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The European Parliament and economic governance: explaining a case of limited influence

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Introduction

The Lisbon Treaty strengthened the role of the European Parliament (EP) in the Economic and Monetary Union (EMU). Art 121.6 states that the EP and the EU Council (hereafter: Council) ‘acting [together] in accordance with the ordinary legislative procedure, may adopt detailed rules for the multilateral surveillance procedure’. With the outbreak of the economic and financial crisis, the EP made immediate use of its new powers. The reform of the Stability and Growth Pact (SGP) was negotiated under the ordinary legislative procedure (OLP) and, between September 2010 and February 2013, the EP and the Council established new rules for budgetary surveillance and macro-economic coordination. With the approval of the two legislative packages known as the Six-Pack and the Two-Pack, for the first time the EP had the opportunity to shape the rules of the EMU.

The literature has provided very different assessments of the role of the EP in the reform of the EMU. On the one hand, the EP has traditionally not shied away from using its powers as a co-legislator (Corbett et al., 2016); with its new legislative powers, several scholars observed that the EP’s impact has indeed been significant (Fasone, 2013; Héritier and Schoeller, 2015; Laffan and Schlosser, 2016). Even advocates of the ‘new intergovernmentalism’ recognise that the Six-Pack and the Two-Pack are an exception to their story (Fabbrini, 2013). On the other hand, other scholars noted that the EP was not very successful in pushing its preferences through, particularly on economic issues (Bressanelli and Chelotti, 2016; O’Keeffe, Salines and Wieczorek, 2016).

This article presents an in-depth study of the *influence* of the EP in the Six-Pack and the Two-Pack. It has both descriptive and explanatory purposes. Descriptively, it aims to provide a systematic map of the negotiations focusing on the key controversies – i.e. important issues where the actors have different positions (Thomson, 2011, p. 29). To assess the EP’s influence, we compare its position before starting the negotiations with the Council to the initial legislative proposals and the final legislative output.¹ This is complemented by an account of the genesis of the two packages. We anticipate here that the EP’s influence has been modest at best. In the second part of the paper, we

explain this puzzling finding. Relying on rational and sociological institutionalism, we show that the more favourable BATNA of the Council could explain the outcome of the Two-Pack, and a norm of responsibility triggered by the crisis could account for the limited impact of the EP on the Six-Pack. Yet, we are not fully satisfied by the extant explanations, and advance a new, additional hypothesis. We suggest that in policy areas close to ‘core state powers’ (Genschel and Jachtenfuchs, 2013), like budgetary surveillance, the Member States still play a primary role, and the EP finds itself acting within the boundaries that they define. Our policy-based explanation contends that the EMU – and, possibly, other policies close to core state powers – have their own dynamics, where the Member States are still the ‘masters’, and the EP has a more subordinate position. While we do not completely dismiss the importance of the factors identified by the extant literature as limits to the influence of the EP, we argue that when legislation is close to the core of Member States’ sovereignty, as it is the case in the EMU,ⁱⁱ the role of the EP is fundamentally reduced.

In terms of evidence, the paper triangulates several sources: the draft legislative texts at different stages of the negotiations, the declarations of relevant actors and, crucially, 32 original, non-attributable interviews with ‘key informants’ with an in-depth knowledge of the two packages. In order to compare and contrast the different narratives, and assess them against the documentary evidence, we included in our sample both civil servants and politicians from all major political parties in the EP, administrators in the DG ECFIN (Commission), in the Directorate on Economic and Financial Affairs (Council), the Legal Services of the Council and the EP, and several financial advisors in the Permanent Representations, including two of the Presidencies responsible for negotiating the legislative packages.ⁱⁱⁱ

I. The European Parliament’s role in the EMU

Traditionally, the role of the EP in the EMU has been marginal, as it was involved in the legislative process only through consultation. The Lisbon Treaty strengthened its position, particularly by

‘upgrading’ its involvement in law-making. The OLP became the decision-making rule for the ‘multilateral surveillance procedure’ (art. 121.6 TFEU) and to adopt specific measures for the Euro-area members (art. 136 TFEU). With the legislative empowerment of the EP, it was widely expected that the content of the EMU would change (Fabbrini, 2016). As the EP started to act as co-legislator in the field, the Chair of the Economic and Monetary Affairs (ECON) Committee noted:

‘We have had codecision on financial services for many years and have always had battles. What is new here is that we have codecision in the area of budgetary surveillance. It was perhaps a bit of a shock for the Council to realise we have a role.’

