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Phedon Nicolaides\*

## A Model of Europeanisation with and without Convergence

There is a general consensus that member state interaction within the EU system will lead to convergence and an overall improvement of domestic policies and administrative systems. This article poses that non-convergence is also possible and develops a model of Europeanisation that explains both convergence and non-convergence. It also identifies the circumstances under which member states could spread negative policies to other member states, leading to convergence to the bottom.

The member states of the European Union have to adjust their legislation, policies and public administration structures and procedures to comply with the requirements of EU law and to function more effectively within the EU framework. The literature on Europeanisation examines how the EU impacts national systems and how member states shape European rules and institutions according to their own preferences and practices.

One of the main questions in the literature is whether national policies and systems lead to convergence. There is now broad consensus that convergence does occur; however, it does so without leading to harmonisation. Kaeding<sup>1</sup> finds that at least there is no divergence.

A number of reasons have been proposed in the literature to explain convergence. Compulsion represents one extreme on the range of explanations. The EU forces member states to change. Non-compliance is punishable. Voluntary adaptation is the other extreme. Member states learn from each other's experiences. Between these extremes, it is presumed that there is a process of "socialisation" or "normalisation", whereby the national officials involved in the EU policy and decision-making machinery develop their own unique "culture" which then spreads to national policies and practices.

These reasons are indeed plausible. However, as Kaeding<sup>2</sup> observes, the literature is "mostly atheoretical". For this reason, the purpose of this short paper is to construct a simple model of Europeanisation and consider its implications. It explains both convergence and non-convergence

and the domestic policy improvements that may be the consequence of adapting to EU rules. It also takes into account the possible influence of policies of other member states.

The model developed here leads to the following propositions:

- Whether Europeanisation results in domestic change depends on the pre-existing policy values and the institutional setting.
- Convergence occurs only when the Europeanisation process can shift domestic policy constraints.
- The degree of tolerance for non-compliance is as important as the severity of punishment for non-compliance.
- Non-convergence occurs when the domestic political benefits to the government are greater than EU sanctions.
- Convergence is associated with policy/institutional improvement whenever it can shift domestic policy constraints.
- Negative influences from other member states may be more powerful in settings where governments act selfishly to maximise their narrow interests.

Under these conditions, convergence to the bottom may be more likely than convergence to the top.

The paper starts with a review of the literature and the various explanations for convergence and non-convergence and how convergence occurs. It also examines the possible reasons why convergence may lead to domestic policy

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1 M. Kaeding: Administrative Convergence Actually, in: Journal of European Integration, Vol. 29, No. 4, 2007, pp. 425-445.

2 Ibid., p. 428.

improvement. The paper then develops a model that can explain both convergence and non-convergence and the impact of each on domestic policies. In this respect, it fills a number of gaps and puzzles in the literature.

### Europeanisation: How Much Convergence and How Does It Occur?

The literature on Europeanisation is large and growing. A fairly comprehensive overview is provided by Graziano and Vink<sup>3</sup> and Sepos.<sup>4</sup> Some authors such as Lawton<sup>5</sup> define Europeanisation very widely. They regard it as the transfer of national sovereignty to the EU level or the sharing of power between member states and the EU. As Radaelli<sup>6</sup> observes, Europeanisation is “identified with the emergence of EU competencies and the pooling of power.” Green Cowles et al.<sup>7</sup> define Europeanisation as the “emergence and development at the European level of distinct structures of governance, that is, of political, legal, and social institutions associated with political problem-solving that formalize interactions among the actors, and of policy networks specializing in the creation of authoritative rules.” Put more simply by Schimmelfennig and Sedelmeier,<sup>8</sup> Europeanisation is “a process in which states adopt EU rules”.

Other authors such as Börzel<sup>9</sup> adopt a different perspective and examine what happens after member states transfer sovereignty to the EU and vest EU institutions with their powers. Börzel defines Europeanisation as a “process by which domestic policy areas become increasingly subject to European policy-making”. In this conception, Europeanisation is a new source of major influence on domestic politics and policies. EU membership entails that domestic issues are shaped and constrained by EU laws and rules. In the same

vein, Ladrech<sup>10</sup> proposes that Europeanisation is an “incremental process re-orienting the direction and shape of politics to the degree that EC political and economic dynamics become part of the organizational logic of national politics and policy-making.”

