The Powers of The Central Governments and the Problems of Enlarging and Deepening the European Union

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Abstract. In this paper we present an adaptation of Buchanan and Tullock’s [Buchanan, J., and Tullock, G. (1962) The Calculus of Consent: Logical Foundations of Constitutional Democracy. Ann Arbor: University of Michigan Press] model in order to apply it to the constitutional choices regarding the assigning of powers to a supranational authority. The outcome of the economic-political model developed in this paper demonstrates that there are constraints in the supply of integration, suggesting that the enlargement and deepening of the European Union will have to be based on federalist conceptions.

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1. Introduction

Quite a lot of work on the EU – in fact, much of the best work – is concerned with decision-making (see Kirchner 1992; Peterson 1995a; Richardson 1996a, c; Moravcsik and Nicolaïdis 1999). The EU is a powerful level of governance although the policy-making capacities of the Union have not been strengthened nearly as much as capabilities at the level of Member States have declined (see Scharpf 1994a). Our strategy for understanding the EU is to study it as a unique system of multi-level governance. The term governance is everywhere in the recent EU literature (see Frey and Eichenberger 1999; Armstrong and Bulmer 1998; Hix 1998; Sandholtz and Stone Sweet 1998) but it is rarely defined very clearly. Governance is synthetic: It results from a mix of factors, including political leadership, state–society relations, institutional competition, electoral politics, and so on.

The impossibility of extending, due to a simple matter of quantity, the present composition of community institutions leads once more to the decision-making
problems that are characteristic of the opening-up of new stages in the process of 
European integration. The possible dilemma between deepening and enlarging has 
been faced with the principle of reinforced integration nevertheless, the reform of the 
European Union’s institutional system is still a problem of the first magnitude in 
order to facilitate both the development of the Union and the unavoidable challenge 
of its enlargement to the Central and Eastern European Countries (CEEC).

Our purpose is to present an adaptation of Buchanan and Tullock’s (1962) model in 
order to apply it to the constitutional choices regarding the assigning of powers to a 
supranational authority. The model allows us to identify the main problems associ-
ated with the institutional reform required by the historical challenge of its enlarge-
ment to CEEC. Taking into account that the classical integration process has reached 
a critical point and constitutional limits, the outcome of the economic-political model 
developed in this paper suggest a qualitative change in the system of EU government. 
Our results make an original contribution in the context of economic models of the 
decision-making processes. In the mathematical model built in this paper, we consider 
that the logical analysis of the integration decisions requires the study of the condi-
tions under which governments and citizens interact within the framework of both, 
the constitutional rules of the different Member States and the EU institutional sys-
tem. The way that citizens and governments perceive the benefits and costs of the 
integration processes can be defined through an integration demand and an integration 
supply functions respectively, which constitutes the Section 2 of the paper. The 
analysis of the interaction between integration demand and an integration supply 
functions is given in Section 3 of the paper. In this section we remark the constraints in 
the supply side by the Government and we warn the existence of constitutional limits 
in the integration process. Finally in Section 4 we establish the main conclusions.

2. A Constitutional Model of the European Union: Integration Supply and Demand

The constitutional choices regarding the advisability of supporting the integration 
process are based on the balance between the perceptions of the benefits of increasing 
integration and the costs resulting from joint supranational action. The former are 
the most evident aspects of the integration process and are the ones that have always 
been highlighted by European movements and institutions. Nevertheless, the latter 
and their main components are key elements in order to understand the factors 
underlying the integration processes and their constitutional design (see Cecchini 

2.1. Benefits of Increasing Integration Process

On the 50th anniversary of the Schuman Declaration it seems unnecessary to 
underline the positive elements of constructing a democratic community, whose rules 
discipline the exercise of the governments’ powers. As Jean Monnet highlighted, the 
objective is to surpass mere international cooperation, creating a fusion of interests
that surpasses the mere maintenance of its balance, so that by sharing areas of sovereignty an institutional system may be created that would promote cooperative strategies based on agreement and on the exercise of civil and economic rights.

The international order generates problems with a certain Hobbes-like nature (Buchanan 1975) in the sense that governments are faced with a dilemma of individual incentives that prevents them from relinquishing the exercise of pressure. The pressures and counterpressures among governments constitute best-response mutual actions (Nash-Cournot equilibriums) and, at worst, they originate escalations of conflict (absence of equilibrium), as shown in Figure 1, which represents the respective paths of moderate and accelerated reactions that explain both kinds of situations.

