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# **Accounting for centralisation in the European Union: Niskanen, Monnet or Thatcher?\***

by

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## **Abstract**

Centralisation at the level of the European Union takes the form, not so much of increased staff or budget, but of enlarged responsibilities and an increased share in regulation. The paper first reviews possible explanations of that trend that are based on a view of bureaucracy inspired by, or closely related, to William Niskanen's. It then turns to a discussion of the extent to which any characteristic of the EU machinery can develop without the acquiescence or agency of a majority of the member-state governments, and of the discussion of whether centralisation as a process is not simply a way to implement, in the manner suggested by Jean Monnet, the "ever closer union" that was - and, to a degree, still is - the underlying rationale for the European construction project. A third set of causes of centralisation can be found, it is claimed in the paper, in the objectives of setting a "level-playing field" and "completing the single market" that were adopted, with the backing of Margaret Thatcher, in the Single Act. It is argued that a policy which pursues the objectives of eliminating all kinds of fragmentation of the single market and of distortion of competition among firms implies, under modern conditions, a massive transfer of responsibilities in the area of regulation and policy-making from the level of the member states to that of the Union. Finally, the paper discusses the hierarchical relationship between these three sets of causes of centralisation.

**JEL:** D73, F15, H77

**Keywords:** European Union, bureaucracy, regulation, federalism

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## I. Introduction

Competition among governments, internationally (among national governments) or in the setting of federations (among subcentral governments), is seen in a much more favourable light today than even only one or two decades ago.<sup>1</sup> This applies to the law-making and regulatory activities of governments as it does to the policy areas that involve public finance. In the setting of a single governmental system, inasmuch as intergovernmental competition is deemed beneficial it provides an additional and powerful argument in favour of decentralisation.<sup>2</sup> In the case of the European Union (EU), this suggests that centralisation, at least in some areas, by hampering beneficial competition, may go too far. In fact, a number of economists argue or feel that it does. This essay is not mainly concerned with the normative or quasi-normative, issue of whether the EU governmental system is too centralised. Its focus, rather, is on the question of the mechanisms that may account for the present state or trend of centralisation (of course, an answer to the second question may affect one's opinion about the normative issue).

What are these mechanisms? Centralisation in the EU is often ascribed (not only by the famed English tabloids) to the existence, inherent in the present arrangements, of a bureaucratic bias. Such a claim reflects a conception of bureaucracies that stress their tendency to expand - which evokes the name of William Niskanen. This first view of EU affairs is on the whole pessimistic and thus particularly likely to be voiced by the "Eurosceptics".

On the other side of the debate, the "Europhiles" will more willingly explain centralisation as the embodiment of the European project itself. More precisely, they will relate it to the round-about and progressive recipe devised, in the 1950s, by the founders of the European project - the so-called "Euro-strategists" - to construct Europe. It is often found convenient to summarize this particular form of the integration process as the "Monnet method", from the name of perhaps the most illustrious of these "Euro-strategists", Jean Monnet.<sup>3</sup>

European construction, and with it centralisation, was stalling in the 1970s but it resumed and accelerated in the second half of the 1980s. With some variation in time, this

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<sup>1</sup> See Breton (1996).

<sup>2</sup> See Salmon (1987).

<sup>3</sup> The distinction made in the text simplifies the array of opinions on centralisation and the European project itself. In particular there are many "Europhiles" who agree with the claim that there is a bureaucratic bias, deplore that bias, and ascribe it to recourse to a wrong-headed strategy for constructing Europe. They favour a more direct, democratic and federalist way to achieve this goal. This position is certainly consistent. Whether it is also realistic is another matter.

renewed strength endured in the 1990s. Ironically perhaps, the impressive steps accomplished over that period in the direction of European construction can be associated with the name of Margaret Thatcher. Inspired, on her part at least, by a liberal or neo-liberal doctrine, the Single Act of 1987 - which included the Single Market project and, to implement it, the extension of qualified majority voting - allowed considerable centralisation of decision-making at the "Brussels" level. It is also often held to be ultimately responsible for further centralising schemes such as the European Monetary Union and the Stability Pact.

We thus have three stories potentially able to account for centralisation in the EU. I discuss them respectively in sections II, III, and IV. Each story will need a preliminary clarification of some important points. They (the stories) should not be considered as rival explanations but as building blocks in a more general account. I will not undertake to provide such an account but, in the concluding section (Section V), I will defend the idea of an explanatory hierarchy - with the European project placed, at the top, as the driving force and both the bureaucratic bias and the market completion project serving as its instruments.

Other sets of factors of centralisation than the three retained here will be left out, in part for convenience but also because I am not convinced of their importance. One obvious omission is the influence of interest groups. Some authors see this factor as essential. Other authors disagree. Neither the typically emphasised fact that the Commission has succeeded in inducing many groups to set up offices in Brussels nor the empirical evidence that some groups do exert a strong influence on decision-making at this level imply that the influence of lobbying is not stronger still in the member states and then does not often play against centralisation. Only very detailed case-studies could allow us to decide whether, in each particular policy area or on each issue, interest groups, acting at various levels, play or have played an important part in the centralisation or absence thereof that we observe. Because this paper is mainly concerned with the general level and trend of centralisation, rather than with its comparative importance or strength across areas or issues, case studies of that kind, even if they could be undertaken, would not be very relevant.

Another omission is the normative rationale for centralisation (and decentralisation) as suggested by the theory of fiscal federalism, broadly defined.<sup>4</sup> The explanatory power of that theory with regard to the existing state of affairs in the EU is not as impressive as many economists would wish it to be (see, e.g., Persson et al., 1997; Oates, 2001). Typically, policy areas that should be entrusted to the highest tier of the governmental system according to the

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<sup>4</sup> Including the form it takes when applied to particular issues pertaining more specifically to law and economics (see, e.g., Faure, 2000; Van den Bergh, 2000).

theory of fiscal federalism (defence, income redistribution, etc.) have not been assigned, to a significant degree, to the Brussels level. At the same time, Brussels is doing many things that should have stayed well inside the exclusive domain of competence of the member states (or jurisdictions below) according to the same theory. In other words, one must admit that, on the whole, present arrangements do not obey the prescriptions of the theory. This does not necessarily make the theory irrelevant from a normative point of view but it certainly undermines its capacity to explain. "Undermine" is not "eliminate" though. Some residual explanatory relevance of the theory must be assumed - albeit under a dynamics or path-dependency perspective - in any account of the "engrenage" strategy advocated by Monnet and others to push integration. In other words, the considerations that the theory of fiscal federalism stresses may be a poor guide to predict, in a static framework, the overall distribution of competences in the EU, but the said considerations may play a significant role when the object of attention is a decision to amend the existing state of affairs in the form of some new, incremental, transfer of competences.

