

The Regulatory State and Differentiated European Integration

Abstract

In 1994, Majone has argued that regulatory policies are at the core of the European Integration project. While policy-differentiated integration has gained renewed attention among European integration scholars, we currently lack a quantitative and empirical assessment of regulatory policies' covariation with policies' integration depth. In this article, we empirically assess Majone's argument. Combining different data sources for the period 1989-2011 across the EU-15, we show that the European integration process covaries with policy characteristics: Policy areas exhibit higher integration levels i.) when national constituencies support their integration to the European level and ii.) when the policy domain is less regulatory. This suggests that national governments hesitate to integrate regulatory policies, as independent regulatory agencies may limit their oversight power. Our findings make an important contribution to the broader literature on regulation as they indicate that the different regulatory nature of policy domains plays a crucial role in European Integration.

Keywords: Regulatory State, European Union, Multilevel Governance, Public Support

Word count: 8,489

1 Introduction

European integration is characterized by extraordinary organizational and institutional complexity. A major contributor to this complexity is the fact that not all policy areas are equally integrated at the European level and that not all countries participate equally in joint-decision making in a specific policy areas. This situation has been referred to as “multi-speed integration” or “Europe à la carte” (Stubb, 1996; Holzinger & Schimmelfennig, 2012). Scholars of European integration and multilevel governance have developed different analytical tools and explanations for analyzing and making sense of this variation, among them the post-functionalist theory of European integration (Hooghe & Marks, 2009; Schmitter, 2009; Schimmelfennig, 2014) and the concept of differentiated integration (Leuffen et al., 2013; Schimmelfennig & Winzen, 2014; Winzen & Schimmelfennig, 2016; Duttler, 2016; Trein et al., 2019) – to name only two of the most recent innovations. Given the great variation in the extent to which policies are integrated at the European level, it indeed seems obvious to focus on policies’ characteristics in order to understand these differences.

Existing studies of the European integration process have acknowledged the importance of policy differences (Hoffmann, 1966; Pierson, 1996; Aspinwall, 2007) and many of them analyze the integration of single policy domains, such as cohesion, migration or the monetary policy (Hooghe, 1996; Guiraudon, 2000; Frieden, 2002). More recent studies show that the depth of European integration varies significantly across policy fields and propose explanations for these differences. In their postfunctionalist theory of European integration, Hooghe & Marks (2009) make an important distinction between policies that are subject to interest group politics and others that are subject to identity politics. In addition, Schimmelfennig & Winzen (2014) distinguish between instrumental and constitutional differentiation, which is largely a distinction between internal market policies and core state powers.

An important factor in the discussion of differentiated European integration is the rise of the regulatory state. Since the 1990s, scholars of regulatory governance began to

write about substantial changes that modified the organization of governments and public policies (Moran, 2002). In doing so, these scholars provided comprehensive analyses that reflected the cross-national and cross-sectoral changes in regulatory policy since the mid-1970s (Wright, 2009). Majone (1994) shows that regulation has become more and more prevalent in the EU due to privatization and deregulation. According to the author, an important feature of regulatory policies is that they are hardly ever subject to budgetary limitations in comparison to redistributive policies:

“The financial resources of the Community go, for the most part, to the Common Agricultural Policy and to a handful of distributive programs. The remaining resources are insufficient to support large-scale initiatives in areas such as industrial policy, energy, research, or technological innovation. Given this constraint, the only way for the Commission to increase its role was to expand the scope of its regulatory activities. [...] Accustomed to think of state power primarily in terms of the power of taxing and spending, national leaders did not apparently realise that regulatory activities cannot be controlled by means of the traditional budget constraints.” (Majone, 1994, 87-96)

In this article, we reexamine Majone’s argument and argue that regulatory policies are less integrated at the European level in order to curb the regulatory state. We investigate the relationship between regulatory policies and European Integration by focusing on both the vertical and horizontal integration of policy domains in the EU. Vertical integration denotes the integration depth of a particular policy domain at the European level, while horizontal integration refers to the policy domains’ coverage of EU member states (Schimmelfennig et al., 2015, 765). Building on the intergovernmentalist theory of European integration – which conceives of European integration as a member-state driven process with a national preference formation and an international negotiation stage (Moravcsik, 1993) – we make two propositions. The first proposition concerns the national preference formation stage. It emphasizes national governments’ role as elected actors that can be held accountable by their national constituencies. The extent to which a policy is inte-

grated at the European level is conceived as being partly a function of national publics' preferences for integration in this domain, since national governments can increase their electoral chances by implementing public preferences (cf. [Schneider, 2017](#); [Rasmussen et al., 2019](#)). The second proposition focuses on the international negotiation stage. It takes up Majone's argument and assesses how the regulatory nature of a policy domain is linked to its integration at the European level. We argue that national governments want to retain control over decisive policy areas. Thus, we expect that the extent to which a policy is integrated at the European level is a function of the types of decisions that are made in this domain at the European level. When decisions are of a more regulatory nature, a policy is less likely to experience a higher level of integration, than when the decisions made are of a less regulatory nature. In this case, national governments would lose substantive parts of their oversight function to independent regulatory agencies – which corresponds to a substantive loss in political control. Accordingly, they resist further integration in more regulatory policy domains.

