were abolished for the other Western Balkan countries (except Kosovo) in 2009 and 2010. Similar to the differentiated integration between monetary and fiscal policy in the EMU, we find a discrepancy between rather strongly-integrated travel and migration policies, and yet weakly-integrated judicial and police cooperation in this issue area.

The euro and Schengen are only the most prominent examples of how the expansion of tasks, competences, and members has developed side by side with differentiation across issue areas and countries. Differentiation both within the EU and beyond its organizational borders has become pervasive. In July 2010, for the first time, the EU authorized the use of 'enhanced cooperation'. This procedure allows a group of countries (at least one third of the member states) to cooperate within the EU without being vetoed or blocked by the other member states. In this case, 14

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member states decided to cooperate on divorce rules for transnational couples. Another recent case is the introduction of the EU Patent by 25 member states (circumventing Italian and Spanish opposition).

In addition, differentiation is a typical by-product of enlargement. Accession treaties usually contain a host of transitional arrangements that qualify the membership rights of the new entrants, or exempt them from applying EU rules for a certain time. The new member states of Central and Eastern Europe, for instance, had to accept that the free movement of workers could be limited for their citizens by the old member states for up to seven years after accession. On the other hand, the new member states were also granted transitional exemptions (e.g. with regard to the application of EU environmental or agricultural standards).

Finally, non-member states participate to varying degrees in a large number of EU policies. The European Economic Area (EEA), comprising the internal market and a number of flanking policies, extends to Iceland, Norway, and Liechtenstein; the Customs Union includes Turkey; Switzerland has concluded a series of bilateral treaties with the EU that are based on EU rules, and it incorporates individual EU rules autonomously into its domestic legislation. Candidate countries successively adopt the *acquis communautaire*, the body of EU law, in a process that can stretch over many years. The Eastern European, Middle Eastern, and Northern African countries that participate in the European Neighbourhood Policy also adopt parts of the EU *acquis*, even though there will be no opportunity for them to join the EU in the foreseeable future.

Some of the differentiation across policies and countries is temporary. Weakly-integrated policy areas may catch up with those that are more strongly integrated. For instance, monetary policy lagged behind market integration for four decades before reaching a similar level of integration at the end of the 1990s. Countries that do not meet the criteria required to join the eurozone or the Schengen area at the time of writing may do so in a few years' time. Transitional arrangements from the accession treaties are just that – transitional. They typically expire a few years after new member states join the EU. Candidate countries eventually join as full members, and so may those countries that once decided to remain outside the EU: Iceland's membership application, made in 2009, is an example.

Yet, there is even more reason to believe that both vertical and horizontal differentiation is here to stay. First, whereas the overall level of EU competences and supranational centralization has markedly increased during the course of European integration, the gap between policies regarding market-making and market-correcting regulation, on the one hand, and policies of internal and external security as well as the redistributive welfare state, on the other, has remained. Even though the EU

has acquired some competences in the areas of security and welfare, these areas have clearly remained predominantly national and intergovernmental. Second, the euro and Schengen opt-outs have proven remarkably durable, and each treaty revision since the Treaty of Maastricht in 1992 has produced new opt-outs. Candidates such as Turkey, together with many of the Western Balkan countries, will take a considerable time to become member states – if they accomplish this at all. It is also highly unlikely that a large number of countries participating in the European Neighbourhood Policy will ever become candidates. Finally, the EEA countries and Switzerland are not on the verge of accession even as they increasingly adapt to the EU's rules, and Iceland's membership bid is far from a done deal.

Apart from empirical observation, there are theoretical reasons to assume that European integration will remain differentiated. Differentiated integration is generally attributed to increasing heterogeneity among European states. The expansion of Community tasks and competences is one cause of heterogeneity. It is relatively easy for the member states to agree on abolishing tariffs and creating a single market, which is generally perceived to benefit the economies of all member states. It is more controversial to make directly redistributive (welfare state) policies that create winners and losers, or to negotiate monetary and security policies that affect the core of state sovereignty and powers. The more that the EU moved into such areas, the more it was bound to be confronted by diverging interests and resistance. It is also easier for the member states to agree on intergovernmental cooperation than on supranational centralization and the limits it imposes on member state autonomy. Again, the more that European integration deepened, the more likely it was to meet opposition by societies and governments eager to protect their identity and sovereignty.