The same analytical outline can also be applied to the needs generated by development processes and the extension of markets. Pressure can be understood as one more kind of protectionism. The protection intensities are counterbalanced among the different parties and only lead to a useless effort and to an inefficient compartmentalization of the market, but again the optimum, relinquishing the protection and integration of markets, is an unstable solution without an institutional structure that disciplines the governments’ commitment.

It is not necessary to stress the benefits that the European Union provide the public and governments with. These benefits, which have also and correctly been called the costs of non-Europe, constitute the positive factor or the potential benefits of integration that are evaluated by the citizens and by the Governments at the time of deciding whether they want to increase the EU powers and its degree of integration.

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**Figure 1.** Hobbes-like features in international relations.
We can define in an analytical way the Benefits function of the degree of integration \( I \) as the current expected value of the utility gains linked to sequences of social states and the corresponding individual positions foreseen according to different degrees of integration. These benefits can be understood as the market benefits, i.e., those associated to the efficiency gains – economies of scale, technical progress; increased in the market size – that in the market sector generates the enlargement of the economic space related with the integration processes, \( U_g \). This means:

\[
B : (I) \rightarrow B(I) = U_g(I)
\]

We suppose \( B \) being concave and twice differentiable.

2.2. Costs of Joint Supranational Action

However, as opposed to this positive or beneficial factor, we should not forget that the creation of an area of supranational decision making also generates a negative or curbing factor, the costs of Europe itself, which are the result of the difficulties and problems of bringing together, under a common jurisdiction, peoples with different economies, histories and cultures.

The factors that influence the costs related to the creation, extension and functioning of supranational institutions are numerous and complex. Nevertheless, for analytical purposes, we will consider three main factors or basic variables: political influence, degree of integration and the national heterogeneity.

The constitutional dimensions that determine the decision-making processes within Europe’s supranational institutions are combined in what we will call the degree of political influence \( P \), which reflects the capacity of blocking a decision contrary to our interests. In this sense, political influence varies between two extremes, 0, when there is no influence over the decisions affecting us, and 1, when there is complete control in this regard, unanimity or the right of veto, which enables the blocking of any undesirable decisions.

The costs resulting from joint supranational action itself are the losses of individual utility \( U_i \) caused by the decisions adopted at this level, after the powers have been assigned to the Community by the member states. Both kinds, imposition and decision-making costs, are not independent of the rules governing the decision-making procedures nor the starting positions and the distributions of interests within the different areas of the states committed to the integration process. Such costs can be divided into two main kinds:

(1) External costs \( (C) \). These costs are, according Buchanan and Tullock (1962), those costs which individuals bear when the amount or type of public good provided does not maximize a given individual’s utility, or when the marginal costs an individual must pay to finance a public good exceeds the individual marginal valuation of that good. In our definition we extend the Buchanan and Tullock model to allow for changes in political influence \( P \), degree of integration \( I \) and group homogeneity \( (H) \).³ Analytically we can define them as:
\[
C : (P, I, H) \rightarrow C(P, I, H) = U_l(P, I, H)
\]

(2) Decision costs \((D)\), i.e., those costs related with gathering information, debating proposals, circumventing strategic behaviour, and reaching consensus. Toumanoff (1989) defined these costs as “opportunity costs of the resources devoted to the identification, negotiation and enforcement of transactions”. Again, we extend the Buchanan Tullock model allowing for changes in political influence \((P)\), degree of integration \((I)\) and group homogeneity \((H)\). Analytically we can define them as:

\[
D : (P, I, H) \rightarrow D(P, I, H) = U_l(P, I, H)
\]

We suppose that \(C\), \(D\) functions are nicely behave (convex, continuous and twice differentiable). Both functions are increasing (more than proportionally) respect to \(I\) and \(H\), but \(C\) and \(D\) are respectively decreasing and increasing respect to \(P\). Consequently, over the intervals of relevant values of \((P, I, H)\) the signs of the different partial derivatives of the above functions are as follows:

\[
\begin{align*}
\frac{\partial C}{\partial P} & < 0; & \frac{\partial D}{\partial P} & > 0; & \frac{\partial^2 C}{\partial P^2} & > 0; & \frac{\partial^2 D}{\partial P^2} & > 0; \\
\frac{\partial C}{\partial I} & > 0; & \frac{\partial^2 C}{\partial I^2} & > 0; & \frac{\partial^2 D}{\partial I^2} & > 0; & \frac{\partial D}{\partial I} & > 0; & \frac{\partial D}{\partial H} & < 0;
\end{align*}
\]

