Original Article

State-building and the European Union: Markets, War, and Europe's Uneven Political Development

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Abstract

The European Union's institutional development is highly imbalanced. It has established robust legal authority and institutions, but it remains weak or impotent in terms of its centralization of fiscal, administrative, and coercive capacity. We argue that situating the EU in terms of the history of state-building allows us to better understand the outcomes of EU governance. Historically, political projects centralizing power have been most complete when both market and security pressures are present to generate state formation. With the EU, market forces have had a far greater influence than immediate military threats. We offer a preliminary demonstration of the promise of this approach by applying it to two empirical examples, the euro and the Schengen area. Our analysis suggests that the EU does not need to be a Weberian state, nor be destined to become one, for the state-building perspective to shed new light on its processes of political development.

Keywords

comparative political development, state-building, European Union

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Introduction

All political systems are dynamic, incomplete works-in-progress, subject to ongoing political development (Berman, 2019; Orren & Skowronek, 2004; Spruyt, 1994; Ziblatt, 2008). While the European Union (EU) is not unique in being an incomplete polity, it is incomplete in puzzling ways (Jones et al., 2016). The EU's institutional development is highly imbalanced: it wields extensive legal authority over European citizens and firms through a powerful judicial system and voluminous body of law (the *acquis communautaire*), and it projects this legal influence internationally as the leading regulatory power in the world (Bradford, 2020). Yet the EU's robust legal and regulatory powers stand in stark contrast to its minimal independent fiscal capacity, its diminutive administrative apparatus, and its essentially non-existent coercive capacity. In other words, the EU has developed into a legal colossus, but remains weak or entirely impotent in terms of its centralization of fiscal, administrative, and coercive powers.

Understanding the sources of this imbalanced development is not simply an intellectual curiosity: the incompleteness of the EU's institutions recently has generated a series of political crises with grave economic and human costs. The economic devastation of the Eurozone crisis was in part rooted in the stunted governance architecture of the EU's Economic and Monetary Union and its single currency without a common fiscal policy. The tragedies around the European refugee crisis likewise were partly rooted in the uneven development of the EU's migration and asylum regime, which established an extensive legal framework for migration and asylum without granting the EU's authorities meaningful centralized enforcement capacities.

In this article, we argue that the theoretical lens of state-building provides a useful but underappreciated starting point to explain the EU's seemingly dysfunctional path. Our approach constitutes a departure from standard EU scholarship, which, with a few exceptions discussed below, has not placed the EU within the comparative historic perspective of state-building, but instead has tended to categorize it as a *sui generis* case of supranational political integration.

Situating the EU in this way allows us to newly appreciate the impact of two key macro-historical political logics that have driven the emergence of new states in the past: the "bellicist" collective security logic of war, and the logic of market integration for economic gain.[1] Historically, the most complete political development, marked by political consolidation at the center of a polity and robust institutional development, has tended to occur when both forces are present. Just as the interaction of market and war logics over time has been decisive in producing the distinct developmental paths found in historic cases of state-building in Europe, Africa, the Americas, and Asia, so

too is the interaction of these logics shaping the development of the contemporary EU.

We argue that the EU's unusually uneven and unstable institutional architecture is a product of the fact that Europe's political development has been pushed forward only gradually, by processes of market integration, without the pressure of war or perceived immediate military threat. The dominance of market-based motivations over security concerns has caused the EU to develop through voluntaristic, incremental, and legally based processes rather than in moments of swift consolidation of power and institutionalization of authority that occurred in episodes of state-building in the past. To empirically illustrate our argument, we examine two cases, the incomplete, uneven, and dysfunctional development of the euro and of the Schengen open border area, which offer concrete examples of these causal dynamics and demonstrate the contingencies around how they play out.

While the EU's pattern of political development is a departure from many historic episodes of state-building in western Europe, it is not without parallels. Episodes of state-building in Latin America, Asia, and Africa involved a range of patterns in how market and collective security logics interacted, and they do not conform to the historic, Euro-centric view of state-building (Centeno, 2002; Herbst, 1990; Kiser & Cai, 2003; Taylor & Botea, 2008; Thies, 2004). And even in Europe itself, the gradual development of the state in England and France in the late middle ages also involved a heavy initial emphasis on state-building through the construction of judicial institutions (Strayer, 1970) reminiscent of what we can observe in the EU today. These nascent "law states" were only jolted into the development of permanent, more fully fledged coercive apparatuses after facing cycles of preparing for and waging wars. Viewing the EU's uneven, market-driven development through the comparative, historical lens of state-building yields insights into both its distinctive strengths and its marked weaknesses.

Skeptics of our approach might be inclined to dismiss it out of hand, doubting that a state-building lens could shed light on the EU, as it is not a state in the traditional, Weberian sense, and as the vast majority of its citizens and leaders have no aspiration to that end. But this reaction misunderstands our claim. In advocating the state-building perspective, we imply no teleological determinism and are not suggesting that the EU will someday totally eclipse its members' national sovereignty. The EU does not need to be a Weberian state or be destined to become one for the state-building perspective to offer a powerful epistemological tool with which to understand the EU's distinctively imbalanced pattern of development. One key strength of the literature on state-building is its focus on process rather than destination, on tracing how politics unfolds over particular historical paths. Focusing squarely on the difficulties of moving power to the center of an emerging polity, the comparative historical experiences of state-building illuminate the contingent

conditions under which, and the processes through which, political development has occurred and shapes today's European Union. More broadly, examining the EU case this way suggests both the historical continuities and the important changes inherent in the construction of political authority in the twenty-first century.

To demonstrate the usefulness of the state-building approach in explaining the institutional development of the EU, the remainder of this article proceeds as follows. In section II, we review leading theories of European integration and introduce our alternative state-building perspective. In section III, we offer a preliminary demonstration of the promise of this approach by applying it to two empirical examples, the euro and the Schengen area. We do not seek to provide comprehensive accounts of the development of the Eurozone or Schengen or their recent crises, each of which have been the subjects of extensive analyses. Our aim is more modest: we simply seek to use these cases to illustrate how the state-building perspective can shed new light on and help make sense of the processes behind EU's uneven, crisis-prone pattern of institutional development, and to provide a template for others to analyze the EU's politics. Section IV concludes and emphasizes how the state-building perspective reminds us that political development often involves large-scale, slow-moving processes that are both highly conflictual and contingent. Dysfunctional, crisis-ridden political development is not unique to the EU, but is instead commonplace in emerging polities struggling over the centralization of power.