## **II. Centralisation as a bureaucratic phenomenon**

Bureaucratic expansionism is associated with the name of Niskanen.<sup>5</sup> However, can Niskanen be at all relevant in the EU context? Doubts about this have been expressed. But one may wonder whether these doubts do not often derive from a mistaken perception of Niskanen's message. Thus it is important for our purpose to clarify several points about that author's approach. We must also take into account the presumption that if bureaucratic mechanisms à la Niskanen operate at the level of "Brussels", they also operate at the level of the member states. How is the process at work on the two levels to be interpreted so that it is internally consistent?

### *A. Doubts about the relevance of Niskanen's model in the EU setting*

Can Niskanen's model of bureaucracy have anything to say about centralisation in the European Union? Independently of its well-known general shortcomings (Wintrobe, 1997), is not the model clearly irrelevant in this particular setting? Widespread opinions on this matter are well represented in a recent exchange of views between Patrick Dunleavy (1997) and Gebbard Kirchgässner (1997). Dunleavy notes that the budget-maximising hypothesis which he considers as the main characteristic of the Niskanen model is hardly consonant with the

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<sup>5</sup> Niskanen's model is developed in terms of statics and thus cannot formally predict the growth of any variable. In the following discussion, however, I will assume that it can be used, informally, to account not only for a variable being too large but also if need be for the excessive growth of that variable.

fact that ninety-five percent of the budget of the EU institutions, already extremely small compared to public expenditures in the member countries, is passed on to other actors. Thus he writes (p. 198): "If budget maximization was indeed the dominant bureaucratic motivation then EU officials should pursue direct implementation strategies so as to create large budget agencies with many personnel. Instead EU officials remain a tiny fraction of the overall numbers of member state personnel."

Kirchgässner responds as follows: "It is correct that - at least *prima facie* - these facts are hardly compatible with the Niskanen model. However, this model is not the only public choice model of bureaucratic behaviour. It is just a special, extreme case of a more general model where the size of the budget as well as bureaucratic slack are arguments in the bureaucrats' utility functions. It is not a fair way to take a special case of a more general model to attack the model altogether, especially, as there is also ample *prima facie* evidence that there is bureaucratic slack in the Brussels bureaucracy. One has to look only at the income differences between public officials of the same level in Brussels and in Paris, London, or Bonn, respectively." Qualifying this indictment of Niskanen's model, Kirchgässner adds: "if ... the core budget is a fixed share of the total budget, a budget maximising bureaucrat will try to maximise his total budget."

I think that both formulations - Dunleavy's and Kirchgässner's - of Niskanen's main message are, in a different way, somewhat unfaithful to it. I attempt to identify that message in the next sub-section. Before turning to that, however, I must mention an obstacle to the use of the model which is completely different from the problem just considered. To discuss centralisation, is it really satisfactory, as suggested by Dunleavy (1997, p. 197), to restrict the potential scope of the Niskanen model to "the personnel of the EU central institutions, especially the bureaucracy of the European Commission"? Whether it is interpreted as referring to a state of affairs at one point in time or to a process (or change in the state of affairs) over a period of time, the idea of centralisation requires that those institutions, budgets, powers or activities that pertain to the "centre" be considered not in isolation but together with those that are subcentral. Thus one cannot limit oneself to the question of how Niskanen's model applies to the bureaux in Brussels. The mechanisms that Niskanen's model purports to capture are meant to be operative in bureaucracies at all levels. Thus one must also check the compatibility of one's analysis with what one can surmise of the working of similar mechanisms at the level of the bureaux of the member states, and then one must relate any claimed centralising tendency to differences in the specific strength or effects of the mechanisms at the two levels. As Dunleavy notes himself (in a slightly different context), it is



difficult for a rational choice approach to assume that rational actors do not try to keep their powers and scope of action.

In fact, on a priori grounds, because the bureaucracies of the member states are so entrenched and powerful, what a public choice bureaucratic approach would be best suited to do is to explain why there is not *more* integration - that is, here, *more* centralisation. And in fact, this is exactly an argument that Europhiles and European federalists have often had recourse to. Especially in the 1970s, a widespread claim among supporters of European integration was that the process was stalling because of the hostility and resistance of the all powerful bureaucracies of the member states.

Some of the main problems, or potential problems, having being noted, one can turn to a positive account of how one could, in spite of them, defend the application of a model of bureaucracy à la Niskanen to the elucidation of centralisation in the EU. I will divide that attempted account into a first part devoted to clarifying some points about Niskanen's approach that seem particularly relevant when the characteristics of the bureaucracy in Brussels are considered, and a second part concerned with the relationship between this bureaucracy and the public administrations of the member states.

#### *B. A clarification of some aspects of Niskanen's approach*<sup>6</sup>

First, contrary to a widespread formulation, the originality of Niskanen does not lie in the claim that bureaux *seek* to get budgets as large as possible.<sup>7</sup> We all know from personal experience that most bureaux we are familiar with do try to get budgets as large as possible - even though we also know of cases and circumstances in which bureaux do not pursue that objective (see, e.g., Dunleavy, 1991). What is far more original in Niskanen's view, and also much more controversial, is the purported demonstration that bureaux *succeed* in getting budgets that are larger than they would if voters or their representatives had at their disposal all the informational means to decide. Niskanen's point is bureaucrats not merely desiring excessive budgets but obtaining them.

Second, is this (that is, success in getting a larger than optimal budget) not only a better interpretation of one feature of the Niskanen's theory but also the most important prediction that the theory makes? In some contexts, certainly. But if it were also the most important prediction in the context of the issues discussed in this paper, this would justify the opinion

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<sup>6</sup> By "Niskanen's approach", I mean here the approach underlying his book of 1971, not the revised views that he formulates in retrospect, in particular in the "Reassessment" published in 1994.

<sup>7</sup> Nor, for that matter, in the unoriginal explanation given by Niskanen for this motivation. Thus I do not concur in the assessment expressed in Blais and Dion (1991, p. 359) that "the great appeal of the Niskanen model lies...in its capacity to account for the well-established propensity of bureaucrats to seek larger budgets".

discussed above that Niskanen's model does not apply to these issues. As noted, the budgets or, more generally, the resources that are available to EU institutions are, given the impact these institutions have on everybody's life, extremely limited. Thus increases in these budgets, or in the numbers of officials they support, or excesses in the remuneration of these officials compared to officials of similar rank in the member countries are variables that, *per se*, do not amount to much. Inasmuch as there is a serious problem of centralisation, they do not measure up to it. Centralisation in the EU is first of all about competences and regulatory powers.<sup>8</sup>

Third, in this context, it is important to remember that, in Niskanen's model, the way a bureau may get a large budget is by supplying too much. This is sometimes overlooked because, in that model, oversupply is a means to an end, and in the original setting considered by Niskanen, as in many other important contexts, the result or prediction that appears as deserving the most attention is not this excess in production but oversized budgets or public spending. But this need not be so in all settings. In the context of the EU, it is certainly the other way around. Outside public choice economics and a few milieux here and there, EU budgets create no real anxiety. They remain too modest for that. If the budget-maximising behaviour of EU bureaucrats is relevant, it draws this relevance from the possibility that it causes overprovision. It is the flow of regulations and directives produced by Brussels, or the launching of new programmes that cost little in budgetary terms but imply a considerable centralisation of powers, that constitute the main subject of preoccupation.