The total cost, \(TC\), of the joint supranational action is the result of the aggregations of both costs, so:

\[
\]

Total costs is also a function nicely behave (convex, continuous and twice differentiable). By the same reason, total costs of the joint supranational action are increasing respect to the degree of integration and the national heterogeneity. Total costs depends on both, the degree of integration and the national heterogeneity. For every given level of national heterogeneity, \(H\), we can compute the optimal value of political influence, \(P^*\), that minimize, the total costs for every degree of integration, \(I\). We obtain a parameterized family of convex (minimizing) programming:

\[
\begin{align*}
\text{Min} & \quad TC(P, I, H) \\
& \quad H = H
\end{align*}
\]

This parameterized family provides us the optimal value function, the minimum of the total costs for a given couple of heterogeneity and integration degrees, \(VTC(P, I, H)\) and the solution function, \(P^*(I, H)\). This solution function reflects a clear relationship between the degrees of national heterogeneity and the minimum total costs of joint supranational action under every possible degree of integration. High degrees of national heterogeneity generate...
terribly high expected costs and require very high levels of political influence to keep expected cost under control expected cost. The relationships among these variables can be studied through the derivatives of the minimum total costs function, VTC:

\[
\frac{\partial VTC(I, H)}{\partial I} > 0 \quad \frac{\partial VTC(I, H)}{\partial H} > 0 \quad \frac{\partial^2 VTC(I, H)}{\partial I \partial H} > 0
\]

Graphically, this can be seen in the following Figure 2.

The figure shows that the greater the level of national heterogeneity, the greater the slope of the minimum total costs for every level of integration, i.e., in mathematical terms the second derivative of the minimum total costs respect to the degree of integration and the level of heterogeneity must be positive.

In a similar way, the solution function for the optimal degree of political influence depends on the degree of integration and the level of national heterogeneity, \( P^*(I, H) \). It can be assumed that greater degrees of integration require higher levels of political influence and also the derivative of the optimal political influence, \( P^*(I, H) \) with respect to the degree of integration is an increasing function of the levels of national heterogeneity, i.e, in mathematical terms we obtain the following expressions:

\[
\frac{\partial P^*(I, H)}{\partial H} > 0 \quad \frac{\partial P^*(I, H)}{\partial I} > 0 \quad \frac{\partial P^*(I, H)}{\partial I \partial H} > 0
\]

### 2.3. Constitutional Choice: Optimal Degree of Integration

The evaluation of benefits and costs by the citizens (the public in general and its different interest groups: workers, businessmen, economic sectors, functionaries, etc) generates what we may call the integration demand, i.e. the correspondence between the different values of the political influence and the level of integration that the public wants according to the degree of national heterogeneity and the risks and problems that this may generate in a common organization. Thus the integration demand will be the value of \( I^* \) that maximizes their net gains of utility.

\[
\max B(I) - C(P, I, H) - D(P, I, H)
\]

The solutions of this maximizing problem must verified the following condition:

\[
\left( \frac{\partial C}{\partial P} + \frac{\partial D}{\partial I} \right) = 0
\]

\[
\frac{\partial B}{\partial I} \left( \frac{\partial C}{\partial I} + \frac{\partial D}{\partial I} \right) + \left( \frac{\partial C}{\partial P} + \frac{\partial D}{\partial P} \right) \frac{\partial P}{\partial I} = 0
\]

where the marginal value of degree of integration, MI, will be given as follows:
Figure 2. Minimum total costs of joint supranational action as a function of the degree of integration and the heterogeneity levels.

\[
MI = \frac{\partial B}{\partial I} - \left( \frac{\partial C}{\partial I} + \frac{\partial D}{\partial I} \right) + \left( \frac{\partial C}{\partial P} + \frac{\partial D}{\partial P} \right) \frac{\partial P}{\partial I}
\]

and if we derive respect to the national heterogeneity we obtain:

\[
\frac{\partial MI}{\partial H} = -\left( \frac{\partial^2 C}{\partial I \partial H} + \frac{\partial^2 D}{\partial I \partial H} \right) + \left( \frac{\partial^2 C}{\partial P \partial H} + \frac{\partial^2 D}{\partial P \partial H} \right) \frac{\partial P}{\partial I} < 0
\]