(Bowles, 2011)

With the outbreak of the eurocrisis in 2009, key reforms of the EU’s economic governance were pursued through intergovernmental agreements outside the EU law framework (e.g. the European Stability Mechanism) with a very active involvement of the European Council (Puetter, 2014). Yet, following Lisbon, crucial legislation to reform the SGP had to be approved under the OLP. This was the case of the Six-Pack, which set new rules for macroeconomic and fiscal surveillance, and the Two-Pack, which reinforced EU monitoring of national budgets for the Euro-area countries.

The EP was granted the institutional power to ‘bite’ on economic governance. In an early study, Fasone argued that the EP strengthened its position ‘from the lack of any role [...] to a limited involvement’ in the Six-Pack, while it was ‘successful’ in the Two-Pack (2014, pp. 171-2). Similarly, Dinan describes the outcome of the Six-Pack as a ‘sweet victory’ for the EP (2012, p. 93). Laffan and Schlosser note the ‘crucial contribution’ made by the EP to the design of the new centralised monitoring of national budgets (2016, p. 240).

The EP’s success was explained by its stronger bargaining position due to the Council’s urgency to adopt legislation. Rittberger, theorising on the causal mechanisms behind the empowerment of the EP in the EMU, underscores the importance of time, arguing that the EP exploited its longer time-horizon compared to the Council (2014, p. 1177). Both Rittberger (2014) and Héritier and Schoeller

(2015, p. 17) also emphasise the importance of ‘arena-linkage’. Threatening to use its veto power in codecision arenas, the EP was successful in discussing legislation as a package, with the two consultation dossiers in the Six-Pack treated as *de facto* codecision.

Yet, it has also been observed that, in negotiating the rules for the implementation of the macroeconomic scoreboard in the Six-Pack, the EP was not able to assert its preference for delegated acts (Héritier and Schoeller, 2015, pp. 13-4). O’Keeffe, Salines and Wieczorek (2016) demonstrate that the EP chose to downplay socio-economic issues where it was internally divided to focus on institutional issues. Bressanelli and Chelotti (2016) show that the European Council’s active involvement in the reform of the EMU curtailed the power of the EP. More broadly, Dawson argues that in the EU ‘post-crisis’ economic governance the EP ‘rather than act as a co-legislature ... is seen as an institution to advise and be “consulted”’ (2015, p. 988-9).

As the literature provides very different evaluations of the EP’s role in the reform of economic governance, and distinctively in the two legislative packages negotiated under the OLP, it is important to articulate the key controversies in the Six-Pack and the Two-Pack, and map their development from their genesis, through the negotiation process, to their conclusions.

II. The EP’s influence in the Six-Pack and the Two-Pack

The Six-Pack

The Six-Pack consists of six legislative files: four of them deal with fiscal issues and reform of the SGP, while two regulations develop a system to detect and possibly sanction macro-economic imbalances in the Member States.

The EP was fundamentally excluded from the preparation of the legislation. In early 2010, both the Commission and the Member States presented proposals intended to reform the EMU’s crisis resolution framework. Under the impulse of the European Council, representatives of the Member

States formed, together with the rotating Presidency, the European Central Bank (ECB) and the Commission, a Task Force (TF) on economic governance. The Six-Pack was the product of an intense cooperation/competition between the Commission and the TF (Bressanelli and Chelotti 2016, p. 517). Despite the occasional tensions, the two actors broadly converged over the policy response to the crisis: the content of the Commission's proposals (September 2010) and of the TF's report (October 2010) was highly similar. On the contrary, the EP was not part of the TF – which it forcefully criticized. In the same period, the EP adopted its own non-legislative report on the EMU crisis which was, for EP's insiders, essentially ignored by the other institutions (Interview Y).