Explaining the Path of European Integration

The EU is an innovative and consequential form of political organization that exercises significant political authority over the citizens of its member states in a range of policy areas (McNamara, 2015a). The EU has also been given authority to act externally on behalf of its members as a unified foreign policy actor across a number of diplomatic arenas. (Hill & Smith, 2011; McNamara, 2015a, p. 135–160; Mérand, 2008). Even in the face of the "perfect storm" of intersecting crises that has buffeted the EU in recent years, European leaders' primary reaction has not been to unravel the union, but rather to continue to hand the EU even more authority across various policy arenas.

Yet despite the striking degree of political development that has occurred at the EU level, few observers have situated this transformation in a comparative historical framework of other emergent polities such as nation-states.[2] In the formative years of the discipline of EU studies, most political scientists studying European integration came from the subfield of international relations, viewing the EU as a form of international organization. A dominant perspective explained the puzzle of deep and extensive EU cooperation as a product of the economic interests of the participating states and their relative

bargaining power in EU negotiations (Hoffmann & Keohane, 1991; Moravcsik, 1998). Another group of scholars, the neofunctionalists, emphasized the development of a governance regime with truly supranational characteristics, but they too remained conceptually rooted primarily in international relations (Burley & Mattli, 1993; Haas, 1964). Because the EU lacked essential elements of statehood, it could not, in their eyes, be studied fruitfully through theoretical lenses associated with state-building. Scholars in this tradition instead developed a novel conceptual vocabulary built around concepts such as "multi-level governance" or various forms of supranational institutionalization (Hooghe & Marks, 2001; Sandholtz & Stone Sweet, 1998).

More recently, scholars have begun to use tools from the study of comparative politics and domestic politics to forge a new literature examining the politicization of the EU, particularly in the area of elections, social movements, and public opinion (De Vries, 2018; Hobolt & De Vries, 2016; Hooghe & Marks, 2009). Though engaging with literatures from comparative politics, these scholars too have left aside explicit comparisons with the history and theory of state-building. One body of literature that has come close to viewing European integration through a state-building perspective is that which has applied the theoretical lens of federalism to the EU, but these scholars tend to steer away from the concept of state-building (Fabbrini, 2010; Fossum & Jachtenfuchs, 2017; Nicolaidis and Howse, 2002; Sbragia, 1992; Scharpf, 1988). Only a small handful of scholars have explicitly compared the development of the EU to historical processes of state formation or state-building, without assuming that the EU will or should evolve into a state (Bartolini, 2005; Börner & Eigmüller, 2015; Deutsch et al., 1957; Mérand, 2008). There also have been efforts to consider the EU in terms of other historical forms of governance, drawing out the differences with and similarities to past political orders such as empires (Beck & Grande, 2007; Caporaso, 1996; Marks, 1997, 2012; Zielonka, 2006). Here, we build on such works, but offer a novel and more comprehensive argument about how the state-building perspective can shed light on both the means through which the EU polity has developed and the resulting highly imbalanced, crisis-prone character of its institutions.

State-Building as an Alternative Lens on the EU

Though the form and content of governance in the contemporary EU differs in important ways from historic experiences of state-building, the state-building literature can be used as a lens to help identify and disaggregate the processes at work in the development of the EU's political authority. The rich literature on state-building probes the multitude of ways in which states in different times and places developed the capacity for rule, the causal factors behind

these processes, and the contestation surrounding them (Abramson, 2017; Acharya & Lee, 2018; Bensel, 1991; Grzymala-Busse, 2020; Levi, 1988; Mann, 1984; Poggi, 1978; Skowronek, 1982; Spruyt, 1994; Tilly, 1975). While diverse, this scholarship can be characterized as sharing an insistence on the importance of historical processes, and on identifying consequential yet contingent sequences and configurations of governance. Historical experiences of state-building provide a useful analog to the EU case, both in specifying the causes of political development and in reminding us of the often slow, conflict-ridden, and contingent nature of these processes.

Several overarching logics have been identified by scholars as pushing forward the development of the modern state. We focus here on the interaction of two: the quest for security against military threat and the drive to capitalize on the economic gains from market integration (Tilly, 1990). We recognize of course that scholars have demonstrated other logics to be important in state-building, above all social processes of national identity construction (Anderson, 1991; Loveman, 2005; Weber, 1976). In the EU case, scholars have usefully highlighted how a lack of deep attachment and weak social solidarity has contributed to the EU's dysfunctional development (Fligstein, 2008; Kuhn, 2015; McNamara, 2015a). Here, however, we set aside those social and cultural processes, and probe the role of the less explored interaction of security and market logics in producing the EU's uneven development.

First, theorists of state-building and comparative political development have demonstrated the historical importance of war, changes in military technology, and security threats in pushing forward the transformation of political forms around the world (Centeno, 2002; Ertman, 1997; Herbst, 1990; Porter, 1994; Taylor & Botea, 2008). This literature emphasizes how the functional demands of war-fighting, including revenue extraction, payments, and logistical complexity, created strong incentives for elites to centralize administrative powers and to move from personalized, traditional forms of politics to bureaucratized and impersonal ones (Hintze, 1975; Porter, 1994). In early modern Europe, changes in military technology began to favor mass infantries: this gave advantages to rulers who controlled larger territories (and hence could assemble larger armies), and it favored more centralized rule over the decentralized feudal system by diminishing the importance of armored vassals. Just as politically important as these structural factors was the perception of a security threat, which was often deployed to override the objections of societal groups and local officials to the transfer of power to the center. These dynamics are captured in Charles Tilly's famous aphorism: "War made the state and the state made war" (Tilly, 1975, p. 42). As part and parcel of providing external security, state builders established and defended territorial boundaries (Finer, 1974). It is this form of the state that would eventually emerge as our most familiar model where "monopolies of

legitimate violence, rational bureaucracies and centralized policy-making authority correspond to territorially exclusive political orders" (Caporaso, 1996, p. 34).