To test these propositions, we analyze thirteen policy domains across the EU-15 from 1989 to 2011. Since existing data sets only allow for limited comparative analysis at the policy level, we build a unique data set by combining different data sources that allows to study the impact of policy characteristics on a policy's integration depth for a given country in a given year. The empirical analysis indicates supports our two propositions: national publics' policy integration preferences positively covary with said policy's integration depth and policies in which decision-making is of a less regulatory nature tend to be more integrated at the European level.

2 Differentiated Integration in the European Union

Since the 1990s, we have been witnessing an increasing differentiation of European integration – both horizontally with respect to the territorial coverage of policies across countries and vertically with respect to the level of centralization and integration depth of different policies. Supranational integration in Europe at its core still seems to be a

process which is largely about the (dis)integration of single policies. These policy differences have occupied scholars since the inception of the European integration process. For instance, [Hoffmann \(1966\)](#) argues that integration is more likely in “low politics” domains, e.g. economic policies, than in “high politics” domains such as security, which is one of the state’s core prerogatives. Around the same time, [Lindberg \(1970, 673\)](#) has proposed a first empirical measurement of different policy domains’ integration depth.

In the wake of the Maastricht treaty, the varying integration depth across policy domains has gained renewed attention. [Majone \(1994, 85\)](#) prominently points out that few regulatory policies are explicitly mentioned in the Treaty of Rome, e.g. the policy domains of transport and energy, which could have given rise to significant regulatory activities. A decade later, in a study of the level and scope of authority of EU decision-making, [Börzel \(2005\)](#) updates and expands [Lindberg’s \(1970\)](#) measurement and finds substantial variation across policy domains in terms of their vertical integration, i.e. their integration depth at the European level. [Hooghe & Marks \(2009\)](#) argue that political parties have the option to politicize the integration of a specific policy – and hence render it salient and contested for mass publics – or to leave it to the realm of interest groups – meaning that an issue remains depoliticized. The politicization of a policy then has consequences for its integration prospects.

The most recent development in the study of policy differences in European integration is the scholarship on “differentiated integration” ([Leuffen et al., 2013](#); [Schimmelfennig & Winzen, 2014](#); [Winzen & Schimmelfennig, 2016](#); [Duttler et al., 2017](#)). These scholars assess both horizontal and vertical differentiation. They, for example, show how the territorial scope of policies has become more differentiated since the mid-1990s and particularly with Eastern enlargement: some policies only apply to a subgroup of European Union members, and at the same time can include some non-members, like the Schengen agreement ([Leuffen et al., 2013](#)). With Eastern enlargement, some of the new member states were deliberately, if only temporarily, excluded from joint decision-making in certain policy-areas, such as the common market and agriculture ([Schimmelfennig & Winzen, 2014, 365](#)). This “instrumental differentiation” – as the authors call it – is explained by the fact

that new, mostly poorer, member states, have to wait in the antechamber until they are given full access to decision-making in certain policy domains, particularly if the policy domains also involve (re)distributive mechanisms like agriculture. Vertical differentiation is explained by the difference between high and low politics, or by the difference between “core state powers” and policies subsumed under “market regulation” – with the former facing stronger resistance to integration than the latter (Genschel & Jachtenfuchs, 2016). Finally, Schimmelfennig et al. (2015) argue that the extent to which a policy domain witnesses vertical integration and horizontal differentiation is a function of the interdependence between states in, and the politicization of, a policy domain. While strong interdependence makes vertical integration more likely, strong politicization makes horizontal differentiation more likely. The area of monetary policy – high interdependence and high politicization – illustrates this: monetary policy is highly integrated, but the territorial scope of the monetary union is comparatively small.

These contributions all acknowledge and theorize the relevance of policy-specific characteristics in the explanation of European integration. Our study builds on this existing research and aims to measure and quantify such policy characteristics. Typically, policies are classified by the respective researchers into “high” and “low”, politicized or not, and more or less regulatory. Yet while these classifications might be well-justified and reasonable, they do not provide a comparable and replicable empirical measurement for other studies. Here, we want to remedy this shortcoming, by showing ways in which important policy characteristics can be measured and used in a policy-specific assessment of European integration. Some recent studies provide good examples of how policy characteristics can be measured and used to explain EU-related outcomes, such as EU commission and EU political elite behavior. Van Ballaert (2017) shows that a policy proposal’s newness and salience makes it more likely that the commission uses more consultation practices. De Bruycker (2017) demonstrates that Brussel’s elites more often refer to the public’s interests in debates on EU policies, when the policy is salient – measured through media sources – and when civil society actors, but not business actors are involved in policy processes. These examples show that policy-specific differences are relevant and that they

can be measured empirically.

In what follows, we discuss the role of two policy characteristics for a policy's integration depth in a specific country: mass publics' support for its integration and its regulatory character. To develop our argument, we start out from an intergovernmentalist perspective [Moravcsik \(1993\)](#). The core assumption is that national governments are the most relevant actors to look at in relation to decisions about (dis)integration. The extent to which any country is integrated at the European level in any particular policy domain reflect both national governments' preferences as well as their joint negotiations at the European level. [Moravcsik \(1993\)](#) argues that an intergovernmentalist perspective needs to consider two different stages and levels. The national stage, where national governments' preferences are shaped and determined; and the international stage, where different national governments enter into joint negotiations about a specific policy. Thus, we argue that in the first stage, mass publics' preferences for the integration of a certain policy influence governments' preferences for transferring authority to the European level. When national governments engage in negotiations about policy integration in the second stage, we argue that such negotiations are more successful in policy areas with a less regulatory focus and hence these policy areas are more integrated at the European level.