The expansion of Community membership is another cause of growing heterogeneity. European integration started with a set of countries most willing to integrate, and comparatively similar in socio-economic structure and economic and administrative capabilities. As the Community enlarged, it admitted countries that were less enthusiastic about European federalism, had different beliefs and interests, or were less capable of meeting the demands of market and policy integration.

Politicization has added to the trend toward differentiation. In the first decades of European integration, policy was elite, negotiated between governments, facilitated by package deals, and benefiting from the 'permissive consensus' of member-state societies. Since the 1990s, however, integration has become more politicized. Euro-sceptic parties and movements have proliferated in the member states, and have mobilized the economic losers of integration as well as those who cherish national identity and sovereignty. The politicization of European integration has become most influential in national referendums on EU

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treaties, and many opt-outs are a result of direct or anticipated negative votes. From this perspective, it is no surprise that differentiation has increased tremendously since the early 1990s when the Community embarked on a new phase of ambitious task expansion, supranational centralization, and enlargement. The politicization that set in around the same time has further reinforced differentiation.

In order to understand European integration adequately, we therefore need to keep track of and analyze both the *expansion* of tasks, competences and membership, and the *differentiation* of integration across policies and states. Typically, however, existing theories and analyses of European integration have focused almost exclusively on expansion. While early integration theory may be excused because differentiation was negligible in the 1960s and 1970s, the renewed theoretical debate of the 1990s took place at a time when differentiation had become politically salient and an important feature of European integration. In our view, studying differentiation is important for two reasons: first, because the EU is best understood as a system of differentiated integration; and, second, because the analysis of differentiation allows us to better trace and understand the dynamics and mechanisms of European integration.

In our work, we take a novel approach to the study of European integration by conceptualizing the EU as a system of differentiated integration. Rather than understanding differentiation as an accidental or transitional feature, we take differentiation to be a fundamental and durable characteristic of European integration and the EU. We describe and explain European integration as the interplay of expansion and differentiation. For this purpose, we elaborate integration theories to address not only the conditions under which the EU is likely to deal with new issues, acquire new competences, and admit new members, but also to explain why policy integration varies across European policies and EU member states. In our presentation of EU policies, we therefore analyze both the major steps towards supranational integration of these policies and their differentiated membership. As a result, we hope to convey a more adequate understanding of the nature and the development of the EU.

## **Descriptive findings and theoretical arguments: a preview**

Here, we preview the main results of our work. We present our descriptive findings on patterns of integration over time and across policy areas, and we look ahead to a theory-based explanation that we use to make sense of these patterns. In our mapping of European integration, we distinguish vertical and horizontal integration as well as vertical and horizontal differentiation.

- *Vertical integration* is the transfer of policy-making competences from the national to the European level and, at the European level, from intergovernmental coordination and cooperation to supranational centralization.
- *Horizontal integration* is the territorial expansion of integrated policies among the member states to new member states, and beyond.
- *Vertical differentiation* refers to the fact that the level of vertical integration varies from policy to policy. Some policies remain exclusively under the purview of the states, whereas others are in the domain of EU supranational policy-making.
- *Horizontal differentiation* captures the variation in horizontal integration across policies. Some integrated policies apply to the entire EU (and even to several non-member states), whereas others exclude or exempt EU member states.