The second major logic at work historically is rooted in economic factors (Abramson, 2017; Acharya & Lee, 2018; Levi, 1988; North, 1981; Spruyt, 1994). Scholars have emphasized how a rising merchant class pushed for more centralized political authority, in the form of a territorial sovereign state, to stabilize and regulate these new markets (Poggi, 1978; Skowronek, 1982; Spruyt, 1994). Rulers that could secure property rights and regulate commerce in larger jurisdictions corresponding to these emerging markets (and thereby stimulate growth and collect more tax revenue) enjoyed advantages over those that could not consolidate authority across such large territories (North, 1981).[3]

These two causal impetuses for state-building are each associated with governance processes that work to centralize power, but which do so in different ways, at different paces, and with different tools. When security threats loom, power has often been centralized and consolidated swiftly, through executive fiat, as with the establishment of systems of tax collection to fund armies in the crucible of war (Tilly, 1975). Also, the emphasis in these accounts is on the state's development of coercive capacities. By contrast, scholars who focus on market logics act as drivers of state-building depict a more incremental process emphasizing the role that the construction of national judiciaries played in facilitating commerce (Berman, 1983, p. 406; Boucoyannis, 2006; Fukuyama, 2012, p. 271; Strayer, 1970, pp. 26–31). According to these accounts, although these states eventually developed permanent, centralized coercive apparatuses and war-making powers, they began primarily as law-states (Hadfield & Weingast, 2013, pp. 12–16; Strayer, 1970).

The original debate between the bellicist and market theories focuses on which factor of the two was the generative force behind historical state-building in early modern Europe, while later scholars extended these approaches to explain the high degree of variation in the timing and form of state-building in other regions of the world. Our aim here is not to adjudicate between the relative impact of each of these logics or to assess whether either of them, on its own, might be both necessary and sufficient to generate state-building dynamics. Rather we emphasize that eventually *both* security and market pressures came to play central roles in the development of the consolidated states of modern Europe. This observation is important for making sense of the EU's strikingly uneven political development. As we outline below, the development of the EU presents us with a case in which market logics have been dominant, while security logics have been, at least since the early days of integration, highly attenuated. In this respect, the EU arguably has more similarities with experiences of modern state-building in Latin

America and Africa, where scholars have attributed particular paths of political development to relatively low levels of inter-state warfare in the region (Centeno, 2002; Herbst, 1990). This state-building lens enables us to make sense of the seeming dysfunction in the EU's development, by linking it to the strength of the EU's market driven polity-building and the weak role played by security imperatives.

Markets and Military Threat in the EU

The historical record of the European Union's development illustrates the dominance of market building logics over security logics. Today's EU famously has its roots in a market building project. The primary focus of the 1957 Treaty of Rome, the founding document of the community that evolved into the contemporary EU, was the creation of a single European market that would guarantee the free flow of goods, capital, services, and labor (the so-called "four freedoms"). The 1985 Single European Act, which strove to remove all barriers to commerce across the EU by 1992, was a milestone in the achievement of this goal and a critical moment of delegation of authority to the EU by member states (Sandholtz & Zysman, 1989). Private commercial interests themselves actively promoted the European single market, and European political elites saw the gains from consolidation of European markets (Cowles, 2012). In addition to the material dynamics at work, European political actors strategically used the market frame as a powerful ideational resource to overcome resistance to the centralization of authority (Fligstein & Mara-Drita, 1996; Jabko, 2006). As in historic cases of state-building, the construction of the EU's single market depended crucially on the construction of common judicial institutions to adjudicate disputes and to flesh-out the legal norms of the emergent market. In the EU, as in early formation of European states, creating a market required building a unified, powerful pan-European judicial order, essentially, what Strayer would call a law-state (Strayer, 1970).

While law and courts played a powerful role in the political development of EU, war and security concerns, in contrast, played only an indirect and attenuated role. Historically, most European states were formed in the crucible of war, but the EU itself developed only in war's shadow. To be clear, the desire to avoid a revival of hostilities among the great powers in the aftermath of World War II was a critical original motivation for European integration, expressed in the European Coal and Steel Community (ECSC) in 1952 and the signing of the Treaty of Rome in 1957 (Dinan, 1994; Trachtenberg, 1999, pp. 9–38). Likewise, the continued deepening of the EU project over the following decades has been understood by many as an attempt to solve the "German problem" by binding Germany to its former enemies in a set of

deeply intertwined governance institutions (Dyson & Featherstone, 1999; Sandholtz, 1993).

But in comparison to historical examples of war and state-building in early European states, the level of security threat directly faced by the EU was dramatically reduced by an American commitment to a policy of extended nuclear deterrence and the formation of NATO, creating a powerful security umbrella over Europe (Sloan, 2003). With the failure of the European Defense Community Treaty in 1954 and the accession of West Germany to NATO in 1955, the US-led NATO became the dominant collective security organization for Europe's emergent political union—relieving pressure for the EU to take on that role as it developed (Howarth & Keeler, 2004). Even as the EU later created a Common Foreign and Security Policy and a European Security and Defence Policy, the union's development as a security actor always lagged significantly its development as an economic and legal power. Though it is impossible to know the counterfactual path of security integration in the EU in the absence of US and NATO support, it is clear that, because NATO addressed the EU's collective security needs, there was far less incentive to develop coercive capacities in the EU than in most historic processes of state formation (Menon, 2017; Wallander, 2000).