2.1 Public Preferences and Policy-Specific Integration

National governments are elected by national citizens and are thus accountable to these constituencies. If we assume that the main aim of any government is to be re-elected and if we further assume that their re-election depends on the extent to which they implement national constituencies' preferences, we can expect governments to pay attention to mass publics' preferences ([Hobolt, 2006](#); [Hobolt & Klemmensen, 2008](#)). In the case of European integration, this means that national governments will try to implement public preferences and accordingly expand or retrench integration in particular policy domains.

Recent studies provide some empirical evidence for this assumption. In a qualitative analysis of three policy domains, [Schimmelfennig et al. \(2015\)](#) demonstrate that high

politicization in a policy domain goes along with high horizontal differentiation – meaning that more states bargain for exemptions from common treaty provisions. This suggests that national governments try to implement the preferences of their national constituencies when it would become electorally costly not to do so. In a similar vein, [Genschel & Jachtenfuchs \(2016\)](#) argue that national governments are especially constrained by the interests of domestic actors when it comes to the integration of core state powers, i.e. policy domains that are the traditional prerogatives of nation-states, such as currency, defense, and domestic security. They argue that the way in which a policy is integrated at the European level depends on whether sectoral interests and mass publics are favorably orientated towards integration in a certain domain or not. More often than not, for core state powers, there is opposition to integration either from sectoral groups (e.g. in defense policy), from mass publics (e.g. monetary and fiscal policy), or from both. Finally, and more generally, [Rauh et al. \(2019\)](#) have recently shown that national governments facing an integration-sceptic constituency undermine European integration.

Accordingly, national governments have to find a way to reconcile the integration extent in a certain policy domain with these domestic interests in order to prevent negative electoral consequences. We thus assume that national governments will try to implement public preferences also when it comes to the integration depth of different policies at the European level. In other words, we argue that the extent to which a country participates in the joint-decision making of a policy at the European level is linked to citizens' preferences for the respective policy's integration depth.

H₁: The higher the share of people in a country who want to integrate a policy to the European level, the higher the integration level of the policy for that country.

2.2 The Regulatory State and Policy-Specific Integration

National governments are not alone in deciding whether a policy should be more or less integrated to the European level. Rather, they have to enter into negotiations with other national governments and ultimately find a compromise if they disagree. When are such

negotiations more or less likely to succeed?

Majone (1994) has prominently discussed the role of regulation in explaining European integration. He describes the paradox that privatization and deregulation have indirectly lead to regulation, since both have created the conditions for the rise of a regulatory state in Europe. This has gradually lead to the establishment of many independent regulatory agencies (Trondal et al., 2012). In principle, national governments are willing to delegate their regulatory competencies to specialized institutions in order to enhance the credibility of their policies Gilardi (2002). In the EU context, it has been argued that regulatory agencies have been created due to the limited resources of the European Commission to oversee the implementation of EU legislation (Wonka & Rittberger, 2010; Arras & Braun, 2018). According to Thomann (2015, 1369), the EU member states implement EU directives depending on the 'fit' of EU regulatory modes with their individual domestic styles. Kelemen (2005, 95) even sees the increase of such agencies as a strategy of 'bureaucratic self-aggrandizement' by the Commission. However, once the regulatory authorities are created, national authorities have very limited possibilities to control them. Thatcher (2002, 969) argues that office holders seem to rarely use their power to overturn regulatory agencies' decisions. Even though they have limited financial and staff resources, the agencies' fixed term of office favours independence from direct control by political actors. This lack of control is even more pronounced for EU-level agencies, since they find themselves much closer to the Commission than to the Council and national ministries, which is why they contribute to additional executive centre formation at the European level (Egeberg & Trondal, 2011). Moreover, the European Commission also has an interest in expanding its role and influence. Majone (1994) argues that the European Commission can do this solely by expanding the scope of its regulatory activities – given that it lacks the resources to engage in more distributive activities.

In short, the more EU-level regulatory agencies are created, the more powers national governments have to cede to the European institutions. This could lead to the situation that national governments prefer to integrate less regulatory policy areas, as they do not have to fear the creation of regulatory agencies that restrict their competences. We can

thus expect that integration is stronger in policy fields that are less regulatory.

H₂: The less EU decision-making in a policy is of regulatory nature, the more this policy will be integrated at the European level.

3 Data, Measurement and Methods

Analyzing the determinants of European integration empirically is a challenging task, even more so if one wants to differentiate integration across policies. According to [Holzinger & Schimmelfennig \(2012\)](#), there are indeed some concepts and theoretical approaches that do so, but there are only few data sets that allow to distinguish integration levels across policies. That said, there are several data sources that provide selected information. We will therefore combine different data sources that measure policy integration at the EU level (differentiated integration data set), the regulatory character of a policy (EU competencies project), citizens' integration preferences in a specific policy domain (Eurobarometer), and structural indicators at the country level (Comparative Political Data Set).