Our mapping of European integration over time reveals a distinct pattern: *overall progress in integration accompanied by increasing horizontal as well as vertical differentiation*. European integration is a process of growth and expansion. There are periods of accelerated growth (the 1950s and the 1990s) and periods of relative stagnation. By contrast, rollback has not yet taken place. Average vertical integration across policies has risen from the level of intergovernmental coordination in the first phase of integration to the level of supranational policy-making. Qualified majority-voting in the Council and co-decision of the European Parliament is now the typical decision-making mode. Horizontal integration has increased significantly, too. Integration commenced with six countries. Now, around three quarters of all European countries take part in EU integrated policies. In addition, vertical and horizontal integration have developed at roughly the same speed, and have reached approximately the same level during the past 60 years. At first glance, it therefore seems that the much discussed dilemma of deepening versus widening does not exist.

The increase in vertical and horizontal integration was accompanied, however, by vertical and horizontal differentiation. Vertical differentiation has been there from the very beginning when trade policy became integrated, whereas other policies have remained at the national level. Yet, vertical differentiation has increased, rather than diminished, as more policies were integrated and vertical integration progressed to higher levels of supranationalization. Horizontal differentiation barely existed during the first three decades of European integration. Since the early 1990s, however, it has steadily increased and diversified. In addition to internal differentiation, a constellation in which some member states do not participate in an EU policy, we find external differentiation (i.e. non-member states participating in an EU policy), and policies in which internal and external differentiation is

mixed. In sum, the history of the EU is a history of integration *and* differentiation.

The major policies of the EU – the internal market, EMU, defence policy, and the justice and home affairs policies covered by the Area of Freedom, Security, and Justice (AFSJ) – display highly diverse patterns of integration and differentiation.

- The *internal market* is characterized by early and high vertical and horizontal integration. The Common Market was the first major policy of the European Economic Community, and it was supranationally integrated from the beginning. It also marked the beginning of the deepening of integration in the 1980s and 1990s: the Single European Act (SEA) of 1986 established the Internal Market programme and was the first major treaty revision after the 1957 Treaty of Rome. The internal market not only applies to all member states, non-members – such as Norway and Switzerland – also participate to a large extent. It is an example of no internal differentiation, but a high degree of external horizontal differentiation.
- The supranational integration of *monetary policy* followed the establishment of the internal market and has also reached a high level of vertical integration. At the time of writing, monetary policy is one of the most centralized policies of the EU – but also the least horizontally integrated. Of the 27 member states, only 17 form the eurozone, and there are no formal agreements with non-member countries (except for some micro states). EMU is thus characterized by a high degree of internal differentiation, but no external horizontal differentiation.
- Integration in AFSJ also followed market integration but, initially, remained at the level of intergovernmental cooperation. In the treaty changes since Amsterdam (1997), however, it has been rendered progressively more supranational. The AFSJ shows a unique pattern of external and internal horizontal differentiation because some non-member states participate in the Schengen/Dublin regime of border control and asylum policy, whereas some member states have opted out from it.
- Finally, vertical integration in *defence policy* is not only a latecomer, but has also remained at a low level until the time of writing. Defence policy is, furthermore, the least horizontally differentiated of the policies we compare. Only Denmark has opted out of this policy, and non-member states do not participate formally.

The analytical challenge, then, will be to explain the overall pattern of differentiated integration, and the differences in integration and differentiation across policies.

For this purpose, we develop a synthetic explanation that builds on and

elaborates the three major theories of integration: intergovernmentalism, supranationalism, and constructivism.

- *Intergovernmentalism* attributes integration to the interests of state governments to preserve and increase their autonomy and efficiency in the face of international interdependence. Integration outcomes are shaped by the intergovernmental constellation of preferences and bargaining power, and governments remain in control of the integration process.
- *Supranationalism* explains integration as a response to transnational interactions supported by supranational organizations. Initial integration strengthens interdependence and supranational capacity, and creates ‘spillovers’ into other policy areas and countries, thus generating momentum for further integration.
- *Constructivism* stipulates that integration depends on the strength of international ideational consensus and community spirit. The development of integration depends on the extent to which it helps form supranational ideas, norms, and identities.