The EU is not alone among developing polities in its early reliance on legal integration. As Francis Fukuyama notes regarding state-building in early modern Europe, "one of the peculiar features of European state-building was its heavy early dependence on law as both the motive and the process by which state institutions grew" (Fukuyama, 2012, p. 271). But where the European national states, prompted by transformations in military technologies and accelerating security threats, eventually added coercive capacities to complement and bolster their legal frameworks, the EU has not. Though the EU's role in coordinating security and defense and border control is increasing, it has not yet begun wielding coercive force on its own—neither for external defense nor for internal policing (Barigazzi, 2019; Howorth, 2018). We demonstrate the importance of this lessened security imperative below by tracing out the dynamics of two key cases of the EU's uneven institutional development, the euro and the Schengen open border area, and comparing them to the more complete institutional development prompted in earlier historical cases of state-building.

Europe's Uneven Political Development

The puzzling outcome we seek to understand is the strikingly uneven pattern of the EU's institutional development as a polity. The EU has gradually built up an extensive pan-European judicial order, and the Court of Justice of the European Union (CJEU) is among the world's most influential courts Kelemen and Pavone, (2018), and yet not one person directly employed by

the EU is authorized to use coercive force to enforce EU policies. In terms of fiscal power, another centerpiece of the modern state, the EU's own resources make up only roughly two percent of the total tax revenue of the twenty-seven EU members—a miniscule share of total government revenue compared to that of central governments in even the most decentralized federal states (Kelemen, 2014, pp. 219–220). While the scope of EU policy-making is vast and it has become the most influential regulatory actor in the world, its administration is tiny (Bradford, 2020). The total number of staff employed by the EU (roughly 40,000) is less than one-tenth of one percent of the administrative staff employed by its member governments collectively (Kelemen, 2014, p. 223).

The EU's uneven institutional development has produced incomplete, crisis-prone institutions across a range of policy domains. This is particularly consequential in the cases of the Euro and the Schengen free movement area. While key national powers over money and movement of people have been decisively transferred to the European level, other critical policy capacities needed to support those innovations remained the preserve of member governments. In the case of the euro, European level fiscal union, collectivized debt, and common deposit insurance have been widely viewed as necessary to hold the Eurozone together, but despite the ongoing crisis, there have only been incremental movements toward building such EU capacities. With Schengen and migration policies, while internal European barriers to free movement were removed and legal commitments made among EU members concerning external border control and common asylum policy, national governments still maintain a near monopoly over the actual control of those borders and the reception and acceptance of asylum seekers. This uneven development continues to plague the EU migration policy regime.

While many observers have criticized the EU's flawed governance in these areas as simply the product of bad design choices or suboptimal, lowest common denominator bargains, we offer a different causal story. Drawing on comparative historical cases of state-building, in the sections that follow, we suggest that the uneven—and ultimately deeply problematic—institutional development of the euro and Schengen follow from the dominance of market building motivations and the paucity of collective security imperatives in both areas. The lack of such war-fighting motivations meant the EU has instead developed its capacities using law and technocracy to gradually and incrementally shift power to the EU, rather than overtly wresting power away from national stakeholders. The limits of this approach have constrained the EU in ways that have produced the incomplete institutions it struggles with today.

Below, we compare and contrast the cases of the euro and the Schengen zones and their crises with similar national examples of policy centralization around money and borders. This comparative empirical work illustrates how applying the state-building lens sharpens our understanding of the EU's

development in ways that depart from existing analyses of these crisis-prone policy arenas (Biermann et al., 2019; Schimmelfennig, 2018) and of the EU's historical path more generally.

Money without War

Currency has long been a key tool of national power, so the creation of the euro signified a major step forward for the political development of the EU. However, after a decade of stability following its debut in 1999 (Posen, 2005; Posner, 2007), the Eurozone faced a series of severe financial and political crises. As private and public overborrowing spiraled into a global and then Eurozone-centered financial crisis, European citizens in some countries had to endure years of austerity, grinding unemployment, and slow growth—all of which contributed to the rise of euroskeptic and populist parties (De Vries, 2018). While the euro ultimately survived this onslaught, its tattered reputation as a foundational part of the EU's governance structure has yet to recover.

Observers have correctly focused on the dysfunctional design of the Eurozone's institutions, particularly the lack of common fiscal union and financial market regulation to match its monetary union, as a crucial source of the euro's troubles (Jones et al., 2016; Matthijs & Blyth, 2015). Some observers have justly lamented the magical thinking involved in the loose application of the Maastricht convergence criteria, and specifically the inclusion of Greece in the first place (Manolopoulos, 2011). Others have picked apart the design of the Eurozone and skewered EU leaders for their mistaken emphasis on austerity to bring down debt levels (Stiglitz, 2016). The Eurozone's incompleteness has also been analyzed as a standard case of open economy politics, where "a diverse economic geography accounts for the political constraints on national governments keeping them from furthering fiscal integration" (Beramendi & Stegmueller, 2016). But the Eurozone's dysfunctions have not been examined in light of the broader history of money and state-building. This is surprising, as the euro is the only single currency currently existing outside of a nation-state setting, providing ready-made comparative leverage on its troubles.

Our analysis of the uneven institutional development of the euro in light of the state-building approach underscores the causal importance of the dominance of market logics over war-fighting imperatives in the euro's development. The successful construction of political authority over money across multiple historical cases in Europe and the US in the nineteenth century depended in part on the presence of an existential military threat to open political space for the very difficult task of moving the power to tax, borrow, and spend to the center of emerging polities. Below, we contrast historical episodes of currency creation to the path of political development producing

the euro and highlight how the strength of the post-war American security's guarantee helped produce the euro's market-focused, technocratic, and ultimately unstable design.

Three crucial supporting institutional features have been hallmarks of national currencies in modern states: (1) a central bank that can generate market confidence and liquidity; (2) a banking authority that can regulate and stabilize financial risk and uncertainty; and (3) mechanisms for fiscal redistribution and economic adjustment in times of crisis, such as taxing, collective borrowing, and spending (McNamara, 2015b). Because of the highly contested nature of money, a single, consolidated currency supported by these institutional foundations has most often been achieved only when forced by the exigencies of military conflict (Helleiner, 1998). Historical examples abound throughout Europe and the US in the second half of the nineteenth century. For example, the German mark, built on the loose confederal system of the Zollverein in the midst of a series of wars, was part of Otto von Bismarck's *Grundungszeit*, or "Foundation time," of German state-building (Holtfrerich, 1993). The Italian lira likewise came about in the 1860s during the period of war-fighting around Italian national unification (Foreman-Peck, 2006). The US is no exception: the greenback was created as the official American currency only during the US Civil War (Bensel, 1991). The comparative historical lesson is worrisome: while currencies created in the context of national polities have endured, two incomplete currency unions forged not in the context of state-building, the 19th-century Scandinavian Monetary Union and the Latin Monetary Union, disintegrated under stress (McNamara, 2015b).