The Six-Pack was thus largely pre-cooked by the Commission and the Member States (Interview AD) and then submitted to the EP to be negotiated under codecision. When the ECON Committee scrutinised the proposals (April 2011), it proposed several important changes. It advocated a strategy for growth and the use of more flexible criteria in the deficit evaluation. It aimed to obtain a report from the Commission accompanied by legislative proposals to establish Eurobonds. On macroeconomic imbalances, the EP's goal was to have a more symmetrical treatment of states experiencing large current surpluses and deficits and a stronger say over the composition of the macroeconomic scoreboard through delegated acts. It also aimed to reduce the discretion of the Council in the steps leading to potential sanctions, by using the reversed qualified majority voting (RQMV)^{iv} in 15 more cases beyond what was already envisioned by the Commission/TF.

A close look at the final output (see Table A in the Appendix) reveals that the EP's demands were either largely ignored or watered down – as also confirmed by insiders of both legislative chambers (Interviews I; W). The final agreement (September 2011) did not depart much from the original proposals of the Commission, as slightly modified by the Council. Initiatives designed to promote growth, and to include the quality of expenditure in the deficit assessment, were absent. On Eurobonds, the Commission only committed to carry out further studies. In watering down the proposal on macroeconomic imbalances (Interview I), the Council refused to establish the

scoreboard through delegated acts. On RQMV, only one of the 15 cases was taken on board and another one remained open and postponed the approval of the Six-Pack after the summer.^v More generally, RQMV was accepted because it was also sponsored by some powerful (Germany, most of all) states (Interview N). As an EP official put it, had it been proposed by the EP alone, ‘it would have had no chance of surviving’ (Interview W).

What the EP obtained was the establishment of an Economic Dialogue between the EP, EU and national institutions – which was not foreseen in the Commission’s proposals. However, the economic dialogue is ‘one of those soft things’ that the Council can afford to give in (Interview I). As it could not ‘obviously focus on the substance’ of the package, the EP ‘focussed on economic dialogue’ (Interview A). In addition, its most contentious demands were tempered. National ministers can be invited before the EP but are not obliged to attend. For a policy advisor in the EP, ‘[the EP] wasn’t of course going to get that’ obligation (Interview U).

The Two-Pack

The two regulations known as the Two-Pack only apply to Euro-area countries. The first regulation (the ‘Ferreira report’) strengthens budgetary surveillance and ensures the correction of excessive deficit; the second regulation (the ‘Gauzès report’) targets those Member States facing serious financial difficulties.

In November 2011, the Commission initiated legislation while the national leaders were concluding the negotiations of the Fiscal Compact. The Commission’s key objective was to bring the intergovernmental treaty under the EU framework. As in the case of the Six-Pack, the Commission’s legislative proposals could draw inspiration on a text negotiated in parallel by the Member States. It is thus not surprising that the positions of the Commission and the Council were, again, similar (Interview P).

The EP plenary amended the Commission proposal in some radical ways (see Table B in the Appendix). The Ferreira report urged the Commission to introduce a European Redemption Fund to

move towards the issuance of Eurobonds, proposed the creation of a European Debt Authority and shifted its focus from budgetary policy to macroeconomic coordination. The key innovation of the Gauzès's report was the special protection granted to defaulting states, through which the Commission could place a state facing serious financial troubles under temporary legal protection. Throughout the package, the EP supported the extension of RQMV to more cases.

The final outcome (March 2013) was significantly less ambitious than the text voted by the EP plenary. All the references to a Redemption Fund, the mutualisation of debt and Eurobonds were removed. For the Council, the Redemption Fund was 'a political non-starter' (Interview S), while the Commission considered it inadmissible on legal grounds. On Eurobonds, the Commission only agreed to set up a working group to study their feasibility, removing them once more from the legislative agenda (Interviews P, V). The 'special protection clause' was watered down in the recitals and removed from the text of legislation. As for RQMV, it remained in use in one case only. The EP managed again, instead, to enhance its role in the Economic Dialogue, whose significance was dismissed by Council officials. As one of them recalled, the Economic Dialogue 'came back in the Two-Pack', and it was 'symbolically nice for the Parliament [to have it] but the substance did certainly not change' (Interview H).

In both the Six- and the Two-Pack, the influence of the EP has been modest at best. The EP was not a player in the genesis of the proposals and, comparing the legislative outcome with its position before the start of the inter-institutional negotiations, it mostly failed to leave its mark.