Policies and issue areas are defined and aggregated differently across the various data sources. This means that we have to match them manually and pairing the policies turns out to be a tedious task. For some policy domains – e.g. tax – only rather distant matches are possible; for others we had to combine several indicators from the Eurobarometer data (e.g. foreign and security policy and law and crime) and the same value for regulatory policies (e.g. economic and financial affairs) sometimes had to be assigned to more than one narrower policy domain. An additional challenge is the reduced time period for which data from all sources is available. Although we cover the time period between 1989 and 2011, which includes the most recent and important European integration treaties (Single European Act, Maastricht Treaty, Amsterdam Treaty, and Treaty of Lisbon), our analysis cannot cover previous and subsequent years since the respective indicators in the Eurobarometer data are only available for this time period. As a consequence, we limit

our analysis to thirteen policies¹ and to the EU-15 countries.²

Policy Integration Depth: To measure our dependent variable, policy integration at the European level, we combine two data sources, which allow us to determine the integration depth of a policy for a specific country in a given year. [Leuffen et al. \(2013\)](#) have expanded the data on vertical integration in the EU from [Börzel \(2005\)](#) for the Treaty of Lisbon. They operationalize vertical integration by determining the degree to which member states coordinate policies, pool their sovereignty and delegate decision-making authority to supranational institutions (European Commission, European Parliament, European Court of Justice). They distinguish six different levels of vertical policy integration. While this is a useful measure for the overall vertical integration of a policy, it does not allow us to assess different vertical integration levels of a policy across countries. Yet, member states differ considerably in the degree of policy integration. Prominent examples are the Danish and UK opt-outs from the euro zone. To determine the extent to which a policy is integrated at the European level for each country, we combine [Leuffen et al.'s \(2013\)](#) measure with data on differentiations in EU treaties from [Schimmelfennig & Winzen \(2014\)](#). For every differentiation, we subtract 0.2 points from the vertical integration measure of [Leuffen et al. \(2013\)](#) which we normalized between 0 and 1. For instance, Denmark, Sweden and the United Kingdom have a lower degree of integration in the area of monetary policy than the other countries (Figure 1).

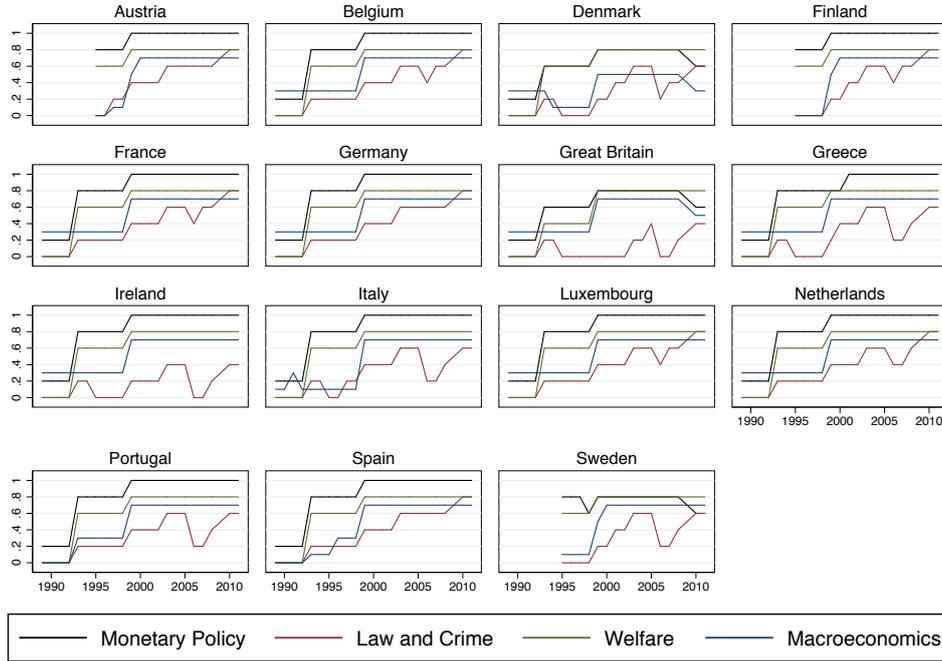
Policy Integration Support: To operationalize national constituencies' support for the integration of policies at the European level over time, we rely on Eurobarometer data. More precisely, we use a set of items that was included on a regular basis in Eurobarometer surveys between 1989 and 2011: the preferred level for decision-making in a number of different policy domains.³ Data for the years 1989 to 2002 come from the Mannheim Eurobarometer trend file ([Schmitt & Scholz, 2005](#)). We updated this dataset to 2011

¹A list of all policies that were part of a Eurobarometer survey in four or more consecutive years is presented in Table A.3 in the Appendix.

²Our dataset includes the following countries: AT, FR, BE, NL, DE, DK, ES, FI, IE, IT, LU, GR, PT, SE and UK.

³The exact question wording is: "For each of the following areas, do you think that decisions should be made by the (NATIONALITY) government or made jointly within the European Union?"

Figure 1: Policy Integration Depth in Four Selected Policies (1989-2011)



Note: The plots illustrate the development of vertical policy integration in four selected policies across the EU-15. The scale ranges from 0 (no EU-level policy coordination) to 1 (supranational centralization). Source: Own measurement based on (Leuffen et al., 2013; Schimmelfennig & Winzen, 2014).

with more recent rounds of the Eurobarometer survey.⁴ From then on, the question on policy integration was modified and the amount of queried policy domains substantially reduced to five which prohibits a comparison with the prior measures. The kinds of policy domains included in different rounds of Eurobarometer studies are also subject to substantial fluctuation between 1989 and 2011. Only for three policy domains – health and social welfare, protection of the environment and defense policy – data is available for each year. We generate an aggregate measure of integration support for each policy in each country for each year. This measure captures the average support among a country’s population in a given year for the integration of a policy to the European level.⁵

⁴EB 60.1 (2003), EB 62.0 (2004), EB 64.2 (2005) EB 66.1(2006), EB 67.2 (2007), EB 69.2 (2008), EB 70.1 (2008), EB 73.4 (2010), EB 76.3 (2011). In 2009, the policy integration question was not included in any of the three surveys conducted.