The history of state-building repeatedly demonstrates the specific political linkages between war, currency creation, and the development of national fiscal capacity. A national money is a crucial component of state capacity in times of warfare, but its effectiveness relies on the concurrent creation of taxing and spending powers at the center of the state (Tilly, 1985). War demands the ability to extract revenues to pay for military campaigns and the ability to borrow, and the existence of a standardized, national currency is crucial to carry out the collection of revenues, the payment of federal expenditures, and to organize debt. A substantial variation exists across the particular configurations of these factors around the world and across the past two centuries. For instance, studies of Latin America, Africa, and the developing world have identified the lack of inter-state war-fighting as key to low levels of fiscal capacity, demonstrating the universality of these dynamics (Centeno, 2002; Herbst, 1990; Thies, 2004; Taylor & Botea, 2008).

While security logics provide the most immediate functional push, market logics also do matter for the path of monetary integration. A single currency facilitates the development of a national single market, simplifying transactions and lowering uncertainty across economic actors while empowering

the state itself. Nationalizing the currency can enhance the growth of private financial markets, allow for seigniorage gains, and be a tool of national identity creation (Helleiner, 2002; Risse, 2003). Yet even when market pressures exist for the standardization of currency and development of fiscal powers, historically it has only been when these pressures are complemented by security threats that actors are able to succeed in centralizing monetary and fiscal governance. Societal groups are more likely to support (or at least not actively oppose) currency consolidation when war or security threats legitimize government moves to centralize monetary power (Bensel, 1991).

The state-building literature therefore provides a novel explanation for the euro's problems: the Eurozone's incompleteness was likely exacerbated by the absence of direct security threat surrounding its creation and evolution, rather than simply the ineptitude of the euro's architects. To be sure, security concerns did play a role: in the cauldron of uncertainty surrounding the end of the Cold War, the fall of the Berlin Wall, and the reunification of Germany, European leaders, particularly French President François Mitterrand and German Chancellor Helmut Kohl, saw the binding of European nation-states with Germany in a cooperative union with a single currency as a vital goal (Dyson & Featherstone, 1999; Sandholtz, 1993). The 1992 Maastricht Treaty placed a historic bet that the creation of a single currency would glue Europe together as a peaceful community of states, even in a period of dramatic geopolitical change with the potential for a reemergence of balance of power politics (Dyson & Featherstone, 1999, pp. 196–198). However, the security concerns in question were remote and modest, not an immediate existential threat that could be harnessed by political actors in the service of centralization of power (Grieco, 1995). NATO and the extension of American military security guarantees in both nuclear deterrence and conventional military strength throughout the Cold War and beyond worked to reduce the sense of security threat for the EU.

Because the Euro was not created against the backdrop of a looming civil war or a manifest external security challenge, there was no political impetus or public legitimacy for coupling the creation of the common currency with the very politically difficult shift of taxing, borrowing, and spending authority to the EU level. This contrasts with the rise of national currencies historically in Europe or in nineteenth century America, where local authorities' ability to resist such centralization of fiscal policy was blunted and is more akin to the experience of other regions that have struggled to develop fiscal authority, such as Latin America (Centeno, 2002).

Instead, it was a desire to lock in European unity through market integration—the second logic the state-building literature points to as critical—that motivated the development of the euro (Sandholtz, 1993). Since the EU's founding, the creation of a single European market has been framed as a central goal of integration—in many ways, as the substantive backbone of

the entire project. The single market, in turn, was cited by EU and national officials alike as a key reason for the drive to create a single currency. The European Commission actively promoted this view, codified in an oft cited report, *One Market, One Money,* which made the case that the EU's market necessitated a single currency (Emerson et al., 1992). As Nicolas Jabko has documented, the euro was made politically possible because EU leaders managed to mobilize many different factions around the idea that creating a common currency was crucial to consolidating Europe's single market (Jabko, 2006).

In contrast to the history of state-building, which involves so much involuntary coercion, EMU was voluntarily agreed to by states of (at least legally) equal status. Even when the outbreak of the Eurozone crisis pressured leaders to introduce substantial reforms, the absence of collective security threats such as those that have prompted centralization of fiscal authority or debt collectivization in every other functioning monetary union, meant that such options remained off the table for the Eurozone (Matthijs & McNamara, 2015). Instead, EU leaders pursued reforms relying on the EU's familiar toolkit, emphasizing new legal rules governing national fiscal policy like the "Six-Pack" of economic governance regulations or the 2012 Fiscal Compact Treaty and the creation of new independent regulatory bodies like the European Banking Authority or Single Resolution Board (Howarth & Quaglia, 2014). Likewise, because governments refused to establish a European Treasury with a substantial budget, the independent European Central Bank felt compelled to step in to play an unexpectedly aggressive role to preserve the currency during the Eurozone crisis, with its President Mario Draghi committing to do "Whatever it takes" to save the Euro and with the ECB eventually making over 1 trillion euros in loans to keep Eurozone member states solvent.

As future US Treasury Secretary Alexander Hamilton argued against his many skeptics in 1781, "A national debt if it is not excessive will be to us a national blessing: it will be a powerful cement of our union." The lifting of the prohibition on a European federal debt—so-called Eurobonds, and the creation of overt EU taxing and spending capacities would be a similarly critical moment for the EU. But the history of state-building suggests that it is unlikely without an existential security threat to give political actors both impetus and cover. While global coronavirus pandemic resulted, in December 2020, in a surprising and path-breaking Franco–German–led agreement for a collective European debt fund to extend fiscal solidarity to the hardest hit EU countries, even the profound threat to the Eurozone posed by the pandemic has so far been insufficient to overcome the opposition of some member states to a more permanent pooling of debt or of fiscal power at the EU level (European Commission, 2021). It seems that the Euro remains hobbled by its genesis as a currency established without a gun—or invading tank column—to its head.