Heritier et al.,<sup>11</sup> Mastenbroek and Kaeding,<sup>12</sup> Kaeding<sup>13</sup> and Sepos<sup>14</sup> examine the impact of the EU on domestic political processes. A number of authors such as Harcourt<sup>15</sup> and Kaeding<sup>16</sup> observe convergence. However, other authors such as Heritier and Knill<sup>17</sup> report surprise that significant national differences still remain. Nonetheless, the very concept of Europeanisation implies that at least there is the expectation that the impact of the EU is such that domestic policies and processes change.

Indeed, one of the principal questions that has been posed in the literature is whether the changes caused by EU membership would or should lead to harmonisation or merely to convergence. Harmonisation implies uniformity across member states, while convergence is the reduction of national differences.

Although the idea of harmonisation is plausible with respect to policies, it is more doubtful with respect to policy processes and the institutions responsible for policy implementation. Given the fact that the EU has no general competence over how member states organise their internal policy-making processes and public administrations, it would be unrealistic to expect that the EU and its rules would lead to harmonisation within member states. EU law may apply in equal force in all member states without requiring corresponding uniformity in, for example, the administrative systems that apply it. In addition, no theory has been advanced in the literature purporting to show that the optimum application of the same rules must necessarily be achieved through identical procedures and institutional structures.

3 P. Graziano, M. Vink: *Europeanization: New Research Agendas*, London 2006.

4 A. Sepos: *The Europeanisation of Cyprus*, Palgrave Macmillan, Basingstoke 2008.

5 T. Lawton: *Governing the Skies: Conditions for the Europeanisation of Airline Policy*, in: *Journal of Public Policy*, Vol. 19, No. 1, 1999, pp. 91-112.

6 C. M. Radaelli: *Policy transfer in the European Union*, in: *Governance*, Vol. 13, No. 1, 2000, pp. 25-43.

7 M. Green Cowles: *The TABD and Domestic Business-Government Relations: Challenge and Opportunity*, in: M. Green Cowles et al. (eds.): *Transforming Europe: Europeanization and Domestic Change*, Ithaca 2000, Cornell University Press, pp. 159-179.

8 F. Schimmelfennig, U. Sedelmeier: *The Europeanisation of Central and Eastern Europe*, Ithaca 2005, Cornell University Press.

9 T. Börzel: *Towards Convergence in Europe? Institutional Adaptation to Europeanization in Germany and Spain*, in: *Journal of Common Market Studies*, Vol. 39, No. 4, 1999, pp. 573-96.

10 R. Ladrech: *Europeanization of Domestic Politics and Institutions*, in: *Journal of Common Market Studies*, Vol. 32, No. 1, 1994, pp. 69-88.

11 A. Heritier, C. Knill: *Differential Responses to European Policies: A Comparison*, Max-Planck Project Group Preprint, No. 7, 2000. Available at SSRN: <http://ssrn.com/abstract=270273>.

12 E. Mastenbroek, M. Kaeding: *Europeanization beyond the Goodness of Fit: Domestic Politics in the Forefront*, in: *Comparative European Politics*, Vol. 4, 2006, pp. 331-354.

13 M. Kaeding, *op. cit.*, pp. 425-445.

14 A. Sepos, *op. cit.*

15 A. J. Harcourt: *European Institutions and the Media Industry: European Regulatory Politics between Pressure and Pluralism*, Ph.D. Dissertation, Department of Government, University of Manchester, Manchester 2000.

16 M. Kaeding, *op. cit.*

17 A. Heritier, C. Knill, *op. cit.*

Page and Wouters,<sup>18</sup> Rometsch and Wessels,<sup>19</sup> Knill,<sup>20</sup> Laegreid et al.,<sup>21</sup> Demmke,<sup>22</sup> Bugarič<sup>23</sup> and Kaeding<sup>24</sup> have all observed increasing similarities in the member states' systems of public administration which go beyond legal requirements.