In the empirical element of our work, we find that none of these theories fully explains the process and patterns of European integration. Roughly speaking, intergovernmentalism provides a useful baseline model and analytical framework, and satisfactorily explains the initial stages of integration; it has problems, however, capturing the endogenous dynamics that shape subsequent stages of integration. Intergovernmentalism also struggles to account for the mass-level, and often identity-driven, processes that generate horizontal differentiation. For these two developments, supranationalist and constructivist integration theory provide important insights.

The synthetic explanation that we develop therefore starts from an intergovernmental analytical framework. Integration theories generally agree that governments are the key actors in the integration process. They negotiate and decide on the integration outcomes. Demand for integration is primarily created by international interdependence. Whether and how it is translated into integration is conditioned by domestic preferences, politicization, international preference constellations, intergovernmental bargaining power, and supranational institutions. As integration progresses, demand becomes more endogenous and the relevance of supranational institutions increases. Once integration reaches a critical level of centralization, the further path of integration bifurcates. If politicization remains low, integration is likely to progress further. Otherwise, it stagnates or leads to differentiation.

*International interdependence* is the fundamental condition of demand for integration. Before governments enter into negotiations on integration, they must recognize that they have goals they cannot

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achieve, or problems they cannot solve autonomously. In addition, they need to see some form of integration as a way to achieve their goals and solve their problems. Governments either come to recognize interdependence on their own, or they are pressurized by national or transnational interest groups to engage in integration. But without experiencing interdependence, governments do not commence the process of integration.

Interdependence is not sufficient for integration, however. First, the *preferences of governments* need to be compatible. Interdependence does not automatically lead to common interests: governments may be affected in different ways by interdependence, or they may disagree about the appropriate policy with which to cope with interdependence. Second, *politicization* reduces demand for integration, or creates obstacles to negotiating integration. Politicization is low if an issue is regarded as technical. The more an issue is perceived as undermining the sovereignty of the state and the collective identity of the nation, however, the more politicized it becomes. Citizens and political actors become concerned and mobilized, the issue becomes divisive, and negotiators become constrained. Whereas homogeneous preferences and technical issues facilitate integration, heterogeneous preferences and politicized issues inhibit integration and abet differentiation.

*Intergovernmental bargaining power* or *supranational institutions* can counteract the effects of preference heterogeneity and politicization. Governments with superior bargaining power may impose their integration preferences on less powerful governments and override their domestic constraints. Supranational institutions potentially facilitate the harmonization or compatibility of preferences (e.g. by upgrading the common interest, or by triggering learning and socialization processes). They may also depoliticize issues by transforming them into technical issues and removing them from the domain of domestic politics. Finally, they can propose compensation measures or create linkages to different issues in order to make potential losers accept a specific integration policy.

Once a higher level of integration is attained, it influences the initial conditions. First, *demand* becomes more *endogenous*. Integration not only copes with the interdependence that created the demand for integration in the first place, it also generates new interdependence. Integration stimulates further and denser interactions between societies, affects countries and policy areas that were not initially integrated, and limits the ability of governments to respond to these effects unilaterally. This endogenous interdependence alters the preferences of at least some societal actors and governments, and generates demand for further integration. Second, integration strengthens *supranational institutions*. Supranational organizations such as the Commission, the Court, or the Parliament attain competences and other resources that they can use to promote their own integration agenda, and to influence government

preferences and intergovernmental negotiations. Supranational norms and rules emerge that shape the expectations and the behaviour of member states, too. This dynamic of progressive vertical and horizontal integration, however, works best if *politicization* remains *low*. By contrast, in those policy areas or countries that are particularly sensitive to sovereignty and identity concerns, supranational integration heightens sensitivity, mobilizes citizens and domestic political actors, generates opposition to (further) integration, and leads to divergence in governmental preferences and harder bargaining behaviour. Under the condition of politicization, then, integration stagnates once it reaches critical levels of centralization. Alternatively, further integration is accompanied by differentiation as countries with a high level of politicization refuse to participate in more centralized policies, or more politicized policies remain at a less integrated level.