While the euro's technocratic, market focus was a political boon easing its initial creation, it is turning out to be a formidable limitation to its further development and political sustainability.

Mobility without Security

As with the euro, the EU's approach to migration policy has developed in highly uneven and dysfunctional ways. EU migration policy has been characterized by its imbalanced combination of an abundance of rules and a dearth of administrative capacity. The EU's approach to migration long tried to combine free internal movement with member control over external borders and asylum policy. While the EU did gradually introduce a large body of common regulations concerning borders and asylum, European authorities were not granted executive power or coercive capacities (Lahav, 2004). This pattern of development is highly unusual: not even the most decentralized federations have followed the EU's practice of eliminating internal borders without also eventually putting the common external border and substantial aspects of migration policies under the control of central authorities (Vineberg, 2014). Recent crises of the EU migration regime make it clear why. The EU's uneven migration policy regime has proven deeply dysfunctional when faced with an influx of refugees in 2015–2016, or more recently in the context of the global coronavirus pandemic. Those dysfunctions have both had grave human costs for migrants and have led to the partial unraveling of the regime with the reintroduction of border controls within the Schengen area.

The extensive literature on EU migration policy, much of which applies existing theories of European integration (Biermann et al., 2019; Lahav, 2004; Schimmelfennig, 2018), theories of "securitization" (Huysmans, 2006; Kaunert & Léonard, 2019), or broader theories of policy-making (Guiraudon, 2000) has shed enormous light on the development of EU border control, migration, and asylum policies. While these existing accounts can help us understand crucial developments in and shortcomings of EU migration policy, they do not provide a parsimonious and comprehensive explanation for the distinctively imbalanced character of the EU's migration policy regime as the state-building perspective does. Applying the historical lens of state-building suggests that the uneven development of EU migration policy reflects the fact that market logics rather than collective security logics have historically dominated EU migration policy processes. This lens also underscores why the recent, modest increases in the "infrastructural capacity" of EU migration policy occurred only after security concerns became more salient in EU politics.

Central to the state-building approach is the observation that control over a fixed territory with clear boundaries and policed borders is a defining attribute

of the modern state (Anderson, 1996; Finer, 1974, p. 85; Mann, 1984, p. 198). While market logics were certainly important in developing states' policies on migration and border control (Carter & Poast, 2017), the literature on state-building emphasizes that collective security imperatives played an indispensable role in motivating states to centralize control of their external borders and to police migration (Andreas, 2003). As Simmons and Kenwick emphasize, "States have historically fought bloody battles to establish their authority over space" (Simmons & Kenwick, 2021, p. 1). The control over borders is in turn intimately tied to migration policy. As Torpey explains, "states' monopolization of the right to authorize and regulate movement has been intrinsic to the very construction of states since the rise of absolutism in early modern Europe" (Torpey, 1998, p. 240; Zolberg, 1983). The first modern states to develop in late medieval and early modern Europe focused on establishing central control over their external frontiers as a matter of survival (Anderson, 1996, Chapter 1). In more contemporary state-building experiences too, for instance, in the Middle East and Africa, threats to collective security have also been a crucial impetus for the development of the states' infrastructural capacity over borders and migration (Herbst, 1989, 1990; Tholens, 2017).

The evolution of "immigration federalism" in the US illustrates how security logics played an indispensable role, alongside market motivations, in developing federal capacity to police borders and migration in a large, decentralized federal system. The early US faced multiple threats to its sovereignty and the federal government was motivated to assert authority over border control in part, "to defend the nation's borders in a unified and more powerful manner" (Frymer, 2017, p. 34). The federal emphasis on asserting control over external borders did not initially extend to control over immigration policy, which was left primarily to state governments.[4] However, in the late 19th century, when the federal government moved to restrict immigration, the Supreme Court justified the plenary power of the federal government in immigration explicitly on national security grounds (Ngai, 2003, p. 71).[5]

The affirmation of exclusive federal power based on national security grounds led to a rapid increase federal administrative capacity to police borders and immigration policy (Neuman, 1993, pp. 1886–1887). While economic motivations have certainly encouraged this trend, at key moments when the federal government expanded its capacity to control migration, it did so repeatedly by invoking concerns about matters of national security, as for instance, when it introduced the Passport Control Act of 1918 (Tichenor, 2002, pp. 153–154), when it criminalized illegal entry and created a Border Patrol in 1924 (Ngai, 2003, p. 76), or when it intensified border enforcement to combat terrorism in the post-9/11 era (Andreas, 2003, pp. 90–100).

The EU's approach to migration policy differs significantly from these historical state-building episodes because, at least until very recently, it was driven predominately by a logic of market building. As Lahav notes, from its inception the EU's immigration policies were "driven mostly by economic imperatives" (Lahav, 2004, p. 39). As a result, European leaders approached the issue of external border security in a strictly legalistic manner, establishing common rules but not giving EU the authority or capacity to defend the external border. Likewise, the EU's approach to asylum policy was long motivated by its links to the drive to sustain freedom of movement in the internal market. Policy-makers foresaw that free internal movement could create incentives for asylum seekers to "forum shop" for states with friendly policies—and that this could undermine support for freedom of movement (Guiraudon, 2000, p. 253–54; Guild, 2006b; Lahav, 2004, pp. 46–48). To avoid this, the EU coupled the establishment of Schengen with the intro-duction of common asylum rules, but again the EU limited itself to a legalistic approach, prescribing common rules but establishing no executive capacity to implement them (Guild, 2006a, 2006b; Lahav, 2004, pp. 38–43).