The impact of EU membership on public policies and public administrations has been deeper and more extensive in the new member states. Not only did they have to adopt a larger body of EU law with more obligations and tasks for the national public administrations, but many of them also had to simultaneously make the transition from communism to market-based economies. See, for example, Bossaert and Demmke,<sup>25</sup> Bugarič<sup>26</sup> and Matei and Iancu.<sup>27</sup> See also Vassiliou<sup>28</sup> for an extensive and detailed review of the changes in all the new member states.

In addition, the old member states assisted the then prospective new member states in their preparation for accession to the EU by sending "twinning advisors", who offered guidance on policy reform and administrative modernisation. Naturally, the guidance they offered was based on their own experience in policymaking and in working within the administrative systems of their home countries. In view of the urgent need at the time to adopt market-based policies and to build reliable public administration systems in order to be allowed to enter the EU, prospective member states had little hesitation or choice but to adopt

what appeared to work well in other countries, irrespective of whether it was actually required by the EU.

With respect to how Europeanisation occurs, Radaelli<sup>29</sup> and Kassim<sup>30</sup> identify three broad mechanisms: coercion, mimetism and normative pressures or socialisation. Coercion occurs when the EU mandates certain changes. Mimetism means that member states voluntarily adopt best practices from other member states. Normative pressure or socialisation is a variation of the other two concepts. It is neither formally mandatory, nor entirely voluntary. National officials interacting at the European level develop their own "culture" which spreads to national policies and practices.

Sepos<sup>31</sup> provides an extensive review of the different channels of Europeanisation which appear in the literature. In general, most authors he cites perceive Europeanisation to be a process which mixes the formal requirements of EU membership with intelligent adaptation and strategic positioning by the member states as they attempt to exploit the various opportunities of EU membership.

The typology developed by Sepos<sup>32</sup> includes, in addition to the three mechanisms identified by Radaelli and Kassim above, the following: benchmarking, legislative and institutional templates, technical assistance, twinning and social learning.

All authors recognise that the most potent form of Europeanisation is the formal requirements of EU membership. If policy measures or the establishment of institutions or procedures are mandated or imposed by EU law, then the policies and administrative systems of member states converge because they become more similar.

Most authors also agree that member states act intelligently to exploit the opportunities of membership. To the extent that such intelligent behaviour results in similar strategies, this represents another source of policy and administrative convergence. This means that member states voluntarily and autonomously establish institutions and procedures which are not required by EU law. They do so because the new measures and institutions or procedures improve their performance (i) within the EU and its decision-making processes, (ii) at home in complying more quickly and/or more adequately with EU law, (iii) in improving domestic policies and (iv) in absorbing EU funds

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- 18 E. C. Page, L. Wouters: *The Europeanization of National Bureaucracies?*, in: J. Pierre (ed.): *Bureaucracy in the Modern State. An Introduction to Comparative Public Administration*, Aldershot 1995, Edward Elgar, pp. 185-204.
- 19 D. Rometsch, W. Wessels: *The European Union and member states: Towards institutional fusion?*, Manchester 1996, Manchester University Press.
- 20 C. Knill: *The Europeanisation of National Administrations*, Cambridge 2001, Cambridge University Press.
- 21 P. Laegreid et al: *Europeanization of Central Government Administration in the Nordic States*, in: *Journal of Common Market Studies*, Vol. 42, No. 2, 2004, pp. 347-369.
- 22 C. Demmke: *European Civil Services between Tradition and Reform*, EIPA, Maastricht 2004.
- 23 B. Bugarič: *The Europeanisation of National Administration in Central and Eastern Europe: Creating Formal Structures Without Substance?*, in: W. Sadurski, J. Ziller, K. Zurek: *Apres Enlargement – Legal and Political Responses in Central and Eastern Europe*, Chapter 11, Robert Schuman Centre for Advanced Studies, European University Institute, 2006, pp. 201-230.
- 24 M. Kaeding, op. cit.
- 25 D. Bossaert, C. Demmke: *Civil Services in the Accession States: New Trends and the Impact of the Integration Process*, EIPA, Maastricht 2003.
- 26 B. Bugarič, op.cit.
- 27 L. Matei, D.C. Iancu: *Theoretical Delimitations: The Europeanization of Public Administration and its Institutional Levers*, in: L. Matei, D. C. Iancu: *Romania's Integration in the European Union: Opportunities & Challenges*, retrieved on 1 September 2009 from: <http://citeseerx.ist.psu.edu/viewdoc/download?doi=10.1.1.120.7925&rep=rep1&type=pdf#page=93>, pp. 93-110.
- 28 G. Vassiliou: *The Accession Story: The EU from Fifteen to Twenty-Five Countries*, Oxford 2007, Oxford University Press.