At the limit, for a policy-oriented analysis focused on the EU, we could do without the assumption of budget-maximising motivations and start directly from the assumption of an expansionary drive among the bureaucrats of the Commission or the judges of the European Court of Justice. If they produce too much of whatever they produce, seek ways to increase further their reach, and undertake, almost continuously, new activities, the ultimate motives of these bureaucrats or judges may be to get larger budgets, as suggested by the Niskanen approach, but their behaviour could have completely different causes - for instance, simply, *hubris*. For the purpose of getting an overall picture of European integration it hardly matters.

Fourth, Niskanen's model can also predict slack.<sup>9</sup> But I submit that this is a much less interesting prediction of that model, in general and particularly in the EU context, than

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<sup>8</sup> For some recent figures, see Pollack (2000).

<sup>9</sup> When, in the citation above, Kirchgässner refers to a "more general model", it is clear that he has in mind Migué and Bélanger (1974). But it must be recalled that the original Niskanen model (1971) also predicts slack in some circumstances. In that model, production is no more realized at minimum cost when the constraint which is binding is not cost but demand (that is, the necessity for the marginal benefit of the political principal to remain positive).

predicting oversupply - except when slack is viewed as a deviation of policy-making from what would follow from the policy preferences of principals, but this is not what Niskanen had really in mind and it raises issues, to be in part discussed below, that his model cannot really deal with. Like oversized budgets, slack in the more usual sense of production above minimal cost cannot be a source of serious concern, even if it could be established that there is more slack in the Brussels institutions than in the ministries of the member countries. Furthermore, it is not clear that variables such as higher salaries are indicators of slack, as suggested for instance by Kirchgässner, in the citation above, or by Roland Vaubel (1994, 1995). These high salaries, like perks and other apparent "takings", may well be efficiency-enhancing. They may for instance reflect concerns about selection and incentives along the line of the theory of efficiency wages, or about incentives and trust along the line of Breton and Wintrobe's theory of bureaucracy (1982). It could also be the means by which bureaucrats in Brussels are deprived of their Niskanenian instincts to seek higher budgets (the argument being that they are so well paid that they can hope nothing from increased responsibilities).

Direct observation of behaviour, from former insiders or from outsiders familiar with the bureaux in Brussels, is perhaps the less bad way to form an opinion about whether these bureaux have a problem of slack. That literature suggests that the degree of work intensity in the Commission and the other EU institutions varies a lot in time and across departments and policy areas. It also seems to be highly dependent on the exact phases of integration and personalities of the commissioners in office. Thus, the reading of Ross (1995) does not convey, to say the least, the impression that the administration of the Commission under Jacques Delors operated so as to enjoy "the quiet life".

### *C. Centralisation and the hypothesis of Niskanen mechanisms operating at all levels.*

To make centralisation of powers in Brussels compatible with the Niskanen mechanisms operating also at the level of the member states, there are at least three possibilities.

First, one may want to draw inspiration from a point suggested by Dunleavy (1997) and argue that there is a specialisation of tasks between the two levels of bureaucracy. The reasoning could be as follows. In the policy areas in which it is active, the bureaucracy in Brussels concentrates on the thinking or shaping, so to say, and the bureaucracies of the member states on the implementing - and spending. If, *pace* Dunleavy, we assume Niskanenian behaviour and outcomes at all levels, we may observe that, within each of these jobs or activities, Niskanen's mechanisms may operate unimpaired, implying, in the policy

areas considered, an oversupply of thinking or shaping in Brussels and an oversupply of implementing (and spending) in the member states.

This may sound somewhat strange - the second part of the proposition perhaps even more than the first. In fact, there are several problems raised by that line of thinking, at least if it is considered alone. One problem is the distribution of competences between the member states and Brussels. In a policy area conquered in part by Brussels, why should member state bureaucrats previously entitled both to think (and shape) and to implement (and spend) accept to be confined to the latter task, even if that task is also amenable to a Niskanenian process of expansion in production? Conversely, this time at the Brussels level, even if such a process is also available within the task of thinking and shaping, why would there be no tendency of this level to enter the job of implementation and spending - a question raised by Dunleavy, as we saw? One could attempt to answer these queries by the means of a distinction, within the personnel situated at the two levels, between those bureaucrats who are the most competent and ambitious and the rest. Only the former would insist on thinking and shaping, and they would be able to do so by moving either to Brussels or to policy areas in which thinking and shaping remain largely a national activity. This line would not be very Niskanenian, however. Thus we might prefer an answer to both questions which is based on the following characteristic of Niskanen's model: the model applies to a qualitatively given policy task or programme set by the politicians. The decision that a task should be performed and a programme to that end started, or the qualitative definition of the task, remain exogenous.

Although the distribution of tasks is thus assumed to be out of reach of the bureaucracy, this does not imply that it is impossible, within the limits of this first possible argument, to imagine an effect of Niskanenian mechanisms on centralisation. Although both kinds of bureaux may press for higher budgets and aim at expanding their production, the thinking and shaping kind may achieve more in that respect than the implementing and spending kind. Such an effect is made plausible by the fact that expansionism is probably easier when production consists of regulations, decisions, sub-programmes, etc. than when it takes the form of spending resources for the purpose of implementing what others have decided. It is for instance easier to double the number of rules organising the surveillance of something than to double the number of inspectors who will ensure that these rules are implemented. If this is so, in spite of Niskanenian behaviour at all levels including the ones on which implementation is the main activity, centralisation may well be accompanied by a problem of insufficient implementation (I think here of implementation on the ground, so to say, rather than implementation in the sense of enactment of EU directives by the national legislatures).

I turn to the second possibility. To introduce it, we may start from a mechanism whose importance is stressed by Vaubel (1994, 1995), even though, by disregarding interest groups, I interpret it differently than he does. Both globalisation and market integration within the EU endanger some of the activities and/or financial resources of the member state bureaucracies. They may consequently be favourable to increased powers at the level of Brussels if this may, in the form of harmonisation, coordination or pre-emption by the EU level, help them safeguard at least in part these activities and resources. If we follow that line, the fact that the budget of the EU remains small is irrelevant. What counts is that the total budget available to the bureaucracy in the whole of the EU (the bulk of it being in the member state bureaucracies), is larger than it would be without centralisation. Niskanen's model can then be claimed to apply more convincingly to the aggregate bureaucracy of Europe, member-state bureaux included, than to the bureaucracy of the EU proper. And its significance is not to be assessed in terms of budget size or budgetary growth but in terms of budget maintenance in the face of trends that work to downsize it.