The conditions and processes emphasized by intergovernmentalism – exogenous international interdependence, national preferences, and intergovernmental bargaining – thus form the baseline explanation of European integration. In our view, they are particularly relevant in the early stages of integration and at low levels of integration in each policy area. At the same time, intergovernmentalism remains a somewhat static theory that neglects dynamics triggered by initial steps towards integration. In fact, when integration progresses to higher levels of supranationalization, these factors are increasingly complemented and constrained by endogenous demand and supranational institutions – as stipulated by supranationalism. Whereas the progressive ‘spillover’ dynamic of integration described by supranationalist theory holds under conditions of low politicization, high politicization often triggers a process of differentiation. This is where constructivist integration theory comes into play.

We infer this synthetic explanation from the patterns of integration and differentiation we find in the history of the EU and in major EU policies. The overall progress and the absence of rollback in European integration are in line with the spillover dynamic of integration and institutionalization, whereas the politicization dynamic produces temporary stagnation and lasting differentiation.

The first phase of stagnation in the 1960s was mainly caused by France under President de Gaulle, a leader who put strong emphasis on sovereignty and national identity, and blocked both the first enlargement of the European Community and further steps toward supranational centralization. In the 1990s, as the EU began to centralize policy traditionally linked to the core of national identity and state sovereignty, the politicization dynamic has resulted in the non-participation or non-membership of the countries with the most Euro-sceptic populations. In the early stages, the politicization dynamic operated primarily at the elite level, articulated itself in the blocking of intergovernmental negotiations, and resulted in the stagnation of integration. Since the

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1990s, it has operated mainly at the mass level, manifested itself primarily in the popular non-ratification of treaty revisions, and led to differentiated integration.

The increasing differentiation across policies in European integration is in line with the dualism of the spillover and politicization dynamics, too. This dualism leads to more vertical integration in areas of low politicization, on the one hand, and stagnation in areas of high politicization, on the other. The result is vertical differentiation. Moreover, the dualism generates horizontal differentiation. Whereas the spillover dynamic ensures full participation of EU member states and even attracts non-member states in areas of low politicization, the politicization dynamic leads countries to abstain from, or to be excluded from, participation in areas of high politicization.

Our explanation further suggests that policies characterized by high interdependence and low politicization are integrated early, attain a high level of vertical and horizontal integration, and are unlikely to lead to internal horizontal differentiation. The establishment of the internal market confirms this expectation. Commerce is the archetypical area of high transnational exchange and international interdependence. For liberal states, it is also an area in which the autonomy and identity costs of integration are low. Under these conditions, the spillover dynamic of vertical and horizontal integration could unfold without major impediments. Commercial policy was a good policy for the commencement of European integration and its revival in the mid-1980s. The internal market quickly reached high levels of vertical integration, triggered the demand of non-member states to join the Community, and had no opt-outs. Rather, neighbouring countries that cannot join the EU for various reasons still seek access to the Union market. This gives rise to the characteristic pattern of no internal differentiation, but significant external differentiation.

The characteristics of market integration contrast starkly with policy areas that were integrated at a later stage. Monetary policy and policies of border control, immigration, internal security, and defence have traditionally been exclusive domains of the state, and transnational interactions in these areas have been more limited than in trade. The supranational integration of these policies causes a substantial loss of autonomy for the participating states. Giving up the national currency, control of borders and migration, and the national army are also likely to create strong concerns about the preservation of national identity. The fact that these policies came under the purview of European integration at all has mainly to do with prior market integration and the endogenous interdependence it created. Monetary union and the AFSJ followed the deepening of market integration, the liberalization of capital controls, and the free movement of persons inherent in the internal market programme of '1992'.