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29 C. M. Radaelli, op. cit.

30 H. Kassim: *Meeting the Demands of EU Membership*, in: K. Featherstone, C. Radaelli: *The Politics of Europeanisation*, Oxford 2003, Oxford University Press.

31 A. Sepos, op. cit.

32 Ibid.

and exploiting opportunities for trade and investment. It follows that Europeanisation occurs both through mandatory compliance and voluntary adaptation.

### Europeanisation: How Much Policy Improvement?

A question that has not received much attention in the literature is whether different member states consciously choose different policies, different institutional approaches and different strategies in order to more effectively exploit different national political, economic and social strengths. Since member states are not identical and since they start with distinct institutional “endowments”, it is plausible that they would adopt different strategies even if their ultimate goal (to function properly within the EU) is broadly the same.

The possibility that the same motives may lead to different strategies and approaches should not be dismissed lightly. Theories of Europeanisation are predicated on the assumption that member states act rationally or at least that policy and institutional change and adaptation are the results of intentional action. It is believed that what is observed is the outcome of intelligent design.

But differences across member states may also be the result of policy failure. Hardly any author has considered the possibility that policy and institutional differences may be caused by policy or institutional weakness or inability to effect change. This does not mean that the literature has ignored how domestic conditions shape domestic policy processes. On the contrary, many authors have used domestic factors as explanatory variables. But this is different from explicitly postulating that member states start from a sub-optimum position before the process of Europeanisation begins. The problem is that because the literature is mostly “atheoretical”, it cannot evaluate whether observed change or non-change is a desirable outcome or not.

This is not a trivial issue. If some differences across member states can be explained by institutional inefficiencies, it is also possible that accession to the EU may reduce those inefficiencies. This may happen, for example, for any of the following reasons:

- The main purpose of the EU is to establish a common market without any barriers. This is consistent with policies which are more likely to be closer to the theoretical optimum.
- Intergovernmental processes of surveillance and assistance make member states more accountable and force them to “justify” their policies.

- Peer reviews and exchanges within EU networks lead to learning from the experience of other member states and in effect create benchmarks for the comparison of policy and administrative performance.
- Related to the point above, the European Central Bank, various agencies and the EU itself – and in particular the Commission – undertake studies and evaluate many different policies and their application in the member states. Only a handful of member states have the resources to undertake so many or such diverse studies. To the extent that member states participate more actively in these studies as EU members rather than as non-members, they may also benefit more extensively.
- The establishment of domestic procedures for coordinating the positions of various national actors within the decision-making machinery in Brussels may spill over into issues unrelated to the EU, which would lead to improved domestic policy coordination in general.

All of these are fairly plausible illustrations of how membership in the EU contributes to improvements in domestic policies and in the functioning of public administration. However, we must also consider the possibility that EU membership may increase both institutional and policy inefficiencies.

Indeed, there is some evidence that some EU rules increase bureaucracy because in some cases they contain too much detail.<sup>33</sup> The excessive amount of detail is probably the result of the negotiations between the member states during the legislative process whereby they seek to introduce as many of their national features and preferences into EU law as possible.

Some EU rules become bureaucratic and a burden for business because, as the Commission itself has acknowledged, they become outdated (European Commission<sup>34</sup>). The Commission has sought to eliminate unnecessary rules of this type.

The process of adopting new EU rules can also be cumbersome and protracted. For some legislative proposals, negotiations within working parties and in the Council may take years. This surely contributes to a waste of administrative resources.