⁵We decided to include the “don’t know” answers in our measure and code them as 0 (EU-level=1). We assume that respondents choosing the “don’t know” category do not have a strong preference for either the European or the national level. Coding them as 0 thus yields a more conservative measure of support for policy integration.

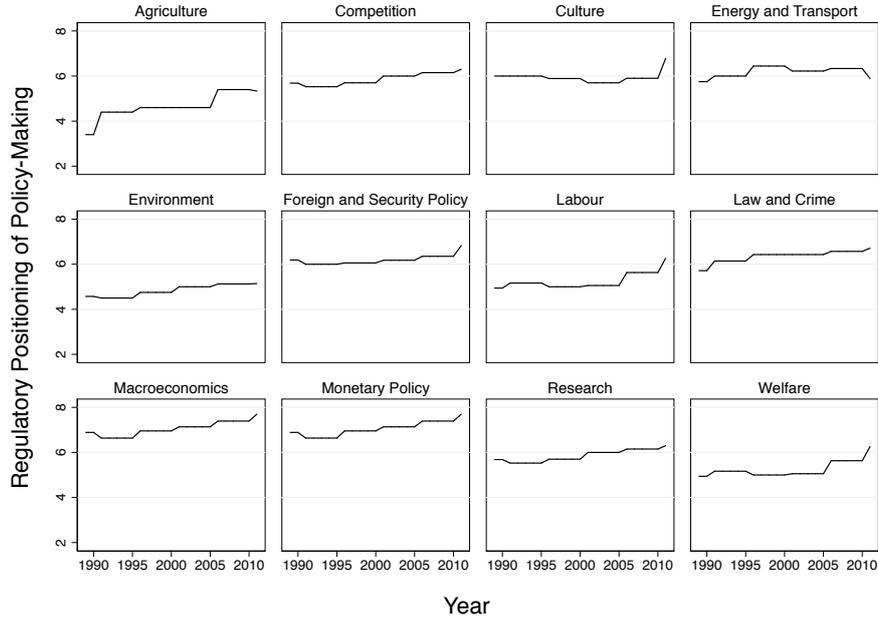
Regulatory Policy: To measure whether EU decision-making in a certain policy domain is of more or less regulatory nature, we rely on a new dataset collected by [Nanou et al. \(2017\)](#). The authors conducted a survey of 245 experts on European integration from different countries. Among other things, the experts had to make a longitudinal assessment of the ideological leaning of nine different policy domains.⁶ Each expert was asked on the one of these nine broad policy domains which best fits her or his expertise. The experts were asked to position decision-making at the European level in their chosen policy domain either on a left-right scale or on a “new politics” (libertarian-authoritarian) scale (both ranging from 0 to 10) for different years. A clear majority of the experts (65%) chose to position decision-making in their policy domain on a left-right scale. During the survey, the experts were asked the following question:

“Overall, would you say that the majority of EU-level legislation in the selected policy area can be described as leaning ideologically: [strongly to the left–strongly to the right]? (Left-leaning policies usually favour greater regulation, government intervention in the economy and more extensive welfare provision; right-leaning policies usually favour less government intervention, less regulation and a smaller welfare state.)” ([Nanou et al., 2017](#), Supplemental Material: Questionnaire)

Experts were asked to evaluate the ideological leaning of decision-making in a policy area for different years. We thus use the average of the expert ratings on the left-right scale for each policy and each year as a proxy for whether decision-making is of a more or less regulatory nature – assuming that policies considered “left” by the experts are more regulatory and policies considered “right” less regulatory. [Figure 2](#) shows the expert assessment of the experts over time. The left-right placement coincides with the classification of policies into more and less regulatory by the studies cited in the theoretical section. While for example agriculture involves a great deal of regulation, macroeconomic policy is predominantly less regulatory.

⁶Corresponding to the nine main policy domains of the Council of the EU.

Figure 2: Regulatory Positioning of Policy-Making at the European Level



Note: The plots illustrate the development of the regulatory positioning of policy-making at the European level in twelve policy fields. The scale ranges from 0 (more regulatory) to 1 (less regulatory). Source: Nanou et al. (2017).

Country-Level Explanations: In addition, we include several other variables that might covary with policy integration depth at the European level. We distinguish between two different kinds of control variables that operate at the country-year or the country level: Political and economic national context. First, the variable “EU mood” indicates national yearly averages of respondents’ beliefs that EU membership is a good thing. The membership question was a standard question in Eurobarometer surveys from 1973 until 2011. We also include an indicator that distinguishes between founding and acceding members of the EU. Second, we include variables to account for the economic situation of a country: national debt, unemployment rate, and growth of the gross domestic product (GDP). Moreover, we included the ideological composition of the government in order to control whether the correlation between regulatory policies and policy integration is spurious. One might be concerned that the correlation between regulatory policies and policy integration hinges on the ideological position of the government. For instance, left governments might prefer the joint decision-making in policy domains in which decision-making is more regulatory and vice versa. We rely on the Comparative Political Dataset

for this data (Armingeon et al., 2013).