Now, the first condition, giving the optimal political influence, \( P^* \) for minimizing total costs from joint supranational action can be omitted if we work with the value function \( VTC \) which provides the minimum value of these costs for every degree of integration and every level of national heterogeneity. In these terms, the relationship between the levels of integration and the levels of heterogeneity are explicitly shown:

This is, \( B(I) - VTC(I, H) \) must be positive and the maximum when \( I \) runs the interval \((0,1)\).

\( B(I) - VTC(I, H) \) is a nicely behave function (concave and twice differentiable), so its maximum is achieved when: \( \frac{\partial B}{\partial I} = \frac{\partial VTC}{\partial I} \). The marginal value of the integration, \( MI \), will be given by

\[
MI = \frac{\partial B}{\partial I} = \frac{\partial VTC}{\partial I}
\]

and deriving respect to \( H \):
Thus, once we have overcome the critical threshold, where the profits of the integration process start to balance and overcome its costs, $H^*$, the subjective value of the integration will be the higher the lower the degree of national heterogeneity will be.

The relationship among the national heterogeneity levels and the optimal degrees of integration can be shown in the following Figure 3:

2.4. Integration Demand: Constitutional Bases of Monnet Method

Let us now see how the levels of national heterogeneity affect the costs of joint supranational action, which involves considering the form of the curves of total costs according to the degree of national heterogeneity. It is clear that the higher the perception of the degree of heterogeneity, the higher the expected costs of imposition, which will therefore require decision-making rules that are more inclusive, closer to unanimity – which means that the minimum total costs will increase with the level of heterogeneity and the efficient levels of political influence will approach 1. When the level of homogeneity is very low, the minimum of the costs is attained precisely at unanimity and is considered to be very high. Joint action should be limited to what is absolutely necessary and its basis should be very close to intergovernmentalism in the decision-making procedure. As the heterogeneity decreases, the expected costs of imposition also decrease and this enables less inclusive decision-making rules, whose lower total costs require greater degrees of integration and more supranational powers, since the balance between the benefits and costs of the joint supranational action are more and more favourable.

As far as coexistence under supranational jurisdiction increases the degree of homogeneity, a process of cost displacement is produced that promotes new demands for assigning power to the supranational authorities. This is the essence of the self-cumulative process of the Monnet Method and of the gradual logic of successive steps in European construction.

The problems arising from enlargement can be considered in a similar way, since the effect of increasing the size and number – as well as the corresponding heterogeneity – involves an effect similar to that of reducing the degree of homogeneity: i.e. an increase in expected costs and a rise in the inclusiveness and caution of the decision-making processes.

Precisely for these reasons, the principle of flexibility and strengthened integration is a guarantee of importance, since it enables a closer circle of integration among the members with a higher degree of national homogeneity and it facilitates the construction of a leading group of countries promoting the integration process in concentric waves from a central nucleus.
Taking into account the above expression, we can obtain the long-term integration demand that is linked to the reduction of the national heterogeneity. We define it as a long-term correspondence between the degree of integration that the citizens wish and the levels of political influence that the citizens would accept on the supranational institutions. This relation is described in the following graph (Figure 5) where we offer the existing relation between the different values of the political influence and the level of integration that is wished in the collective supranational action. This correspondence will be defined as the integration demand, \( \text{DI} \):

\[
\text{DI} : H \rightarrow \text{DI}(H) = (P^*, I^*)
\]

where \((P^*, I^*)\) are the optimal values of \(P\) and \(I\) in the constitutional calculus for the citizens. This integration demand starts from the above mentioned critical threshold of heterogeneity level where the benefits of benefits of integration begin to overcome the minimum total costs of the joint supranational action.

The central idea of the Monnet method points out that Europe cannot be constructed suddenly, nor under the mere impulse of great ideals, but rather little by little, creating and progressively broadening the common bonds of interest and the actual and rightful solidarity among the European people. This seems substantially correct and highlights two fundamental characteristics of the demand for European integration:
Figure 4. Integration demand and political influence.