<sup>33</sup> See, for example, European Commission: Communication on “A Simplified Business Environment for Companies in the Areas of Company Law, Accounting and Auditing”, COM, 2007, 0394.

<sup>34</sup> Ibid.



There is also both theoretical and practical evidence that adoption of common policies at the EU level forces member states to deviate from their preferred policy targets and pursue objectives which are sub-optimal for their specific national conditions.<sup>35</sup>

It is difficult, however, to find strong evidence that EU membership can be a significant cause of inefficiencies within domestic policy processes and national public administrations. It is probably true that EU membership raises staffing requirements and travel costs because more officials are needed to participate in EU-related work, reports, committees and meetings. But these effects do not appear to be the dominant impact of the EU on national administrations.

In conclusion, for all the reasons explained above, within the literature it is expected that interaction within the EU system will lead not only to the convergence of policies and administrative practices but also to overall improvements. However, there are significant gaps in the literature. It appears to offer no answers to the following questions:

1. If the threat of sanctions induces compliance, why do some member states consistently break EU law? Nicolaidis and Suren<sup>36</sup> and Nicolaidis and Oberg<sup>37</sup> show that just five member states account for 50% of all infringement proceedings before the European Court of Justice. Moreover, the same member states are four times as likely to break EU rules as the group of best performing member states.
2. If a country is forced by the threat of sanctions to deviate from its pre-integration policy mix, does its welfare increase or decrease?
3. If countries learn from each other's experiences, do they learn from bad as well as good policies? In other words, if beneficial cross-border influence exists, is policy contagion also possible?

The model developed in the next section provides answers to these questions and suggests that the results are decisively influenced, sometimes in surprising ways, by the domestic conditions that exist at the start of the

Europeanisation process and by the policies of partner countries.

### A Model of Europeanisation I: The Significance of Domestic Conditions

Becoming a member of the European Union multiplies the number of factors that influence national policy processes and administrative systems. The preceding sections have reviewed the main conclusions drawn in the literature on Europeanisation. There is consensus that member states change and that change leads to some convergence. There is also the expectation that the quality of national policies and processes improves as a result of EU membership.

Even though these propositions (of convergence and improvement) are plausible and there is some evidence to corroborate them, it is still not fully explained in the literature why they should occur. For example, if member states are presumed to behave rationally, then their policies and systems before the Europeanisation process begins must also be presumed to be optimal for them in some way. Why then should they change? An easy answer is because the EU forces them to do so or because their information endowment increases as they learn about new policy and administrative methods from other member states. This is another way of saying that their policy costs change. But the question that has not been answered rigorously in the literature is why changes in these costs lead to convergence. How is convergence the outcome of rational behaviour?

The presumption of rational behaviour may lead to surprising results. Nicolaidis<sup>38</sup> has shown that countries that seek to maximise their own selfish interests may both agree to common policies and deviate from these policies after they have been adopted. They would behave just like companies forming a cartel. It may be in their interest to agree to establish a cartel, but once the cartel is formed, it may be rational for each one of them to cheat. So membership in the EU may generate dynamic effects which initially lead to convergence but which eventually result in divergence.

Alternatively, if member states are presumed to suffer from policymaking weaknesses and to be unable to formulate and implement socially optimal policies, then why would they change and adopt new policies and practices simply because they learn about other countries' experiences? Knowing what others do better does not neces-

35 Cf. P. Nicolaidis: The Political Economy of Multi-tiered Regulation in Europe, in: *Journal of Common Market Studies*, Vol. 42, No. 3, 2004, pp. 599-618; P. Nicolaidis: A Theory of Regulatory Integration, in: *Intereconomics*, Vol. 41, No. 1, 2006, pp. 37-43.

36 P. Nicolaidis, A.-M. Suren: The Rule of Law in the EU: What the Numbers Say, in: *Eipascope*, No. 1, 2007, pp. 33-39.

37 P. Nicolaidis, E. Oberg: The Compliance Problem in the European Union, in: *Eipascope*, No. 1, 2006, pp. 13-18.

38 P. Nicolaidis: The Political Economy of Multi-tiered Regulation in Europe, op. cit.; P. Nicolaidis: A Theory of Regulatory Integration, op. cit.

sarily mean it is in the interests of domestic politicians to initiate change.