Methodological Approach: To test the influence of policy attributes on the policy integration depth empirically, we need to consider the special structure of the data set. The observations in our data set are not independent from one another, but nested in different groups. First, policy domains are clustered into different years for which we observe different levels of European integration. Since the integration process is organized centrally at the European level, the extent of integration is highly dependent on the year and therefore subject to the same integration chances and pressures. Second, the policy domains are nested in different countries. A policy's integration depth at the European level at time t for a given country will be a function of the same policy's integration depth at time $t - n$ for the same country due to path dependency (Pierson, 1996). Finally, the observations which belong to the same policy domain are influenced by the same policy attributes. Our data set is thus hierarchically structured, as policy domains are clustered into years and countries. According to Steenbergen & Jones (2002, 219-220), ignoring the clustering of the data structure could lead to biased standard errors that would overestimate the significance of effects. Since the hierarchy of our two levels is unclear, we use a cross-classified multilevel regression model that accounts for the clustering in the analysis of the data. We estimate linear regression models, as the dependent variable is continuous.

4 Public Preferences, Regulatory Policies, and Policy Integration

Above, we have argued that a policy's integration depth at the European level for a specific country in a given year is (partly) a function of two policy characteristics. The first one is national constituencies' preferences for a policy's integration. These preferences – we argue – are taken into account by national governments who bring them to the European negotiation tables. Here, the second policy characteristic – whether a policy domain is of a

more or less regulatory nature – comes into play. We argue that national governments are less reluctant to engage in joint decision-making in less regulatory areas, because they are less concerned with an encroachment of their oversight authorities through independent regulatory agencies.

Table 1 shows the result of the cross-classified regression model. Model 1 presents the results for the public preferences hypothesis (H_1), while Model 2 reports the findings for the regulatory state hypothesis (H_2). Model 3 then simultaneously includes both variables – regulatory policies and integration support. Our models suggest that policy characteristics are indeed linked to the extent of European integration in a specific policy field for a given country and we find support for both hypotheses. Higher support of citizens for policy integration at time $t - 1$ is associated with higher de facto policy integration at time t – providing support for hypotheses H_1 . The integration level of a policy domain increases by 15 percentage points when public support for the integration of decision-making at the European level in the same policy domain changes from its minimum (0.06) to its maximum (0.88). Furthermore, the less regulatory a policy, the more likely this policy is to be integrated at the European level. A change from the most to the least regulatory policy is associated with 50 percentage point increase of a policy’s integration depth. These results remain robust when we include both variables in the same model (Model 3). This supports the intergovernmentalist rationale presented above. National governments seem to take their constituencies’ preferences for policy integration depth into account when negotiating further integration steps. Yet, they are also careful to prevent policy integration in domains that are more regulatory.

With respect to the alternative explanations, our analysis suggests that only GDP growth is significantly linked to policy integration. The extent of policy integration is smaller for countries with strong positive GDP growth compared to countries with a strong negative GDP growth. This finding is in line with findings from [Bechtel et al. \(2017\)](#) who argue that there more well-off countries are more critical of European integration in general due to the fear of having to share their wealth with poorer member states. However, the substantive effects of GDP growth are not large. An increase in

Table 1: Public Preferences, Regulatory Policies and Policy Integration

	Public Preferences (1)	Regulatory Policies (2)	Full Model (3)
Policy integration t_{-1}	0.780*** (0.011)	0.815*** (0.010)	0.761*** (0.012)
Integration support t_{-1}	0.037** (0.012)		0.046** (0.014)
Regulatory policies t_{-1}		-0.132*** (0.020)	-0.142*** (0.027)
Left government t_{-1}	-0.003 (0.023)	-0.005 (0.023)	-0.005 (0.026)
Right government t_{-1}	0.003 (0.019)	0.010 (0.019)	-0.000 (0.021)
EU mood	-0.016 (0.012)	-0.046*** (0.013)	-0.016 (0.014)
Founding member	-0.014 (0.033)	0.024 (0.041)	-0.016 (0.038)
Debt	0.024 (0.013)	0.039** (0.014)	0.029 (0.015)
Unemployment	0.014 (0.011)	0.014 (0.011)	0.023 (0.012)
Real GDP growth	-0.056*** (0.008)	-0.045*** (0.008)	-0.057*** (0.009)
Left government \times Regulatory policies t_{-1}			0.022 (0.021)
Right government \times Regulatory policies t_{-1}			0.001 (0.019)
Intercept	0.081 (0.050)	0.044 (0.059)	0.096 (0.072)
N	2571	3384	2289
Log. Likelihood	-756.26	-1377.55	-786.50
Wald chi2	5655.38	8419.46	5030.25
p > chi2	0.000	0.000	0.000

Note: Results are from a cross-classified multilevel random effects model. Standardized regression coefficients shown with robust standard errors. Reference category for left and right government: Center government.* $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$.