Figure 5. Decision-making rules and integration costs.
• On the one hand, it considers the costs of integration itself, since when the degree of national homogeneity is high, any attempt at sudden unification could cause such high costs that would make it impossible.

• On the other hand, it highlights the self-accumulative and self-driving nature of the integration demand. If at the different levels of integration, regardless of their limited extent initially, a legal framework with a view to stability and a set of common rules in one or more sectors are created, their action regarding the different behaviours and individual decisions will reduce the degree of national heterogeneity. This harmonizing process reduces the costs of unification and generates a demand for greater levels of integration, giving rise to a self-propelled spiral of integration that would converge towards an economic and political union under different confederate or even federal forms.

Nevertheless, the gradualist optimism that seems to be implicit in certain conceptions of the European integration process does not deserve much credibility. Not even from the sole perspective of integration demand can a mechanical process be proposed. The constitutional decisions and support for the integration systems are not independent of their systems of rights, nor of the balance and justice of their institutional rules and balance.

2.5. Central Government and the Supply of Integration

The supranational integration process is conducted by the central Governments. They are the only bodies with attributions in international relationships and hold a kind of monopoly or exclusive power to negotiate international agreements.

The nature of Joint Supranational action costs from the government point of view is significantly different from that of the citizens. The main difference can be explained with the help of the following figure.

Figure 6 represents the basic characteristics of the relationship between integration costs and the decision-making rules that determine the degree of political influence over the decision-making process. Two different positions are highlighted, that of the public in general, represented by unbroken lines, and that of the governments in particular, represented by dotted lines. In both cases, the expected imposed costs are higher the lower the degree of influence in order to avoid a decision contrary to our interests. At the limit when the political influence tends towards zero, the expected costs of an arbitrary dictatorship tend towards infinity. On the other hand, the expected costs of imposition decrease as the capacity for blocking a decision contrary to our interests increases and, at the limit for the case of unanimity, $P = 1$, they are zero. However, in the case of the public, the decision-making costs (null in the case of an arbitrary dictatorship) increase as the degree of political influence increases and, for very inclusive rules close to unanimity, the decision-making costs increase rapidly, tending towards infinity. Consequently, the optimum situation, that which minimizes both kinds of costs, is precisely the one that corresponds to the lower vertex of the curve representing the total cost for the public, $P^*$. 

The situation in the case of governments is different for two reasons: (1) firstly, due to the number; since the number of governments involved is small, the costs of the negotiation processes with rules that are very inclusive, verging on unanimity, do not become infinite, even when higher than desired, and (2) secondly, since governments are accountable to the public (parliaments and elections), the inconsistent exercising of the right of veto and the blocking of the decision-making process generates political costs that tend to curb the costs resulting from unanimity or decision-making rules verging on it. As a result, the curve representing the total costs for governments reaches its minimum in an area of political influence that is a lot higher and verges on unanimity or very qualified majorities.

Such conclusions can also be applied in order to analyse the effect of quantity on the decision-making institutions; as the number of governments increases, the curve representing the costs of joint supranational action rises and the efficient solution requires the reduction of the inclusiveness of the decision-making rule, moving it away from unanimity, with the resulting loss of political influence, which is extremely undesirable for governments.

However, progress in integration does not only depend on its demand, since neither the public in general nor its different professional sectors and interest groups can produce the constitutional changes involved in subjecting governments to a system of supranational assigning of sovereign spheres to be jointly administered: The capacity to promote this process, the supply of European integration, still corresponds almost exclusively to central governments.

Figure 6. Supply deficit in integration decisions.
Central governments have wide-ranging powers of monopoly in the field of the reform of treaties and are present in the EU’s basic decision-making centres. The calculations about costs and benefits of the progress in integration made by the central governments from their constitutional position in the EU and in the representative democracies of the member states determine another basic coordinate of the process of European integration: the integration supply, i.e. the correspondence between the levels of integration and the degrees of control and influence over the EU institutions sought by the governments. In an similar way as it has been done before from the citizens constitutional choices, we can derive now the integration supply function according to the governments own calculus on their utility maximization. Analytically, the integration supply is defined as:

\[ SI : H \rightarrow SI(H) = (P^*, I^*) \] (5)

where \((P^*, I^*)\) are the optimal values for \(P\) and \(I\) in the governmental calculus. The integration supply will respond positively to the reduction in the national heterogeneity and its marginal values will be given by the expression:

\[ MI = \frac{\partial B}{\partial I} - \left( \frac{\partial C}{\partial I} + \frac{\partial D}{\partial I} \right) + \left( \frac{\partial C}{\partial P} + \frac{\partial D}{\partial P} \right) \frac{\partial P}{\partial I} \]

The problem is based in the extraordinary importance and elasticity of the last sum, that gathers the expected effect on the external and decision costs (although basically in the first ones) produced by the reductions of the political influence in order to achieve higher levels of the integration.