III. Explaining the limited influence of the EP

Rational-choice institutionalism

Despite the EP's powers under the OLP, the outcomes of the two packages do not appear to have reflected its legislative 'clout'. This section elaborates on existing approaches to EU policy-making to explain this puzzle. Drawing on rational institutionalism, the very limited influence of the EP

could be explained by its weaker bargaining power vis-à-vis the Council. According to this framework, actors seek to maximise their impact on policies, given certain institutional rules. The outcome of a negotiated agreement is a function of the actors' (relative) bargaining power.

Bargaining power can be understood in terms of availability of resources actors possess in case the negotiation breaks down or proves to be very costly – in other words, the most powerful actor is the one enjoying a more advantageous fall-back option (Knight, 1995, p. 108). This situation is often labelled in the literature as the 'Best Alternative to a Negotiated Agreement' (BATNA). It could represent either the *status quo ante* – i.e. the situation before the new agreement is passed – or a new situation which one of the parties has the resources to achieve, i.e. an alternative agreement operating under a different decision-making rule. A good BATNA increases the negotiating power of an actor, whereas limited or non-existent alternatives might lead an actor to accept unattractive demands.

Two main components delineate the preference function of an actor (Moravcsik, 1997, pp. 523-4). First, negotiators consider the policy substance of the various provisions under discussion. They care about the content of their preferences. Second, the negotiating behaviour depends on the salience or the intensity of the actors' preference (Kim et al., 2005). When actors feel intensively about an issue, their sensitivity to failure grows, and the available BATNA becomes less attractive. Time pressure plays an important role. Negotiators with the most urgent need to decide will be less successful as they are more likely to make concessions in order to reach a decision (Farrell and Héritier, 2003).

For instance, applying a liberal, intergovernmental framework to key inter-state negotiations in European integration, Moravcsik (1993, p. 504) argued that when uncertainty exists about the breakdown of negotiations, concessions tend to come disproportionately from governments which intensively desire agreement.^{vi} The importance of salience has been confirmed in large-n empirical studies of EU decision-making (Schneider et al., 2010). Actors attaching high salience to an issue

have less bargaining power in the negotiations, and are more willing to accommodate the requests of their counterpart(s).

Drawing on a rational-institutionalist approach, we expect the failure of the EP to shape legislation to be driven by its poor BATNA relative to the Council.

Sociological institutionalism

Sociological institutionalism interprets political action in terms of rules of appropriate behaviour. Actors do not calculate the costs and benefits of any move, but they tend to follow the norms that are considered reasonable, proper or right in certain circumstances. One application of this approach to EU law-making has shown that the EP has developed a responsible attitude toward the Council and the requirements of codecision. Responsibility has become a procedural meta-norm that determines what policy choices are viable for the EP and steers this actor towards accommodating legislative stances (Ripoll Servent and Trauner, 2014).

Yet, what the EP's responsibility really means needs to be further unpacked. Analytically, at least three meanings of responsibility can be identified. First, responsibility denotes a change in the EP's *original preferences*. In asylum policy, for instance, if the EP had championed liberal views in contrast to a more security-oriented Council under consultation, the EP's disagreements with the Council became fewer and on less relevant items when the same issues were negotiated under codecision. The EP learnt that 'it could not get a fabulous position anymore, only the best possible outcome' (Ripoll Servent, 2013, p. 981).

Second, responsibility is to be understood in relation to the 'culture of codecision' that the EP and the Council jointly developed to make EU legislative processes work (Shackleton, 2000). In codecision, *both* the Council and the EP have vested interests in producing political outputs and in avoiding stalemates or legislative failures. The culture of codecision is well visible *during the decision-making process*. The two co-legislators are well-disposed to find compromises, by, e.g. withdrawing or watering down amendments that the counterpart finds particularly difficult to

approve. Being exposed to this context, the EP acquires ‘an increased feeling of shared responsibility for policy outcomes’ (Ripoll Servent and Trauner, 2014, p. 1152).

We argue that responsibility can be understood in a third way. Responsibility here is a fundamentally *unilateral* norm that shapes the appropriate behaviour (only) of the EP *during the decision-making process*. The Council largely continues to follow its preferences, while consensual behaviour is expected on the side of the EP only. The EP operates in an environment where national institutions are (still) strong. The EP ‘must find its place in a political space defined by highly mobilized national constituencies in the Council and European Council, declining voter turnout in EP elections, and the growing mobilization of Eurosceptical publics’ (Roederer-Rynning and Greenwood, 2016, p. 6). In this scenario, even when having divergent positions, the EP is expected to accept the boundaries of action defined by the Member States, leaving a limited mark on legislation.