Whereas spillovers from market integration generated demand for more integration in these policy areas, their relevance for state sovereignty and national identity produced politicization at the same time. EMU and AFSJ have therefore caused horizontal differentiation. The fact that EMU was extremely centralized from the start produced less horizontal integration than in the initially more intergovernmental AFSJ. In both areas, the spillover dynamic created by integration has attracted further member states and – in the case of Schengen – non-member states, but politicization still limits horizontal integration. In particular, the most Euro-sceptic governments or societies among the member states have refrained from adopting the euro.

By contrast, the internal market has not significantly boosted interdependence in defence policy. For this reason, the pressure for integration has remained lower in this policy area than in others. At the same time, defence policy is arguably at the core of state sovereignty. As a result, it has not moved beyond intergovernmental coordination and cooperation and, because it has remained at this low level of integration, a politicization dynamic that would have resulted in major differentiation has failed to develop.

## **Structure of our work**

Our work is about European *integration*. The study of European integration is concerned with the *development* of the EU, and theories of European integration explain why and how the EU has become what it is today. Conversely, our work is not about EU *politics and policy-making* (i.e. on how the EU decides and works). Our approach is dedicated to the theory-based analysis and explanation of European integration. Rather than describing the development of European integration, it seeks to provide students with the tools for theory-based explanation, and to demonstrate how these tools can be applied to enhance our understanding of European integration.

Our work is based on the strong belief that the study of European integration is an important and indispensable aspect of studying the EU. The EU is not merely about ordinary politics and policy-making that we find in any political system. It is also a highly dynamic and unsettled polity, which has been involved in a quasi-permanent process of changing its institutions, competences, and membership. As other political actors, EU political actors are concerned with remaining in office, winning votes, and obtaining their preferred policies. But they also need to deal frequently with a number of questions that national policy-makers only need to become involved with under rare and extreme circumstances. Which peoples and territories do we admit? Where are our borders? How do we distribute competences and policies? Which members of the

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polity obtain an exemption from our common rules? Finally, whereas national policy-makers mainly worry about the citizens' support for the parties and government, EU policy-makers must be concerned about support for the polity, as such.

The constitutional dynamism of the EU is not just a thing of the past either. Shortly after the turn of the millennium, many scholars assumed that the EU had reached a stable multi-level equilibrium. Andrew Moravcsik (2005: 349), for instance, spoke of 'constitutional maturity' or a 'constitutional settlement' (Moravcsik 2007). Although it is unclear at the time of writing what the final institutional outcome of the financial crisis in the EU will be, we have already seen the establishment of powerful new institutions and rules that seemed highly improbable before the crisis, an unprecedented intrusiveness of the EU in domestic politics and sovereignty, and the real possibility of partial disintegration.

The starting point for our work is a description of the EU and its development. We ask what kind of polity the EU is. We compare the EU to the state and the international organization – the two typical political organizations in the modern international system – and show that it does not fit either type well. Rather, we propose to conceptualize the EU as a system of differentiated integration. We then describe how this system has developed since the beginnings of European integration. The data show, first, and notwithstanding phases of stagnation, that the Community has significantly expanded its tasks and competences over the past 60 years. This is what we call 'vertical integration'. Second, the expansion of membership in EU policies (or 'horizontal integration') has kept pace with the expansion of tasks and competences. We also show, however, that vertical and horizontal integration varies significantly, depending on the issue. EU members and competences change both across time and across policies. This variation requires explanation.

We go on to introduce the theories of integration that potentially provide this explanation: supranationalism, intergovernmentalism, and constructivism. We present the general assumptions of each theory, portray the main conditions and mechanisms for explaining vertical and horizontal integration as well as differentiation, and, finally, develop propositions and formulate hypotheses about differentiated integration. We then take these hypotheses and apply them to EU policies.

In the second stage of our work, we describe and analyze a representative sample of EU policies: the internal market, EMU, defence policy, and the AFSJ. These policies are not only politically important in their own right; they also represent different levels of vertical integration and different types of differentiated membership. They thus allow us to apply and evaluate theories of integration in highly varied settings. We draw our work to a conclusion with a comparison of these policies and the synthetic theoretical framework that explains the variation in integration and differentiation across time and policies.