The logical analysis of the central governments’ integration decisions, Frey (1984) and Vaubel (1986), taking into account their aspirations and determining factors in a representative democracy, reveals a certain degree of pessimism regarding the difficulties of the integration process in a political-economic union:

- At the initial levels of integration, where it is possible to operate over a wide-ranging basis of intergovernmental unanimity, it is probable that the integration supply will even exceed the demand and that it will mainly be the central governments themselves that will initially promote the integration process.
- Nevertheless, once the process goes beyond its initial stages and greater and more solid levels of integration are demanded, the situation changes and supply restrictions appear. High levels of integration are incompatible with the rule of unanimity in the intergovernmental organ and the decision-making processes have to be streamlined with rules, increasingly less inclusive and further removed from the veto and easy blocking minorities. The high decision costs of unanimity and of very inclusive decision rules (blocking coalitions are easily generated) hinders the adoption, in minimally efficient conditions, of the greater volume of supranational decisions required in the advanced phases of the process. As the majority decisions arise and become more widespread, the
central governments become more stubborn and cautious, since they are afraid of the high political costs of been obliged to carry out decisions imposed by other institutions and by their partners as regards matters of great importance. But in turn, as the level of power of the community system is extended, there also arise limitations due to the governments’ capacity of constitutional supply: the capacity and constituent legitimacy in order to increase the power of the supranational system in absence of appropriate citizen representation and participation. The conclusion is that, in the long term, all integration processes will have to face increasing supply restrictions.

Such restrictions do not involve any determinism as regards the final evolution of the integration processes. The representative governments have wide-ranging degrees of freedom in order to attain their interests, but they also have to face the restriction of maintaining their probability of re-election above a critical level. The final result will therefore depend on the force and intensity of the demand for integration and the transparency and efficiency of the political markets.

3. Decision-Making Rules and Constitutional Choices of Supranational Integration

3.1. Supply Deficits and Integration Decisions

Beyond the first steps in the integration process, where the intergovernmental elements of the decision-making process enable the central governments to advance in integration with a low risk of expected costs, restrictions in the integration supply begin to arise on the part of the central governments. This is the case shown in Figure 4 below:

The rising curve represents the evaluation of the benefits of a new step forward in joint supranational action and the two U-shaped curves represent the total costs of a new step forward in integration according to the estimates of the public, unbroken curve, and the central governments, dotted-line curve. The central governments, with a more cautious estimate, fear the costs of imposition and decide to cede a very small part of their political influence.; the balance of this position is high for the governments but very low for the public in general, who cannot take advantage of the benefits of the increased integration. The integration demand clashes with a supply restriction and it is therefore impossible, in the short term, to reach point , where a greater transfer of political power enables the public to take full advantage of the benefits of integration.

Situations of this kind have been frequent in the history of the European Union. The procedures for their solution have always been the same, generating an idea that has produced a current of public opinion in their favour that not even the most recalcitrant governments have been able to successfully oppose for a long time. The case of the last long wave of integration that arose from the idea of the domestic market and its logical consequence, monetary union, seems to indicate such.
3.2. Constitutional Limits in the Process of Integration

The previous evolution has most probably promoted European construction at the first levels of integration. Nevertheless, the old structure, according to which the central governments used their exclusive competence in the supply of European integration in order to shape the Community to suit themselves with the intergovernmental organ at the centre of the decision-making processes, has reached its own constitutional limits due to the integration process’ maturity and progress. This is illustrated in Figure 5 below, which shows the process’ constitutional limits (Figure 7).

The aforementioned figure shows five successive levels or stages of integration. Beyond the first steps in which the integration supply exceeds the public’s integration demand, the supply evolves in step-like fashion along the broken line of arrows due to the impulse or pull of demand, Downs (1957).