Building on recent research, we expect the EP’s unilateral legislative norm of responsibility to emerge when ‘testing times’ (Laffan, 2014) threaten the very existence of the Union. First, in exceptional circumstances, when the stakes are high and political decisions need to be adopted quickly, the EP may decide to behave responsibly for the good of the EU. Insisting on its requests could have negative consequences for the EU. Second, crises can alter or suspend established legislative norms. When politics is governed by states of emergency, the actor that assumes the capacity to determine the rules is traditionally the executive. Governments can act resolutely and normally enjoy the greatest authority in the eyes of the public (Matthews, 2012). In the name of emergency, political ‘disagreement at high-stakes moments’ is ‘made to seem irresponsible’; and policy changes are ‘presented as urgent and non-negotiable’ (White, 2015, p. 307).

Drawing on a sociological institutionalist approach, we expect the EP to follow a unilateral norm of responsibility in times of crisis, acting within the constraints defined by the Council and accepting a more subordinate role in the legislative process.

IV. Empirical analysis

To evaluate the above explanations, we present an in-depth assessment of the causal arguments of each approach. We rely on a wide array of official documents, parliamentary debates, declarations and 32 original interviews with policy-makers of the institutions involved.

Rational-choice institutionalism

The bargaining power hypothesis offers a persuasive account of the Two-Pack, but it appears less convincing in the case of the Six-Pack.

The Six-Pack was negotiated as part of the EU's response to the worsening of the European economic/financial crisis. There was a wide expectation – within EU institutions, national governments, public opinions, financial markets – that the rules of the EMU had to be changed. In these circumstances, neither the Council nor the EP had a distinctive bargaining advantage. In case of non-agreement, the Council would have continued to remain in control of the SGP. However, Member States considered the SGP an important component of the Eurozone's failures and wanted to change the status quo. Significantly, rewriting the SGP was a highly salient issue for them (Interviews S, Y). The Six-Pack featured prominently in the Conclusions of the European Council of December 2010, February and March 2011. The European Council even set up a TF to present legislation. Hungary made it the top priority of its Presidency. In addition, following the Deauville meeting between Angela Merkel and Nicolas Sarkozy (October 2010), the hardening of the fiscal rules in the Six-Pack was the political guarantee that Germany wanted to establish the rescue mechanisms for financially stricken states (Interviews A, AD).

Threatening the EP to go back to the status quo was thus hardly a credible option for the Member States. The Council could have played another card – 'going intergovernmental' rather than continuing with the OLP. As one interviewee put it: 'if the EP blocked it', Member States could 'have made a fiscal-compact for the Six-Pack'. However, the threat was 'never on the table' (Interview S). One difficulty with it was that the secondary law approach was chosen because it was

faster than amending the treaty – i.e., the other real option for the Member States in 2010-11 (Palmstorfer, 2014).

While the EP was in favour of changing the SGP, the issue was less salient for the members of the European Parliament (MEPs) than it was for the Member States. The heads of state/government committed to reform the EMU at the highest level and before their electorates, something that the EP could obviously not do (Interview H). The EP was aware of the weaknesses of the Council's position: as EP administrators recall, the Council had a strong 'sense of urgency', 'was under pressure' and needed 'to deliver something quickly' (Interview M; also, L). With no credible fall-back option available to both co-legislators, and a higher salience for the Council, it is difficult to explain the very limited influence of the EP in the Six-Pack.

The bargaining power hypothesis instead explains the Two-Pack negotiations convincingly. When the Two-Pack was proposed by the Commission, Member States were negotiating the Fiscal Compact. The Two-Pack largely 'communitarised' the provisions contained in the Fiscal Compact for the Eurozone members. In this context, the Member States had an excellent BATNA: if the negotiations collapsed, they could rely on the Fiscal Compact. Member States could use the intergovernmental route, although interviewees sustain that the 'threat was never felt by the EP' (Interview C; also I). The salience of the Two-Pack for the Member States was limited (Interview AD): both the signature of the Fiscal Compact and the scaling down of the crisis in the second-half of 2012 made its adoption less urgent (Dinan, 2014, p. 109). As a national representative summarised it, 'the [Council's] necessity for having the Two-Pack was only relative because most of it was already in the Fiscal Compact' (Interview N). On the other hand, if the Two-Pack was not the most salient item in the EP's agenda, MEPs had a keen interest to see it approved not to leave those provisions within a non-EU framework (Interview N).