It is therefore necessary to analyse more rigorously the changes which are postulated by the Europeanisation literature.

Assume that the government of a country knows how to maximise social benefits from any particular public policy. This is given by function  $B(X_i, \dots X_n)$  where "X" is a policy variable or a policy instrument.

Also assume that this function maps one-to-one into a function of electoral success. This means that the higher the value of B, the more popular the government, and the higher its chances of election or re-election. A selfish and rational government will then maximise B in order to gain or remain in power.

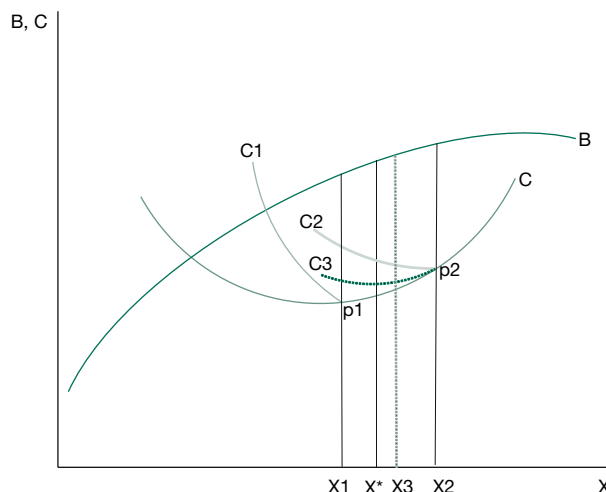
At the same time, however, any policy arouses opposition that harms the chances of electoral success. This represents the policymaking cost to the government. Assume that this cost is given by function  $C(X_i, \dots X_n)$  where "X" represents the same policy variables as above.

Under these conditions, the objective of this rationally acting government is to set policy variables in such a way as to maximise the chances of electoral success and minimise the related costs. In other words, it maximises the difference between B and C or  $(B(X) - C(X))$ . The optimum value of X or  $X^*$  is given by setting  $(dB/dX - dC/dX) = 0$  or  $dB/dX = dC/dX$ . If function B has the properties of a concave line, function C has the properties of a convex line and they overlap, then there is a unique value for  $X^*$ . This is shown in Figure 1 where the distance between B and C is maximised at  $X^*$ .

It is reasonable to assume that B is concave and C is convex. B is positively related to X but, due to decreasing returns to scale, B grows less steeply as X increases and may eventually peak at some high enough value of X. By contrast, for low values of X, C is pretty high because the government is not performing well. As X increases, C declines, but after a certain point it begins to rise again. This is because special interest groups organise themselves to oppose the policy, and at some point the political cost to the government imposed by opponents of the policy outweighs the benefits to the government of approval or support from the general public.

A concave function of B could, for example, look like  $B = aX - bX^2$ , while a convex function of C could, for exam-

Figure 1  
Benefits and Costs of Europeanisation I



ple, look like  $C = eX^2 - gX$ . Therefore, the optimum value of X is given by  $dB/dX - dC/dX = 0$ , or  $a - 2bX = 2eX - g$ , which means that the optimum value of X, or  $X^*$ , is  $X^* = (a + g)/2(b + e)$ .

Now, let's introduce the EU. Since its principal impact is that of enforcing compliance with its rules, assume that EU membership means that it becomes costlier not to implement this particular policy. In this context, not implementing means the government chooses low values of the policy variable X. This implies that the cost curve, C, becomes steeper below certain values of X. Figure 1 shows three possibilities, C1, C2 and C3. Five propositions can be derived.

Proposition 1: The government changes its behaviour and increases X from  $X^*$  to  $X_2$  or  $X_3$  (dotted line) only when its binding constraint, i.e. its cost curve, changes. In the figure, this does not happen when the costs added by the EU are as depicted by C1, which starts at point p1. It happens only when the costs added by the EU are as depicted by C2 or C3, both of which start at point p2. So whether or not EU membership brings about convergence depends on the level of this particular policy variable before the process of Europeanisation starts.