The maturity and progress of the process leads to a stage or phase of integration (shown in the figure as $I_4$, Economic and Monetary Union) in which the supply becomes permanently rigid. What is the reason for this? Unlike previous situations, two constitutional factors prevent the continuation of the process based on the previous model of supply impulse:

- First, the supply becomes rigid because it is at the limit of its own constituent capacity. To what extent can the simple procedure of reforming the treaties, without strengthening the constitutional dimension, give rise to a closer union?
- Secondly, the very demand for integration becomes vertical and loses its driving force. This is so because at the level of important transfers of power to supranational jurisdiction, the loss of the central governments’ political influence required in order to progress with integration also involves a loss of the representation and influence of national interests on the part of the public, who do not have any other national authorities of representation in the EU system.

The risks of continuing with integration, without promoting other mechanisms of representation and connection with national interests, could be very high and the positive impulse of public opinion in the member states could be lacking. The best solution to the problem consists in completing the loss of influence of the governments in the Council with an increase in the cooperation with other political authorities in the member states (national parliaments and regional authorities), thereby producing the necessary constitutional change: ending the central governments’ monopoly in the representation of the member states’ national interests.

This solution is totally analogous as regards the problems arising from enlargement and the loss of political influence due to the EU institutions’ adaptation to a large number of countries.
4. Concluding Remarks

The main conclusion that is reached by the analysis of the constitutional choices of citizens and governments using our political-economic model, is the necessity for breaking the central governments’ monopoly in the representation of national interests of the Union’s member states, both at a constitutional level (reform of treaties) and in the institutional balance (decision making).

The reactivation of the European integration process in the last years has led to a degree of maturity in the transfers of power and has become so widespread that it has reached a point where it is impossible to continue without breaking the central governments’ monopoly in the representation of the member states’ national interests. Due to the importance of the community system of government’s powers and functions, it is not sufficient to lighten and facilitate the Council’s decision-making procedures by means of less inclusive rules that are further removed from unanimity and blocking possibilities; it is also necessary to maintain a suitable representation of the national interests of the member states’ citizens (whose only representatives are still the central governments). Reform should therefore be carried out in the sense of extending the guarantees and possibilities of participation and influence of the citizens and their regional and national interests, which involves the following main reforms, among others: (1) Strengthening citizen guarantees and rights, (2) Associating national and regional parliaments to the Union’s decision-making processes, possibly by means of collaboration with the European Parliament, and (3) Increasing the participation of regional authorities, possibly by means of the Committee of Regions, in cooperation with other institutions such as the Parliament and the Commission.

In short, the objective is not only to limit the influence of the intergovernmental organs and procedures, but the necessary institutional reform should also find new
authorities of cooperation and participation in order to take into account national and regional interests in the EU’s decision-making processes. This involves giving up the principle that the representation of national interests should correspond exclusively to central governments. The implications have a double dimension: (1) First, as regards the adoption of constitutional rules, the exclusive and monopolistic role of central governments should be surpassed by means of the Intergovernmental Conference and representative organs should be linked with greater constituent capacity, as is the case of the cooperation between the European Parliament and the national parliaments. (2) Secondly, the reform should lay the foundations of a new institutional balance, where the representation of the member states’ national interests does not correspond exclusively to the central governments and their organs of representation (Council) and administrative influence (Committees), linking the procedures to national parliaments and regional authorities, possibly by means of cooperation between the European Parliament, the Commission and the Committee of Regions.

Finally, the analysis of the factors underlying the constitutional decisions of the public and the governments and the interrelation between integration supply and demand, presents a clear conclusion that, to some extent, supports the federalist conceptions of European construction: The institutional reform required by the deepening towards political and economic union cannot be conceived as a constant process of adding successive spheres of sovereignty, assigned by the member states to the EU institutions in order to be jointly administered under the pre-eminence of intergovernmental organs: European Council, Council of Ministers and their related committees. Both the extension to a large number of countries and the construction of the minimum political union backing economic and monetary union require a change of structure – perhaps slow and gradual but decisive – to put an end to the central governments’ monopoly in the EU’s decision-making nucleus, as regards both the reform of treaties and the institutional balance of power and decision-making procedures.

Notes

1. The authors should like to thanks seminar participants at European Public Choice conference (Belgrade 2002) and ECSA-C conference (Toronto 2002) where earlier versions of the paper have benefited from constructive suggestions. The authors assume the sole responsibility for any errors remaining in this version.

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Reference