In sum, compared to the EP, the Council had a better BATNA and less interest in concluding the Two-Pack. The EP successfully managed to prolong the negotiations, relying on its longer time-horizon, but this had hardly any effect on the negotiation outcomes.^{vii}

Sociological institutionalism

Conversely, the responsibility/crisis hypothesis appears to explain persuasively the negotiations of the Six-Pack, while it struggles with the outcome of the Two-Pack.

The Six-Pack was negotiated when the economic/budgetary crisis was extremely acute. A breakup of the Eurozone or the Union itself was considered possible in 2010-11. In September 2011, the then president of the European Commission, José Manuel Barroso, admitted that the EU had been facing ‘the greatest challenge our Union has known in all its history’ (BBC, 2011). The Polish finance minister Jacek Rostowski said that rapidly approving the Six-Pack was a ‘litmus test’ for the EP and the functioning of the community method (EUobserver, 2011a).

Both in the plenary debate (June 2011) and in their justifications of vote (September 2011), MEPs repeatedly stressed the need to be responsible. Guy Verhofstadt declared that the EP had ‘been responsible and delivered’ (cited in O’Keeffe et al., 2016, p. 228). These aspects were corroborated also by our interviews. The EP was ‘under pressure not to be seen as the actor that would block’ the Six-Pack (Interview F; also, L). MEPs ‘had of course no [other] choice. We were in crisis, we had to adopt it rapidly’ (Interview AD; also, A).

Responsibility also changed well-established negotiation practices of the EP. ECON adopted the reports on the SGP reform with slim (instead of usually large) majorities, and nonetheless open the trilogues with the Council afterwards (Interview D, Y). The European People's Party (EPP) and Liberals argued that the ‘eurozone crisis left little time for such niceties’ (EUobserver, 2011b). In addition, the Six-Pack was ‘negotiated in a dramatic path of speed’ (Interview Y). An EP advisor recalled that after ‘the trilogues, we concluded in one week’. The normal ‘cooling period’ after the

approval was not respected. The reason is that ‘at that point [the Council] really wanted to have these tougher rules adopted’ (Interview T).

If we analyse the reasons behind the EP’s responsibility, the two sub-specifications mentioned in the theoretical section (the good of the EU; emergency politics) find plausible support. MEPs associated their vote in favour of the package to their ‘pride in Europe [which] brings with it a great taking on of responsibility’; or to the necessity ‘at a time of extraordinary crisis’ to show ‘strong cohesion within the European institutions’.^{viii} On the other hand, the EP recognised that, in emergency politics, the highest authority is that of the Member States. As an EP administrator admits, if ‘you imagine a doctor operating your heart, you have to go fast ... you cannot lose your time’ with the various attendants present in the room. In the case of the Six-Pack, the doctors are the Heads, not the EP (Interview Y).

In sum, the Six-Pack was negotiated in a moment of acute crisis, where we would expect the EP’s responsible behaviour to be at its strongest. This can explain why the EP contributed minimally to the content of the package, even when its bargaining position would predict greater influence.

Many of these elements were instead absent in the case of the Two-Pack. In late 2011 and early 2012 the crisis was far from over, but the situation progressively stabilised and the existential threat became less dramatic. Most importantly, the prospect of a euro collapse was drastically reduced when Mario Draghi, the ECB President, announced that the ECB was ‘ready to do whatever it takes to preserve the euro’ (July 2012). After the speech, bond yields in distressed European countries fell sharply. The Two-Pack was for a good part negotiated and then concluded when the ECB’s intervention largely de-escalated the risks. As several interviewees recall, ‘the real danger wasn’t necessarily there anymore’ (Interview O; also, H, N). Further proof of this lies in the more limited involvement of the European Council in the Two-Pack compared with the Six-Pack (Interviews AD; Z).