As noted by Vaubel, all member countries are not in the same position with regard to the effects of globalisation and market integration. The countries in which the bureaucracy may feel the most endangered in its activities are those in which these activities are the most extended, typically the richest countries. Thus we may expect the bureaucracies of these countries to be the ones who are the most favourable to increased centralisation.

There are some possible objections to this line of argument. One potential objection is, again, that bureaus are not assumed in the Niskanen model to decide transfers of competences or tasks to a higher level. However we can remain faithful to the spirit if not the letter of Niskanen's model by arguing as follows. Bureau X in a member state A does not really want to do something else. What it wants is being enabled to go on in its activities and safeguard its budget, say thanks to coordination or harmonisation at the EU level. To convince politicians of A that this must be done, it may, for instance, make them believe that without such coordination the level of activity concerned would be downsized to a level unacceptable to these politicians. As a consequence the politicians in A will favour coordination or harmonisation at the EU level.

Another objection is that there is no evidence that globalisation or market integration necessarily have, in the absence of coordination, a significant downsizing effect on administrations. Here we can invoke both the observation that small open economies have typically a larger public sector than have large, less opened economies, and the evidence, provided in particular by a country such as Switzerland (Kirchgässner and Pommerehne,

1996), that market integration within a country does not erode as much as one would think the capacity of subcentral governmental units to act. This objection sets a limit to the magnitude of what a bureaucracy may fear, or obtain on the basis of such fear, from its political principals, but it does not preclude some occurrence of the mechanism of the kind described.

The third possibility announced above starts from the existence, anterior to but favoured by the institution of "comitology" (see Steunenberg et al, 1997), in a broad sense - that is, of specialised networks that include bureaux at the Brussels level and bureaux or departments at the level of the member states. Bureaux concerned with the issue or policy area X in each country gain some additional strength vis-à-vis politicians or voters, or ministries of finance, in the same country, from being members of transnational networks specialised in X, and coordinated by a department of the Commission (or a bureau subordinated to the Council of Ministers or the European Parliament), that is, also in charge of X in "Brussels". The Niskanen mechanism in that case applies to the relationship between the set of bureaux included in the specialised network and the set of its principals in the member countries.

To conclude this section, we may, indeed, accept that there is some scope for bureaucratic expansionism à la Niskanen in the EU arrangements. The question though is whether this expansionism is imposed on other actors - in particular the governments of member states and, behind them, the voters who support them - or remains ultimately under their control.

### **III. Centralising to implement the European project.**

Before analysing the integration strategy which may be responsible for centralisation, some attention must be given to the highly ambiguous and complex way decision-making in general takes place in the EU.

#### *A. An interpretation of decision-making in the EU*

The EU system of decision-making is amenable to very different interpretations, depending on the theoretical perspective one adopts or the aspect of the system one wants to emphasise. My purpose is not to give a complete account of that system, about which there is an abundant and growing literature, but to stress those characteristics that may have a direct bearing on our discussion of centralisation. The aspect of present arrangements that I will treat as the most important in this context is the fact that a large part of decision-making in the EU involves or brings together several issues and takes place under a perspective of repeated interaction. In my opinion, this undermines the relevance of the otherwise extremely

interesting theoretical analyses that assume a single issue or dimension and/or a one shot game or interaction.

A possible approach to the nature of the EU starts from the idea, defended in particular by Bruce Ackerman (1997), of a continuum between international treaties and federal constitutions, and, correlatively, between international organisations and federations. In the course of time, an arrangement based on an international treaty, possibly embodied in an international organisation, can progressively transform itself into a genuine federation, and the original treaty explicitly or implicitly be given the status of a constitution (the possibility and even existence of transformations in the reverse direction, that is, a process of internationalisation of a federation, must also be acknowledged). In the opinion of Ackerman, this transformation was central to the evolution of the United States at its beginnings, and it is currently at work in Western Europe. Along the continuum, the European Community/Union has moved a long way towards a constitutionalisation of the founding treaties and a federalisation of its decision-making mechanisms.

This is true mostly with regard to the capacity to legislate or regulate. Over a long period of time, almost inconspicuously, the main mechanism developing that capacity was a judicial one, centred on the decisions of the European Court of Justice. Together with the (non-constitutional) courts of the member countries, the ECJ succeeded in making accept two things: first, an interpretation of the Treaty of Rome that implied, in the vast policy areas that it directly or indirectly covered, the supremacy of European law over national law; second, the "direct effect" of a large subset of European law in legal proceedings in the member countries. As noted by legal scholars (e.g., Weatherhill, 1995), a hierarchy of laws typical of federal systems ensued.<sup>10</sup> Since the Single Act of 1987, the role of the ECJ is less central - the reason being that the rule-making capacity of the other EU institutions has been greatly enhanced by the enlarged room for qualified majority voting in the Council of Ministers provided by the Act. Overall, however, this has allowed European law to affect even more profoundly than before the legal landscape in each of the member countries. Finally, new rules concerning fiscal discipline have been imposed on the member country governments themselves in the Treaty of Maastricht and in the Stability Pact which followed in the wake of the European Monetary Union. New developments are currently contemplated.

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<sup>10</sup> The function of the ECJ as planned in the treaties was modest but the Court managed to interpret it in a way that in some areas made it a real constitutional court and thus placed it above its creators (for an interesting parallel with the evolution that took place in the United Kingdom and the United States, see Josselin and Marciano, 2000) .

The European institutions, however, are still far from constituting a federal level of government. Among the characteristics that make them different from it, one is the very limited amount of financial and human resources they can rely on. However, nothing prevents a federation from being very decentralised. Thus, more importantly, what differentiates the EU institutions from constituting the higher tier of a federal system is their fundamental lack of independence with regard to the member states whenever these states agree among themselves. As a consequence, an essential characteristic of federalism is lacking: the ownership of constitutional rights by the two levels of government (see Breton et al., 1998). Although probably neither sufficient nor indispensable for a vertical competition to take place (see Salmon 2000a), the existence of entrenched rights that cannot be suppressed by one level alone is certainly favourable to the development of such competition. In the case of the EU, there is a powerful systemic obstacle to vertical competition between the EU level and the member states, and one can observe that such competition is, in fact, more or less absent. I return to that essential characteristic below.

Another way to approach the on-going constitutional or quasi-constitutional debate about the EU is based on the distinction between the "supranational" and the "intergovernmental" dimensions of present arrangements - these two terms being defined indifferently with regard to the way decisions are made as well as to the nature of the various institutions. For the time being, it is really of the essence of the EU that it combines supranationality and intergovernmentalism at the heart of its decision-making capacity. A crucial element of supranationality is clearly the European Court of Justice, and more generally the hierarchy of laws referred to above. Another very important element now is the European Central Bank. Less neatly or decisively, the European Parliament, the Commission (with its bureaucracy), and the use of majority-voting in the Council of Ministers also belong to the supranational side of the present arrangements. On the other side, expressions of intergovernmentalism are notably the requirement of unanimity-voting (in the Council of Ministers in particular) in important policy areas, and the strategic role of the European Council (the regular "summit" among the heads of government and the president of the Commission that was started in an informal way in the 1970s and became institutionalised in the recent treaties).