Internal borders between EU member states were a major impediment to the free movement of goods, services, capital, and labor—so the removal of these borders was an integral part of the EU's single market project (Guild, 2006a; Lahav, 2004, pp. 38–43). However, because not all member states could agree to lift internal border controls, an advanced guard of five states in 1985 signed the Schengen Agreement, which pledged them to create a borderless area. As Lahav emphasizes, Schengen was born of a market logic: "the *raison d'être* of the Schengen area originated as a reaction to roadblocks set up by truckers who were disgruntled by long waits at intra-EC border" (Lahav, 2004, p. 42). In 1990, the Schengen states signed a follow-on Convention that spelled out the mechanisms for making their free move-ment zone a reality and set a goal of 1992 (the same year the Single Market was to be completed) for the removal of all internal border controls. Schengen finally took effect in 1995 with signatory states lifting border controls, and other states gradually joined (Guild, 2006a; Huybreghts, 2015).

The architects of Schengen recognized that free internal movement must be coupled with the establishment of a common external border and common rules on asylum (Monar, 2017), but the manner in which they pursued this reflected the absence of security imperatives and the dominance of a market-focused, law-driven approach (Guild, 2006a; Lahav, 2004, pp. 38–48). Schengen established an elaborate set of common rules designed to govern the external border (the Schengen border code) (Guild, 2006a; Lahav, 2004, pp. 38–48), but this code was not backed by any capacity for the central au-thorities to actually police the border (Guild, 2006a, p. 10).

EU member states took a similarly legalistic approach to the issues Schengen raised for asylum policy. Just days before the Schengen Convention

was signed in June 1990, policy-makers agreed on a common policy for handling asylum requests within the EU. This Dublin Convention[6] was billed as a common system, but in fact it left the task of handing asylum seekers entirely in the hands of national governments. As with the approach to border control, the approach to asylum reflected the fact that security concerns—while certainly present—were not paramount (Guild, 2006a, 2006b; Lahav, 2004, pp. 46–48). And as EU policy-makers enacted a large body of asylum regulations in the ensuing years (the Common European Asylum System) they consistently refused to endow the EU with real executive capacity.

The 9/11 attacks in the United States prompted policy-makers in Europe to highlight linkages between immigration and security.[7] However, the urgency of policy-makers' focus on terrorism in the aftermath of 9/11 soon faded, and security concerns did not become primary drivers of EU immigration policies as they had been in many historic cases of state-building (Boswell, 2007; Neal, 2009). As Neal argues, in the 2000s, "common external borders management… appeared as a largely technocratic project" without "the urgent and extraordinary measures" that a primary focus on security would anticipate (Neal, 2009, pp. 342–344).

Over the 2000s, however, the deficiencies of the EU's border control and asylum policy regime became glaring. Inadequate control of the external border, uneven application of asylum rules, and complaints over burden sharing plagued the system. In 2005, the EU established a new agency, Frontex (the European Agency for the Management of Operational Cooperation at the External Borders), to help strengthen its external border (Léonard, 2009; Neal, 2009). Though the agency contributed to Europe's collective security, it was primarily justified on the grounds that cooperation on the external borders was necessary to maintain free movement within the EU's single market (Léonard, 2009; Neal, 2009). Frontex was given no actual enforcement power, limited instead to supporting member state authorities that protected the EU's external borders (Guild, 2006a; Neal, 2009).

When the Mediterranean migration crisis arrived in 2015 and 2016 and the EU faced over 1.2 million official asylum requests, the inadequacy of the EU's half-baked, legalistic approach to borders and asylum became fully apparent (Biermann et al., 2019). Governments responded very differently to the crisis, with some meeting their obligations under EU asylum law and others systematically flouting them. States like Greece, overwhelmed by the inflow of refugees, systematically failed to meet their obligations to protect the EU's external border. Ultimately, a number of states temporarily suspended Schengen and reintroduced border checks, while others suspended the application of the Dublin regulation (Biermann et al., 2019; Schimmelfennig, 2018).

In late 2015 and early 2016, EU leaders agreed on reforms to address the flaws in asylum and border control policies exposed by the crisis.[8] They

upgraded the toothless Frontex agency into the European Border and Coast Guard (which is still referred to by its original moniker Frontex) and endowed it with more resources (Carrera et al., 2017). With regard to asylum policy, EU leaders attempted to address the issue of burden sharing by establishing a refugee relocation scheme. The Commission also proposed a tightening of EU asylum rules and the establishment of a fully fledged EU Asylum Agency to replace the weak European Asylum Support office.[9] However, both the re-vamped Frontex and the Asylum Support Office remained limited to coor-dination and support roles (Carrera et al., 2017; Rojo, 2017; Schimmelfennig, 2018, p. 981). Though the refugee crisis made security concerns a more salient, it did not constitute the sort of existential collective security threat sufficient to prompt states to transfer coercive authority over borders to the EU level.

Concerns over external security of the Schengen border, particularly in light of concerns over terror attacks across Europe, have shifted the logic of Schengen from its roots as an internal market project to something closer to a collective security endeavor. As part of its recent focus on "A Europe that protects" (European Commission, 2019), the EU agreed on plans to enhance the authority of Frontex European Border and Coast Guard Agency and to hire a corps of 10,000 EU border guards by 2027 (Barigazzi, 2019). Nevertheless, member states remain reluctant to give the EU the sort of control over external borders traditionally enjoyed by national governments, and the EU border officers will continue to operate under the command and control of the member state where they are deployed (Carrera et al., 2017, p. 48). On asylum, many member states resisted the EU's refugee relocation scheme, leading to its ultimate failure (Schimmelfennig, 2018, p. 981). In short, while the EU has responded to the refugee crisis with some moves to centralize authority, these moves remain highly contested and incomplete, and more legalistic than coercive. The state-building perspective helps us understand both why the EU focused on the easing of internal borders without the hardening of external borders, and why this created a host of dysfunctions that persist to this day.