Proposition 2: The government may indeed learn from the experience of other member states, but this knowledge is irrelevant to its domestic policy choices because it does not attenuate its policy constraints. The newly acquired knowledge has no impact on the cost curve. Convergence occurs only when EU membership shifts domestic policy constraints.

Proposition 3: In the case where costs are C1, there is no change in behaviour and no convergence, even though C1 is significantly steeper than C2 or C3 and the consequences of non-compliance are more costly in the case of C1 than in the case of C2 or C3. At first sight this is a paradoxical result, but it can be explained as follows. Convergence occurs not only when the penalties for non-compliance are severe but also when there is little tolerance or margin for non-compliance. In the case of C1, there is more tolerance or margin for non-compliance because point p1 is at a lower value of X than in the case of C2 or C3, which join C at point p2. This suggests that convergence also depends on the extent or margin of deviations from the common rules or common positions that are tolerated by the EU.

Proposition 4: However, whether a government will infringe upon EU rules and wilfully bear the consequences of non-compliance or non-convergence also depends on the relative cost to the government. In the case shown by the cost curve C3, the government prefers to flout EU rules a little and choose X3 instead of X2 because X3 is more beneficial to it than X2. This is because the vertical distance between B and C3 at X3 is greater than the distance between B and C2 at X2. In mathematical terms, the government will prefer to move to the left of point p2 as long as  $dB/dX > dC3/dX$  (i.e. the slope of B is greater than the slope of C3). What this means is that the government will deviate from X2 as long as its marginal benefit exceeds its marginal cost. Here non-convergence is cheaper than convergence.

Proposition 5: The EU plays a useful role because, in addition to the other benefits that it generates for member states (e.g. elimination of foreign barriers to trade, closer cooperation, etc.), it forces governments to make better policy choices domestically. X2 and X3 generate higher social benefits than X\* because they push the government to make otherwise politically costly choices at the expense of entrenched special interests who can act against the government. This may not be in the narrow interests of the government, but it is in the wider interest of society. Here convergence is associated with domestic policy improvement.

### A Model of Europeanisation II: The Significance of Partner Country Policies

A strand in the Europeanisation literature looks at socialisation effects, i.e. how member states or partner countries influence each other. The term “socialisation” itself suggests that the influence is one of convergence. Partner countries develop behavioural and policy similarities. The emergence of such similarities is presumed to be benefi-

cial. Indeed, proposition 5 in the previous section postulates analogous effects.

Surprisingly, this literature by and large appears to ignore the possibility that partner countries may also exercise negative influences, whereby instead of spreading good or best practices, they spread bad practices. One might call this policy contagion.

How could partner countries exert negative influence? The answer is that it may happen as a result of a comparison of the performance of member states (demonstration effects) or because special interest groups join forces across borders (alliance effects). Let's consider the implications of such policy influence mechanisms.

For the purposes of this paper, it is sufficient to assume the existence of such mechanisms or channels through which policies are affected. Perhaps it should be reiterated at this point that this paper does not examine joint policymaking.<sup>39</sup> It focuses only on how domestic policymaking is influenced by common EU rules (see above) or partner-country rules.

In this paper, each government is presumed to be concerned only about its own election or re-election possibilities. It does not care about voters in other countries. We can now formalise this policy influence on the objective function of each government.

Before integration, the objective function of each government is the difference between B and C, or  $B - C$ . In addition,  $dB_i/dX_j = 0$  and  $dC_i/dX_j = 0$ , which means that country  $i$  cannot influence policy conditions in country  $j$ . Assume that once countries integrate, their domestic cost function is partly influenced by the activities of lobbying by special interest groups from other countries. Further assume that the strength of this influence on the policy of country  $i$  is equivalent to the strength of the “demonstration” effect which corresponds to the difference in the value of  $X^*_j$  in relation to the value of  $X^*_i$ . If  $X^*_j < X^*_i$ , it means that the special interest groups in country  $j$  are stronger than in country  $i$  and, therefore, the special interest groups in country  $i$  increase their efforts and their opposition to the policy in question in that country. By contrast, if  $X^*_j > X^*_i$ , then the special interest groups come under additional pressure to relax their opposition.