As a consequence of supranationality, there are many things that can legally be imposed on any country against its will, but as a consequence of intergovernmentalism, there are also many decisions that any country can veto if it wishes. This does not mean, as is often believed, that there is a precise dividing line between two sets of issues, depending on



whether they are decidable or not by the means of majority-voting. In a set-up in which the same decision-making institution operates in many issue areas, even if when unrestricted majority-voting is available, there will always be a strong incentive among decision-makers to bargain and engage into trading positions over issues (Cooter, 2000).<sup>11</sup> The fact that, for some types of decisions, majority-voting is unavailable and unanimity required can only strengthen that incentive. The consequence, in the EU context, is that the representative of countries will often accept measures that they do not like and - because these measures are subject to a "unanimity requirement" - could oppose. Conversely, a qualified majority, even when it is entitled to do so, will typically avoid imposing on a country a solution that its representatives intensely disapprove of. This does not imply that the extension of the domain of qualified majority-voting has no consequences. When the representative of a country is opposed to a proposal and obtains that a majority does not impose its adoption even though it could, a cost is incurred, a debt is subscribed which will have to be repaid in the form of a concession in another area or on another occasion (a form of capital is spent). Majority-voting sometimes exerts its power in a straightforward way. On other occasions, decision-making will require complicated bargaining and the reliance on the leadership of some member countries.<sup>12</sup> One can also note, with Peter Ludlow (2000), that supranationality has gone quite far in some areas because it seemed clear that intergovernmentalism was not so completely put aside that it would be unavailable if really needed.

With regard to the issue of centralisation, the most important characteristics to keep in mind are this availability of intergovernmental decision-making when it is really needed and the pervasiveness of a repeat business perspective. The combination of these two characteristics means that the "smallest common denominator" syndrome so often assumed to plague intergovernmentalism is far from being generally at work, as confirmed in fact by observation: many policies exist that are not wanted *per se* by a majority of member states but are accepted as parts of logrolling compromises. The said combination also means that, at the same time as each country is offered a safeguard with regard to its most basic interests, a majority frustrated by the rule of unanimity of a collective decision to which its members give a high priority will often be able to overcome that obstacle by the means of exchanges and side-payments. Sometimes, the intensity of interests and preferences is symmetrical, and relative power will settle the matter, or the status quo will prevail and there will be talk of a

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<sup>11</sup> Issues can be expected to be linked more clearly at the, so to say, "constitutional" level of decision-making, especially when the heads of the governments meet, than in more mundane or technical settings, when the Council of Ministers is composed of the heads of some specialised department (agriculture, etc.).

<sup>12</sup> For an analysis of leadership in federations and in the context of integration, addressing also the question of whether then recently unified Germany was likely to play this role, see Salmon (1992).

deadlock. Often though, that deadlock will be only apparent, and the apparent impotence of intergovernmental decision-making reflect or hide half-hearted demands or insincere priorities.

How does all this fit in our general argument? Because of the availability of intergovernmental decision-making when needed, and of the setting of repeat business in which member state governments interact, nothing important can happen in the EU that runs against the will of a sufficiently large number of member states (not necessarily against the pre-exchange preferences of these states, though). This applies to centralisation as to other issues. Thus, contrary to what may be the case of genuine federations - in which, in spite of constitutional protection, de facto centralization can be forced on junior governments<sup>13</sup> - centralisation in the setting of the European Union is to be ascribed first of all to a desire for centralisation among most of the governments of the subcentral units, that is, in the present case, of the member countries.

There is a well-known and apparently persuasive theory of bureaucratic drift based on the existence of a multiprincipal set-up in. To block the drift, a unanimous decision of the principals is required. But, for some range of the drift, unanimity is precluded by some principals drawing increased utility from it. I am not sure that even in the original American context to which the theory was targeted, this drift mechanism is not likely to be strongly constrained by the repeat business perspective under which the principals (in that case, the two houses and the president) interact. In the case of the European Union, anyhow, the foregoing arguments suggest that, if need be, there will be no insuperable obstacles to the formation of an agreement among member states to prevent any unwanted occurrence of bureaucratic drift or creeping expansion of competences.<sup>14</sup>

If, contrary to what tends to be suggested by public choice theory of the traditional variety, the member state governments, rather than the European bureaucracy in Brussels or elsewhere, are largely responsible for the centralisation observed in the EU, how is this to be explained? This brings us to a second blind spot in the vision of centralisation suggested by public choice: its neglect of the existence of a European project.

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<sup>13</sup> For instance in the case of fiscal powers in Australia and Canada (see Winer, 2000).

<sup>14</sup> This does not mean that the Commission, or possibly another EU institution, like the European Central Bank, cannot in turn become part of the exchange mechanism and thus obtain a voluntary acquiescence to something it desires, a centralizing step for instance.

### *B. The "ever closer union" goal and strategy*

The main reason why (as mentioned) the governments of the member states as a whole cannot engage into a vertical competition with the Brussels level is a simple one: *they have pledged to build up that level*. In other words, there is a European integration project, to which all member states subscribed when they became members, and centralisation is the process seen as the only one available for the realisation of that project. This brings us to the so-called Monnet method, whose interpretation deserves some care. When nowadays authors refer to the Monnet method they often have in mind an implementation of the European project whose democratic credentials are somewhat suspect. From the standpoint of historical accuracy, they can claim some basis for thinking in this way because it seems clear that Monnet himself believed in doing things for the people by dealing with the elites. This trait is often ascribed to the European project as a whole, deemed to be a kind of conspiracy among elites. However, the Monnet method can be understood more aptly as not having been exclusively his own but as a strategy that he contrived or adopted together with other co-fathers of the European project such as Paul-Henri Spaak, Robert Schuman, Konrad Adenauer or Alcide de Gasperi. Contrary to Monnet, all of them were democratic *politicians*, who gave a high priority to obtaining the support of voters (see Milward, 1992, pp. 336-37). Thus I will not follow that part of the literature that gives the main role in European integration to agreements among elites.

If elites, as decisive actors, are out, what is the content of the Monnet method? As noted among others by George Ross (1995, p. 20): "Europe's strategists – Jean Monnet, Robert Schuman, Konrad Adenauer, Paul-Henri Spaak – were astute in their modesty. Transnational unity of purpose, they reasoned, could best be created by concentrating on specific areas. Once Europe had begun to cooperate in these areas, interdependence of policy logics would promote "spill-overs" into others. Great proclamations of federalist principles were to be avoided." But Ross sees Jacques Delors's method (in his capacity of President of the Commission) as a hybrid version of the Monnet method. Because I identify the latter with the one adopted not only by Monnet but also by Schuman, etc., I prefer to consider "Delorism" simply as another instance of it.. According to Ross, "Delorism" was like the Monnet method in seeking to use policy linkages strategically and in placing a premium "on locating new programs which promised linkages to more far-reaching areas", but differed from it in promoting "public dramatization of what was at stake" and "at critical junctures" emphasizing "the high political importance of direct confrontation with central problems" (Ross, 1995, p. 230). I do not see any difference here with the attitude of Schuman and the others.