GDP growth of 1% is associated with a decrease in the integration of a policy by only around 0.6 percentage points, *ceteris paribus*. In addition, Model 1 suggests that a more positive attitude towards the European Union has a negative effect on policy integration. This effect becomes insignificant when we include public support for policy integration in the model, however. Although the fact that European mood is negatively and not positively related to a policy's integration depth seems contradictory at first, we have to pay attention to the general development of the European mood in the EU. [Hakhverdian et al. \(2013\)](#) show that the level of euroskepticism has significantly risen since the 1970s. At the same time, most policy domains are much more integrated than they used to be ([Börzel, 2005](#); [Leuffen et al., 2013](#)). There is thus an increasing divergence between the public attitude towards the EU and European integration. In addition, the fact that we find the expected relation between policy integration support and a policy's integration depth but not between EU mood and policy integration depth is a further indication that we need to take policy differences seriously and that we need to continue to find ways to empirically operationalize them. Finally, the model shows that government ideology is not associated with policy integration depth. Both the direct effect of government's ideological leaning as well as an interaction effect with regulatory policies are not significant. This suggests that – independent of their ideological position – governments favor the integration of less regulatory policies over the integration of more regulatory policies.

The finding that more regulatory policy domains are less integrated at the European level goes against the original argument made by [Majone \(1994\)](#). On the one hand, this might be the case since it is easier to agree to a “laissez-faire” position than to find a common ground on how to regulate something. Given the strength of sectoral and private interests' influence in European policy-making, it is not entirely surprising that less regulatory policies are more integrated ([Schmidt, 2006](#)). On the other hand, [Ennser-Jedenastik \(2016\)](#) suggest that the creation of independent regulatory agencies is also dependent on the preferences of governments even though there has clearly been an overall trend towards their establishment. Since more policy integration will likely be followed by the delegation of power to regulatory agencies, governments prefer to integrate less regulatory policy

domains, which are less likely to be controlled by an independent regulatory agency. Moreover, business interests have been and are still important in the predominantly economic European integration project (cf. [De Bruycker, 2017](#)). International companies have no interest in national regulations, which make their business more complicated. At the same time, they also do not have an interest in international regulations, since the latter might be constraining. The ideal outcome for them is less regulation, because it puts the least constraints on their activities while at the same time allowing them to pursue their activities across borders. State actors might thus also be under pressure from international companies to promote the integration of less regulatory policies and to keep more regulatory measures at the national level.

5 Conclusion

How is the rise of the regulatory state connected to European integration? In this study, we have taken up [Majone's \(1994\)](#) argument that regulation is related to European integration. Based in intergovernmentalist reasoning, we have argued that two arenas are important for whether a policy is more or less integrated at the European level, the national and the international one. We have presented a unique data set combining different measures and taking advantage of a prevalent feature of European integration, namely that the level of policy centralization substantively varies across policy domains and member states. The empirical analysis shows that mass publics' preferences for authority transfers are positively linked to a policy's integration depth – suggesting that national governments take these preferences into account when negotiating the integration of a policy to the European level. For these negotiations, it seems to be important whether a policy is of a more or less regulatory nature for its integration depth. Less regulatory policy domains are more deeply integrated at the European level.

Our study makes three important contributions. First, our study has important implications for the relationship between the the regulatory state and European integration. Our findings concern [Majone's \(1994\)](#) famous argument on the regulatory state and Euro-

pean integration. However, they suggest that rather than in regulatory policies, member states prefer integration in less regulatory policy domains. Since regulation is obviously relevant for European integration, we might expect that particularly the development of more regulatory activities on the European level also furthers the calls for disintegration. However, several scholars argue that even in the wake of Brexit the regulatory unbundling of the European Union and the UK will only slowly evolve ([Armstrong, 2018](#)). Since many governments observe the problematic dealignment of Britain from the EU, we might anticipate that the European integration process might end or at least slow down drastically in the near future but that it will not do so in all policy domains. Differentiated integration is here to stay and likely to intensify in the foreseeable future.

Second, our study contributes to the ongoing research on differentiated integration. By putting policy domains at the center of our analysis, we propose a theoretical framework for the investigation of the European integration process. At a time of Brexit, our policy-centered approach demonstrates that the European integration process is not a one-way street. The EU is witnessing disintegration not only in cases of withdrawal, but also in specific policy fields – even if such differentiation might be only temporary. Previous studies have shown that instrumental differentiation mostly results from accession negotiations between the EU and candidate states, but it may also arise from new treaty rounds ([Schimmelfennig & Winzen, 2014, 2017](#)).

Third, while existing work focuses on national and economic characteristics to explain European integration, our study broadens the scope and shows that the policy characteristics are important for understanding the European integration process. Policy characteristics such as mass publics' integration preferences or the extent to which decision-making in a policy domain is of a regulatory nature affect how political actors perceive and deal with policy domains.

Obviously, this study also has important limitations. First, we measure regulatory policies with a measurement that grasps the ideological leaning of a policy, which is certainly far from perfect. However, only little data is available that allows a comparative analysis across different policies and countries ([Holzinger & Schimmelfennig, 2012](#)). As a

consequence, we need more empirical work and empirical studies to understand the relationship between the characteristics of a policy and the decision to delegate this policy to the European Union. On the other hand, even though our results are quite robust, the available data has many gaps that might lead to a biased picture of the regulatory state in Europe. We are aware that we have only investigated a certain period of time and have only focused on specific countries, which is why we have to be careful in drawing more general conclusions. Nevertheless, we are convinced that this analysis is a first step towards empirically analyzing the relationship between European integration and regulation across policies and that other scholars should use a more policy-centered framework to further develop research on the regulatory state.