These effects are shown in Figure 2. Curve C1 shows the extra costs caused by the demonstration that in country  $j$ , the policy instrument X takes a lower value (i.e.  $X1^*_j$ ). Curve

39 See Nicolaidis for a model of joint policymaking: P. Nicolaidis: A Theory of Regulatory Integration, op. cit.



C2 shows the relaxation of the opposition's efforts and, therefore, lower costs for the government, caused by the demonstration that in country j, the policy instrument X takes a higher value (i.e.  $X2^j$ ). Figure 2 also shows how the domestic policy in country i adjusts as a result.

Note the asymmetric outcome. In the case of C1, X necessarily shifts from  $X^*i$  to  $X1^*i$ . This is because there are additional costs. By contrast, in the case of C2, there may be no shift and  $X^*i = X2^*i$ . This is because the lower costs leave unaffected the value of X, which remains at its pre-integration level.

These theoretical considerations show that, contrary to expectation, member states are more easily influenced by the “bad” policies of others than by the “good” ones. Casual observation suggests that there is indeed ample evidence that confirms this negative influence. Take, for example, how the use of subsidies by some governments in the EU to address problems caused by the recent financial crisis has made it more difficult for other governments to refuse granting similar subsidies to their own industries and financial institutions.

We can now derive two more propositions:

**Proposition 6:** Negative influences from other member states may be more powerful in settings where governments act selfishly to maximise their narrow interests.

**Proposition 7:** In these settings, convergence to the bottom may be more likely than convergence to the top.

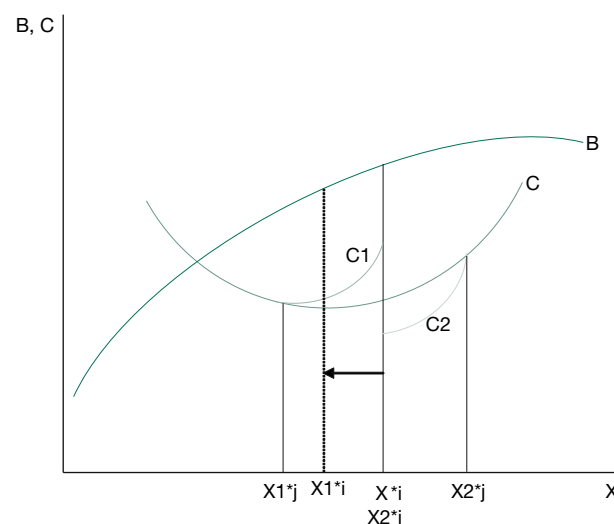
## Conclusions

The literature on Europeanisation is large and growing. There is consensus in the literature that member states' policies and administrative systems converge without becoming identical. There is also strong agreement that the convergence contributes to improved policymaking and institutional functioning.

Although these phenomena may indeed occur, explanations as to why are not so obvious. Moreover, there has been hardly any rigorous analysis carried out as to how the various Europeanisation factors interact with one another and what the net result may be.

There is also a debate in the literature over whether member states act rationally or not, but it is unclear

**Figure 2**  
**Benefits and Costs of Europeanisation II**



how the competence of national governments affects the process of Europeanisation.

To fill this theoretical lacuna, this short paper has developed a model to explain when convergence between EU member states may or may not happen. The model shows the following:

- Whether Europeanisation results in domestic change depends on the pre-existing policy values and institutional setting.
- Convergence occurs only when the Europeanisation process can shift domestic policy constraints.
- The degree of tolerance for non-compliance is as important as the severity of punishment for non-compliance.
- Non-convergence occurs when the political benefits to the government are greater than EU sanctions.
- Convergence is associated with policy/institutional improvement whenever it can shift domestic policy constraints.
- Negative influences from other member states may be more powerful in settings where governments act selfishly to maximise their narrow interests.

Under these conditions, convergence to the bottom may be more likely than convergence to the top.