To understand the rationale for that strategy, two questions arise. First, why the goal of ever closer union in general? With many other authors, I have suggested in a previous essay that this goal is to be explained by the desire to create ties among nations that had been engaged in ruinous wars several times over the last century. Thus the underlying original concern was something like peace (an opinion also elaborated recently by Brennan and Hamlin, 2000a). However this first concern may be completed by at least two others. In a world of already huge and self-assertive nation-states, such as the United States, China, India, or Russia, with a number of other nation-states soon attempting to compete with the former for major roles on the world scene, it may be somewhat hazardous to rely too much, as done by a subset of the Eurosceptics (see, e.g., Vaubel, 1995), on the optimistic view that nation-states are becoming obsolete, that only individuals, as citizens of the world, count, and that relatively undemanding international arrangements will ensure peace, justice and the rule of law. If the future is held to be highly uncertain, it may be a good idea to build up a union, such as the EU, among small or medium-sized countries which already share many interests. There is also a more economic consideration. From an economic perspective, it seems clear that the European project has also been based on the vague idea that the provision of a large market ruled by a single overarching state-like institution has been, somehow, largely responsible for the strength, prosperity or resilience of the American economy, and that an arrangement of the same kind is thus also to be sought in Europe.

The second question is, why the round-about, somewhat conspiratorial, strategy used to generate that ever closer union? In the same essay (Salmon, 1995), I have argued that, many people, in each member country, were sentimentally attached to their country and, as a consequence, did not like to think too much about the end or diminished intensity of such attachment and its replacement by an attachment to another entity.<sup>15</sup> Thus many people, who tacitly acquiesce to the European project, may not like to think about its ultimate destination and, if faced with the need to approve expressly a drastic and irreversible change that would take place to implement the project in the short run, may feel too guilty about its consequence on their attachments to provide that approbation. For that or similar reasons, no straightforward path to a European federation that would provide for sufficiently strong links among its various national constituencies, seemed likely to be really available until recently. Now, however, many people claim that the time has come for a formal agreement on a EU

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<sup>15</sup> For an exploration in general terms and under a perspective of rationality of the mechanism of "not thinking about something" or "thinking about something else", see Salmon (2001).

constitution, or even a federal constitution. Has the long-standing rationale for not doing so suddenly disappeared?

Before attempting to answer that question, let me note an essential characteristic of the strategy to construct Europe that is implied by the "Monnet method", and thus in a sense justified by the foregoing discussion. Because they support the ever-closer union objective, the need to build up bit by bit the EU level is always present in the back of the mind of the Commission in Brussels, and behind the Commission, of majorities or influential minorities (of citizens, elites, opinion, etc.) in a majority of the member countries of the EU. Those who support this project will tend to welcome occasions to transfer new responsibilities to the Brussels level. For that purpose they will be prone to conclude alliances with various other constituencies, pursuing completely different objectives. Thus, depending on the circumstances, they will ally with groups and politicians mainly concerned with continuing redistribution in favour of farmers, with constituencies anxious to save the welfare state, with large firms concerned with reducing transaction costs, with regional actors thirsty for subsidies, or with the supporters of competitive markets who demand that national public services monopolies be dismantled.<sup>16</sup> The famous *engrenage* or spillover strategy associated with the "Monnet method" should be interpreted in a way that gives a sufficient role to the foregoing mechanism. When a problem arises, often as a result of previous transfers of competence, whether the solution which involves a new transfer of competence in favour of Brussels is the best one is not discussed only on its own merit. In many cases, the discussion is somewhat biased in favour of the "integration-friendly" solution. This is of course a powerful factor of centralisation.

It must thus be conceded, I think, that the "Monnet method" often leads to transfers of competence that are not really necessary or even advisable from any perspective unconcerned with European construction per se, or for those Europhiles who think that only the pure, straightforward, rationalist path to that goal should be followed. Even from a perspective that does include both a concern for European construction and the acceptance as inevitable of the round-about character of the strategy leading to it, centralisation may be judged to go too far in some cases. The ensuing concerns have led to introduce in the Treaty of Maastricht a "subsidiarity clause" (see Inman and Rubinfeld, 1998; Seabright, 1998; Breton et al., 1998). Most importantly, they currently underlie the motivation of many supporters of a European

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<sup>16</sup> There is also an active opposition to that project, although it must be stressed first that the expression "ever closer union" is included in the official documents agreed on by all the governments, and, second, that the politicians and other individuals who oppose increased supranationality often justify their position by the claim that it is too early for it, that public opinion is not ready, that there is no European identity yet, etc. - which shows that they do not contest at least openly the direction in the absolute.

constitution. As argued in particular by economists, a clearly federal constitution might do a lot to prevent some harmful consequences of the centralisation process inherent to its current, indirect, substitute (see, e.g., Vaubel, 1995; Breton 1996; Alesina, 1999). An obvious obstacle to such a momentous step is the well-known divergence of conceptions about European integration in general that remains as strong as ever among the different countries. But, more fundamentally, I wonder whether the time has really come to stop keeping in the dark the final aims or destination of European integration, as well as the significance of its major steps, even in the countries that are the most favourable to it. Given the rationale for pursuing the strategy, and the pro-European bias noted above, one may also wonder whether the call for a constitution, even if motivated by a desire to avoid creeping centralisation, will not in the end be used to justify additional centralisation. In a sense, a reinterpretation or capture of that kind is what happened to the neo-liberal foundation of the "single market" initiative, as we will see now.

#### **IV. Centralising to complete market integration**

##### *A. The fact*<sup>17</sup>

Political decentralisation implies that as much autonomy and decision-making capacity as possible be left to subcentral governments. In particular a major reason to favour decentralisation is the hope that junior governments will experiment and innovate, that is, try to make new services available to citizens or to implement new or more efficient ways to deliver the existing ones - what has been called "laboratory federalism" (Oates, 1999).<sup>18</sup> However, a government that departs from what other governments are doing almost always fragments the economic space. As a side-effect of this difference with others, which reflects its innovativeness, it creates a non-tariff and non-border barrier to trade - implying additional transaction costs for private-sector activities that straddle jurisdictions and rents for those that do not - and/or a distortion of competition. In particular, "domestic" regulations have side-effects that fragment some markets and can thus be considered as barriers to trade, whereas subsidies, "state aids" to domestic activities, and in particular to firms, distort competition and jeopardize the prospect of maintaining a "level-playing field" among competing firms.

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<sup>17</sup> In this subsection, I borrow most developments from Salmon (2000b). For a more elaborate analysis of several of the points mentioned here, see also Breton and Salmon (2001).