Conclusion

This article has demonstrated the value of using the history and theory of state-building to illuminate the process of political development in the EU. In particular, we contend that attention to two key variables that have historically pushed forward the concentration of political authority, namely collective security and market building, helps account for the incomplete and uneven institution building that has plagued the European project. Because market logics have dominated over military exigencies, the role of quiet, incremental legal construction of authority has far outweighed more dramatic, rapid concentration of fiscal and coercive capacities. The dysfunctional

development of a single European currency without a concomitant fiscal union, and the dismantling of borders in Schengen without the needed construction of external security capacity, illustrate these dynamics and their consequences. In turn, our work on the EU suggests that scholars of state-building should recognize how the market building and bellicist causal logics lead to distinctive yet complimentary aspects of state-building, and how they may play out in historically contingent ways depending on time and place. Our analysis suggests too that the EU should be considered by scholars as a contemporary case of political development, alongside the varieties of state-building captured by scholars of Latin America, Africa, Asia, Europe, and the US.

More generally, the state-building perspective encourages us to expand the time horizon of our academic analyses and see the large-scale, slow-moving logics at work that much scholarship may miss. Observing the EU's ineffective responses to a slew of recent crises, it can be tempting for EU scholars to conclude the EU is making little progress in developing the institutional capacities needed to meet pressing challenges—perhaps not enough to survive at all. While not discounting the magnitude of the EU's recent failures, the state-building perspective encourages us to step back and take a far longer-term perspective that takes notice of the striking centralization of authority that has occurred, even absent the typically critical causal push of war. Historical experience shows that even when both logics described above—security and market-building—are at work, state-building is a contested, uneven, and contingent thing. State-building does not occur through the neat implementation of a master plan, but rather the contingent, messy, and often violent unfolding of politics, which results in suboptimal state capacities of various sorts in every case.

The state-building lens thus suggests that today's politicization of EU policy-making—what some call the post-functional phase—should come as no surprise (Hooghe & Marks, 2009). Despite decades of efforts to insulate the EU from mass politics, impassioned political contestation is to be expected because the EU involves a deep transfer of political authority in areas of "core state powers" (Genschel & Jachtenfuchs, 2014) to the European level, much like those that occurred in historic process of state-building. While we have focused on markets and war, the state-building literature also has much to offer scholars interested in collective identity and its role in constructing a more democratic EU, as recent work comparing the EU's experience to the emergence of an American collective political identity has demonstrated (McNamara & Musgrave, 2020). We hope to see more scholars leverage the historical record around state-building to better elucidate both the challenges and the potential paths forward for the EU.

Europe is now at a crossroads. While some historic state-building projects were, like the EU, driven initially by a focus on market construction and law,

those that successfully consolidated into robust polities eventually gained ultimate authority over the coercive apparatus associated with the Weberian state. The EU has moved far along the path of institutional development with its focus on building a law-state, but it is unclear whether it can sustain this path without a more complete set of state powers. Over the past year, Europe's imbalanced Union has been put to an extreme test by the hydra-headed crisis spawned by COVID-19. The EU's initially botched responses to the pandemic—from its inability to coordinate national border closures, to its early failure to demonstrate solidarity with countries like Italy first hit hard by the crisis, to its problematic vaccine procurement program—all reflected the imbalances highlighted by our state-building perspective. Many of the EU's initial missteps reflected the fact that it approached the crisis with a focus on market capacity and regulation while lacking the fiscal and administrative resources to more actively address what was, after all, a direct threat to the lives of millions of citizens (Deutsch & Wheaton, 2021; Greer et al., 2020). The EU did eventually respond to the COVID-19 crisis by upgrading its authority in the health policy field and by taking a landmark step toward fiscal union by agreeing to establish a 750 billion euro recovery fund financed by jointly issued "Eurobonds." Whether these steps will be sufficient restore confidence in the EU that was so shaken by its initial mishandling of the pandemic remains to be seen. What is clear is that while a devastating global pandemic has spurred some institutional develop, to date it has not generated the same political force as territorial security threats in pushing forward the centralization of power that is the hallmark of state-building.

Viewing the EU through a state-building lens may not inspire confidence in the integration project, but it does offer certain consolations. Considering past episodes of state-building underlines how fragile new political forms are, how often they fail, and the intense contestation and conflict that is always a part of their political development, even in the most successful cases. It is likely no coincidence that in the very essay where Weber offered his definition of the state and discussed the process of state-building, he also famously described politics as, "the strong and slow boring of hard boards. It takes both passion and perspective" (Weber, 1918, p. 128). State-building is perhaps the ultimate in slow bore politics. As Sheri Berman reminds us, it is not a job for "the impatient, the squeamish, or the easily frustrated" as "…many of the state-building attempts throughout history have failed, and even those that succeeded did so only through long, bloody, and complex processes" (Berman, 2010, p. 2).

The state-building perspective helps us to understand the EU's past and the choices it will have to confront moving forward. The state-building perspective both explains why the EU has developed in the uneven, highly legalistic manner that it has to date, and why it will likely have to confront sensitive questions regarding the limits of its current political foundations if it

is to develop much further. Finally, the state-building perspective reminds us that while there is certainly no guarantee the project of European integration will survive, profound crises should be seen as part and parcel of its development, rather than as portents of its demise.

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Notes

1. A third logic, the social processes around national identity construction, has also been identified by scholars as central to state-building. Although the nature of European identity is critical to a full understanding of the EU's development, as we discuss below, in this article we focus on the less fully explored collective security and market logics.
2. But see discussion below of prominent exceptions.
3. The market and security logics were closely linked in that a larger economy would provide a larger base from which to collect revenue for military purposes.
4. Until 1875, the federal government mostly maintained a policy of open immigration, while state governments imposed restrictions on movement of certain categories of immigrants and citizens, most infamously on Slaves and Free Blacks (Neuman, 1993).
5. See also Tichenor, 2002, pp. 108–110
6. See Dublin Convention, OJ C 254, 19.8.1997.
7. Indeed, some "securitization" scholars argue that 9/11 led to a reframing of immigration policy in security terms in this period (see i.e., Huysmans, 2006; Kaunert & Léonard, 2019).
8. EU leaders also signed a controversial deal offering Turkey money and policy concessions in exchange for its agreement to stem the flow of asylum seekers (Greene & Kelemen, 2016).
9. Proposal for a Regulation on the European Union Agency for Asylum and Repealing Regulation (EU) No 439/2010, COM(2016)271, 2 (May 4, 2016).

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