This article offers an empirical contribution to understand the relationship between the regulatory state and differentiated European integration. We have shown possible ways in which this relationship could be empirically analyzed and, in particular, that there are other explanatory approaches than state and economic characteristics to make sense of the European integration process. Although this article provides valid empirical evidence, more research has to be done to understand how policy characteristics shape political institutions. This article provides a starting point for such research.

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6 Supporting Information

Table A.1: Measurement of Vertical Integration of European States in a Policy

Level	Coordination	Delegation	Pooling
0	No EU-level policy coordination	None	None
1	Intergovernmental coordination	None	None
2	Intergovernmental cooperation	Minimal	None
3	Joint decision-making I	"Community method"	Limited pooling
4	Joint decision-making II	"Community method"	Pooling
5	Supranational centralization	Full delegation to supranational bodies	

Source: Leuffen et al. (2013, 13)

Table A.2: Measurement of Net Policy Integration (Great Britain, Criminal/Domestic Security)

Year	Policy Integration	Differentiations	Malus	Net Integration
1989	0.0			0.0
1990	0.0			0.0
1991	0.0			0.0
1992	0.0			0.0
1993	0.2			0.2
1994	0.2			0.2
1995	0.2	Schengen (1), Schengen (31), Schengen (143)	0.6	0.0
1996	0.2	Schengen (1), Schengen (31), Schengen (143)	0.6	0.0
1997	0.2	Schengen (1), Schengen (31), Schengen (143)	0.6	0.0
1998	0.2	Schengen (1), Schengen (31), Schengen (143)	0.6	0.0
1999	0.4	Schengen (1), Schengen (31), Schengen (143)	0.6	0.0
2000	0.4	Schengen (31), Schengen (143)	0.4	0.0
2001	0.4	Schengen (31), Schengen (143)	0.4	0.0
2002	0.4	Schengen (31), Schengen (143)	0.4	0.0
2003	0.6	Schengen (31), Schengen (143)	0.4	0.2
2004	0.6	Schengen (31), Schengen (143)	0.4	0.2
2005	0.6	Schengen (31)	0.2	0.4
2006	0.6	Schengen (31), Pruem (30), Pruem (22)	0.6	0.0
2007	0.6	Schengen (31), Pruem (30), Pruem (22)	0.6	0.0
2008	0.6	Schengen (31), Pruem (22)	0.4	0.2
2010	0.8	Schengen (31), Pruem (22)	0.4	0.4
2011	0.8	Schengen (31), Pruem (22)	0.4	0.4

Note: Number of articles affected by differentiations in parentheses; 0.2 Malus per differentiations; Netto integration cannot decrease under 0.

Table A.3: Overview of Selected Policies

Policy	Data				Coverage Period
	Vertical Integration (Leuffen et al., 2013)	Differentiation (Schimmelfennig & Winzen, 2014)	Eurobarometer (Schmitt & Scholz, 2005) add.	EU Competencies Index (Nanou et al., 2017)	
Environment	Environment/ Consumer Protection		Protection of the Environment	Environment	1989-2011 ($\Delta 22$)
Foreign and Security Policy	Political External Relations	Foreign and Security Policy	Defense Policy	Foreign and Security Policy	1989-2011 ($\Delta 22$)
			Foreign Policy (Outside EU)		1989-2004 ($\Delta 16$)
			Cooperation with Developing Countries		1989-1998 ($\Delta 10$)
Welfare	Welfare	Social Policy	Health and Social Welfare	Employment, Social Policy, Health and Consumer Affairs	1989-2011 ($\Delta 22$)
Research	Research and Development		Scientific and Technological Research	Competitiveness	1989-2010 ($\Delta 21$)
Labour	Labour		Unemployment	Employment, Social Policy, Health and Consumer Affairs	1992-2011 ($\Delta 20$)
Law and Crime	Criminal/Domestic Security	Schengen/Prüm	Immigration	Justice and Home Affairs	1992-2011 ($\Delta 20$)
			Political Asylum		1992-2004 ($\Delta 13$)
			Fight Against Drugs		1993-2003 ($\Delta 11$)
			Fighting International Terrorism		2003-2011 ($\Delta 8$)
			Fighting Organized Crime		2005-2010 ($\Delta 6$)
Monetary Policy	Monetary Policy	Economic and Monetary Union	Currency	Economic and Financial Affairs	1989-2004 ($\Delta 16$)
Culture	Culture	Cultural Policy	Culture	Education, Youth and Culture	1992-2004 ($\Delta 13$)
Tax	Tax	Taxation	Value Added Tax Taxation	Economic and Financial Affairs	1989-1998 ($\Delta 10$) 2005-2011 ($\Delta 5$)
Competition	Competition and Industry	Competition	Industrial Policy Competition Policy	Competitiveness	1992-1995 ($\Delta 4$) 2005-2010 ($\Delta 6$)
Agriculture	Agriculture	Agriculture	Agriculture/ Fishing	Agriculture and Fisheries	2004-2011 ($\Delta 8$)
Energy and Transport	Energy and Transport		Energy	Transport, Telecommunications, and Energy	2005-2010 ($\Delta 6$)
Macro-economics	Macroeconomic Policy and Employment	Free Market (Goods, Capital, and Workers)	Economic Policy	Economic and Financial Affairs	2007-2010 ($\Delta 3$)

Note: Policies are ordered by coverage period. Coverage periods vary due to variation/termination of survey items in Eurobarometer.