<sup>18</sup> More generally, competition among junior governments can take the form of performance or yardstick competition, with voters comparing what they get from their junior government to what their fellow voters in other subcentral jurisdictions get from their own governments (see Salmon, 1987). Whether mobility complements or undermines this mechanism is discussed, in the context of the EU, in Salmon (2000b).

In most existing federations, a concern with leaving sufficient autonomy to subcentral governments inspires substantial self-restraint in the endeavour to eliminate non-border barriers to trade and violations of the level-playing field principle. The observation of what obtains in federations such as the United States, Canada or Switzerland shows that fairly unified internal markets are quite compatible with states, provinces and cantons remaining free to implement policies that, as side-effects, do generate non-border barriers to trade among them. In similar fashion, both the normative principle that competition must be enforced for the benefit of consumers rather than for the convenience of competitors (Mueller, 2000), and, again, the observation of practice in existing federations, are powerful reasons to tolerate subcentral government subsidies to private firms - whether for stabilizing local employment or for other possibly legitimate purposes.<sup>19</sup>

The European Community/Union has adopted an increasingly ambitious agenda of elimination of all barriers to trade and distortions of competition. To a degree increasing in time, this has included as a major target side-effects of domestic policies, as is clear from the emphasis on the elimination of "non-border" barriers to trade, and, as another target, state subsidies to firms, as is manifest from the adoption of "fair competition" and a "level-playing field" as legal criteria for corrective action. It is hardly disputable that, in one way or another, the eradication of all barriers to trade and distortions of competition is bound to seriously limit the autonomy of national and subnational governments. But it can conceivably do so in two ways. One may summarize the difference between the two as coming down to the question of whether the decision-making capacity lost by national and subnational governments goes above all to the private sector or whether it mainly goes to collective decision-making in Brussels - in other words, whether the main tendency is deregulation or regulation centralisation. Ironically, the more ambitious the content given to the objectives of free trade and level-playing field, the more centralisation will tend to prevail over deregulation.

Over a long period of time, things seemed bound to move in the first direction. This phase was dominated by the judicial interpretation of the dispositions and legal rank of the Treaty of Rome. The principle of freedom of trade and movement that the European Court of Justice instituted was given a constitutional status comparable to that of the Commerce Clause in the United States Constitution (Majone, 1996). At the same time, the capacity to regulate at the European level was hampered by the rule of unanimous decision-making - at least so long as the stakes were not too high (we saw previously that this voting rule does not necessarily

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<sup>19</sup> See also Besley and Seabright (1999).

inhibit decisions when some governments desire with sufficient intensity that they be made). In this setting, everything depended on the activism of the courts - or of the part the European Commission that plays a role akin to that of the courts. With sufficient activism on their part, many activities of national and subnational governments could be prohibited or curtailed.

This process of "negative integration", or "integration by law" (see also Weiler, 1999), thus seemed to give some plausibility to the prospect of a European Union resembling the US economy of the 19th century in the two characteristics that made it successful according to Barry Weingast's "market-preserving federalism" (1993): "the authority to regulate markets... not vested with the highest political government in the hierarchy", and "the lower governments...prevented from using their regulatory authority to erect trade barriers against the goods and services from other political units". No centralisation at the level of Brussels seemed to be implied. However, with even more judicial activism, taking the form of an interpretation of trade barriers inclusive of all the side-effects on interjurisdictional trade of the activities of national and subnational governments, Weingast's two requirements would have implied a downsizing of government in general that was, given what is expected from it in modern societies, clearly unrealistic in the European context.<sup>20</sup>

In any case, a completely different perspective was introduced by the Single Act of 1987 and the 1992 project. One of its two main ingredients was a renewed emphasis on the achievement of a perfect internal market, implying the eradication of all barriers to trade and competition distortions.<sup>21</sup> But the other ingredient was, thanks to greater allowance of majority-voting in the Council of Ministers, a much-enhanced capacity to make laws or regulate at the level of the EU. The combined effect of these two ingredients has been an extensive process of harmonization or standardization of regulation. Member-state and subnational governments have been deprived of much of their autonomy in some areas, but the main regulatory capacity has been firmly relocated at the centre - not quite the division of responsibilities prescribed by Weingast as a condition for "market-preserving federalism".

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<sup>20</sup> For a well-argued criticism of Weingast's market-preserving federalism and some striking examples of re-centralisation under Ronald Reagan, see Rodden and Rose-Ackerman (1997).

<sup>21</sup> The "mutual recognition" principle, as spelled out notably by the European Court of Justice in its famous *Cassis de Dijon* ruling (1979), is also part of the "new approach" adopted in the Single Act. It says that, although the production of a good remains regulated by the government of the jurisdiction where this production takes place, the good can be freely exported to another jurisdiction whatever the regulation applicable to its production in that other jurisdiction. This clearly eliminates one barrier to the free trade of goods. The economic space remains, however, fragmented in the sense that imposed modes of production of the good are different across jurisdictions and this may distort the choice between producing in one jurisdiction or in several. It may for instance protect a local firm from a firm from another jurisdiction opening up in its own jurisdiction. It may also distort the trade of intermediate goods. Thus if the objective is a completely unique market, mutual recognition will have to be superseded by full harmonization.



## *B. Interpretation*

The Single Act was approved by Margaret Thatcher and her government. Given, on the one hand, her well-known aversion to the transfer of new powers to the level of Brussels or, more generally, of any form of centralisation in the EU context, and, on the other hand, the considerable increase in centralisation which has been the outcome of the Single Act, the obvious question is why she, together with many other Eurosceptics, supported the project. This question is increasingly raised. Several complementary answers can be provided. I will single out four.

A first answer is that the approval of the project was part of a deal, along the line of the interpretation of decision-making in the EU analysed in Section III. Delors and his new Commission wanted to accomplish a major step in the direction of European integration. Delors rapidly discovered that the only possible step consisted in combining the completion of the internal market, as an objective, and qualified majority voting, as an instrument (or, perhaps rather, in his mind, the other way round). Other political leaders both wanted to accomplish a major step and to revitalize the economy of their country, which was losing ground compared not to the other European economies (equally subject to "Eurosclerosis"), but to outside competitors such as the United States or Japan. The Single Market programme seemed a way to achieve that. Thatcher wanted both a free-market Europe and "her money back".

Secondly, the intrinsic effects of the Single Act in terms of centralisation were perhaps not clearly anticipated by some of the actors. It is probable that many thought that deregulation rather than re-regulation at the centre would ensue.<sup>22</sup> They underestimated the need or pressure for regulation in our modern societies.

Mistakes exist but recourse to them for explanatory purposes should be parsimonious. Thus, it seems more interesting to stress, as a third reason, the existence of an unheeded divide among supporters of free markets and of political decentralisation. Some supporters of these two goals argue that they are compatible even in their most extremist versions.<sup>23</sup> Getting rid of *all* non-border and involuntary barriers to trade and transferring most political powers to subcentral governments are compatible in their view because government in general should do as little as possible. Thus, in their case, our earlier reference to laboratory federalism à la Oates is largely irrelevant. Their position is fully consistent, however, only if they give up

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<sup>22</sup> As recalled by Moravcsik (1991), "in March 1984, British Foreign Minister Geoffrey Howe called for the removal of 'all and I mean all, economic barriers' " (p. 57), whereas the general feeling was that "Britain had nothing to fear from qualified majority voting on the internal market program" (p. 61).

<sup>23</sup> They are of course fully compatible in their moderate versions, as illustrated for instance by countries such as the United States or Switzerland.

also the need for competition policy (including policies about public monopolies, public procurement, state aids, etc.). Otherwise they would have to acknowledge the necessity of an essential source of centralisation.<sup>24</sup> I suggest that a larger number of self-proclaimed adversaries of political centralisation among supporters of a strong interpretation of free markets give in fact the priority to the second objective and are de facto quite ready to sacrifice the first. In Britain, to implement her policy preferences, in particular regarding markets, Thatcher herself did not hesitate to centralise many competences that belonged to junior governments. The same happened in the United States under the Reagan administration (see Rodden and Rose-Ackerman, 1997). Conversely, the most convinced supporters of political decentralisation also strongly believe, in general, in the importance of fully active, competitive, government.

A fourth explanation is that the Europhiles or Euro-strategists, especially among the officials of the Commission or the judges of the ECJ, exploited the ambiguity of the position of Thatcher and others and decided to interpret the elimination of all barriers and distortions in a maximalist way. The programme offered them a wonderful instrument to labour for centralisation. As noted, the principle of subsidiarity introduced in the Treaty of Maastricht did reflect a new concern with the protection of some decision-making capacity at the national and subnational levels of government. But, it is not clear that the contradiction between extensive interpretations of subsidiarity and subcentral government autonomy on the one hand, and a somewhat extremist single-market and fair-competition agenda on the other hand is as yet fully perceived. Centralization is still imputed exclusively to the bureaucrats in Brussels, not in the least to the partisans of unfettered markets in London and elsewhere.<sup>25</sup>

## **V. Conclusion: a hierarchy of causes with the Monnet method at the top**

Centralisation in the EU takes the form of increased competences and responsibilities at the level of Brussels, with in particular a much enhanced, if not dominant, role of that level in the provision of rules. To account for this phenomenon, I have explored the possibility of an expansionary bias within the bureaucracy along the lines suggested by Niskanen. To use Niskanen's approach in that particular setting, it has been necessary to specify some points

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<sup>24</sup> A very active competition policy at the level of the Union is inevitably a powerful factor of centralisation, even justifying, according again to an opinion expressed this time in retrospect by Geoffrey Howe (now Lord Howe of Aberavon), "a fully-fledged, supranational, quasi-federal and enforceable legal system" (Howe of Aberavon, 1999, p. 4).

<sup>25</sup> In an article entitled "Barriers real and imagined", *The Economist* (9 December 2001, p. 112) displays some awareness of the problem but tries to avoid what should be for it a real dilemma by denying the existence of barriers to trade as side-effects of useful domestic policies.

about the interpretation of the approach and, also, to take into account the fact that the reasoning may apply to the bureaux of the member states as well as to those belonging to the EU institutions. I have then turned to a discussion of decision-making in the EU in view of assessing the extent to which any of its characteristics, in particular centralisation, can develop without the acquiescence or agency of a majority of the member-state governments. This degree is probably very limited because two major traits of decision-making in Brussels are that it allows connecting different issues and that it operates under a perspective of repeat business.

The natural question to raise then is whether centralisation as a process is not first of all simply a way to implement, in the manner suggested by Jean Monnet, the "ever closer union" that was - and, to a degree, still is - the underlying rationale for the European construction project. I have sympathy for that interpretation, whose plausibility, however, required the clarification of a number of points about the Monnet method. Actually, its acceptance by economists - especially economists working in public choice or in law and economics - who adopt a narrow view of rational behaviour is not that natural or straightforward. That the construction or integration of Europe can be a genuine goal in itself, and moreover that many voters may prefer it to be roundabout and somewhat conspiratorial is difficult to accept for economists working in that tradition. However, I think that, when the act and content of voting are concerned, our methodological allegiance, as a research strategy, to the assumption of rational behaviour cannot be based on too narrow an interpretation of that assumption without becoming counter-productive. In political matters, we must interpret rationality in such a way that it allows a richer array of motivations than we need, perhaps, to concede in other settings (see Brennan and Hamlin, 2000b).

Finally, I have argued that a third set of causes of centralisation can be found in the objectives of "completing the single market" and of setting a "level-playing field" that were adopted, with the backing of Margaret Thatcher, in the Single Act. A policy which pursues the objectives of eliminating all kinds of fragmentation of the common market and of distortion of competition among firms implies, under modern conditions, a massive transfer of responsibilities in the area of regulation and policy-making from the level of the member states to that of the Union. Why did Thatcher engage in a policy which was bound to increase centralisation in that way? Among the possible reasons considered for that surprising behaviour, probably the most promising for future research (as well as the less idiosyncratic or contingent) points to the limits of what is often taken as a natural congruence between the objective of free, unregulated markets, and that of political decentralisation. An illustration of

these limits is the political centralisation that took place in the United States and in Britain under the liberal policies of Reagan and Thatcher.

As suggested several times in this essay, I see the objective of "ever closer union" together with the "Monnet method" as constituting the main factor of centralisation in the EU. This does not mean that the other two sets of factors that I discussed do not also play a role. But this role is not only dependent on the continuing impulsion provided by the first factor but can also be seen as contrived or manufactured in its service. The observation by Thatcher (1993, p. 558) that the European Commission has "always had a yen for centralized power" is correct but, to go deeper, it must be fully acknowledged that the rationale for that is a central component of the European project. As noted by Ross (1995): "The European Commission ...was meant constitutionally to be an institution whose explicit task it was to work for change - generating greater Europeanization" (p. 6); or: "the founding fathers wanted to establish [the Commission] as an activist motor at the center of the Community whose most important job would be to expand the EC's mandate over time" (p. 23). Other EU institutions are also genetically biased in favour of centralising, that is, integrating solutions. Thus we can agree both with Fritz Scharpf (1999, p. 69) that the European Parliament has a "general bias for more integration of any kind," and with Vaubel (1994, p.153) that, in the long run, the European Court of Justice is more likely to represent "in euro-speak, 'an engine of integration'" than to "a 'bulwark' against centralization."

With regard to acquiescence to the Single Market project, this time on the part of social democrats who should not be particularly concerned with freeing markets, Vaubel (1994, p. 175) is also right to detect their motivation in that sentence of the Delors Report of 1989: "The completion of the internal market will result in a marked easing of the overall burden of regulation, but for the Community institutions it will mean a substantial addition to their executive and policing functions". A statement of fact, but also of the basic logic.

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