The lesser sense of urgency had two observable implications on the EP's behaviour. Space for (less responsible) politics opened up. The EP waited to open trilogue negotiations until it secured a strong mandate from the plenary, which would represent 'the position of the EP as a whole' (Interview W; also D). Furthermore, the EP pressed harder for its case. Seventeen months passed from the Commission proposal to the conclusion of legislation (November 2011/March 2013). The 'weak' Presidency of Cyprus (second semester of 2012) also offered an institutional window of opportunity for the EP (Interviews P, S). Yet, as shown in section II, the different negotiating behaviour of the EP did not have significant consequences on the outcome.

In sum, the responsibility/crisis hypothesis cannot satisfactorily explain the outcome of the Two-Pack. The crisis largely receded, and in fact the EP pursued more assertive negotiation strategies. However, this did not translate into substantive policy impact.

V. Core state powers

Our hypotheses on bargaining power and crisis/responsibility provide a partial explanation of the limited influence of the EP. We advance here an additional explanation for the EP's marginal role, providing some preliminary evidence. We argue that the EP's failure to shape the two packages on economic governance could depend on the nature of the issues negotiated: the coordination of national budgets and macroeconomic surveillance. The contribution of the EP is usually less relevant in policies that impose costs on states (Shackleton, 2000, pp. 338-9). More generally, budgetary and macroeconomic policies are close to the core of state powers. Alongside coercive authority, monetary power and a nationwide administrative capacity, they 'are constitutive of states in ways that other policy functions of the state [e.g., consumer protection] are not' (Genschel and Jachtenfuchs, 2013, p. 9). This explanation can be connected to the recent literature on the 'new intergovernmentalism' (see Bickerton et al., 2015; Puetter, 2014). The EU integration process has progressively encroached into key state functions such as fiscal policy, migration, citizenship and

foreign policy. Yet, while from Maastricht onwards European states agreed to Europeanise part of their core state powers, they did so on one (important) condition: the decision-making process would be largely controlled by state-based institutions – e.g. the European Council and the Council. In fact, the Lisbon Treaty has formalised two different policy regimes: the Community method for the issues covering the single market, and an intergovernmental approach for these new, core state powers (Fabbrini, 2013).

As a result, the EP might find itself highly constrained in the EMU. The significant environmental challenges that the EP normally faces – which arise from a growing mobilisation of national electorates and complicate its full institutionalisation as-a-legislature (Roederer-Rynning and Greenwood, 2016, pp. 6-7) – are greatly intensified in economic governance. Here, national leaders are not only ‘instinctively reluctant to see their own powers diminished’; but they ‘cannot easily ignore deeply entrenched conceptions of state sovereignty that resonate with nationally specific ideas about the exercise of power, freedom, and democracy’ (Jabko, 2013, p. 125). In the new intergovernmental Union, the European Council, the ECOFIN Council and the informal Eurogroup (constituted by the ministers of the euro area Member States) have become very influential fora for the coordination of Member States’ positions and the agreement of EMU’s policies (Puetter, 2014).

Preliminary evidence gathered by our research finds plausible support for this argument. The EMU is considered a ‘special chapter in EU integration’ (Interview R). First, the Council is ‘still the master: sovereignty is of the Member States here, not of the Union’ (Interview S). The competence of the EU (art. 121 and art. 136) is limited to the coordination of national economic policies: Member States retain power for anything that does not fall under this coordination.

Second, the main mechanisms of accountability of national budgetary policies are still placed at the national level. The Four Presidents’ Report reminded the EP that ‘decisions, which implicate national budgets, “are at the heart of Member States” parliamentary democracy’ (Rittberger, 2014, p. 1178). Governments primarily justify their choices to domestic voters, groups and parliaments

(Interview I). MEPs are not as accountable as ministers, who must respond to their national publics for each ‘euro that is going to Brussels’ (Interview E).

Third, the two legislative packages were negotiated in a context where Member States set up in parallel rescue funds financed with taxpayers’ money. This money ‘came not from the EP, not from the EU budget: the money came from national governments’ (Interview Y).

These peculiar features of the EMU can alter how the OLP works. As an EP official puts it, ‘I think that we are a full co-legislator on regular co-decision files’ like (say) transport; the situation appears different when the legislation concerns policies with a strong national imprint (Interview Y). This is mirrored in the statement of a Council official: ‘I’m not used to seeing the EP as an institution [that co-legislates]. The impression we have is “let’s not let these guys [i.e. MEPs] mess up too much with these things”’ (interview R).

We suggest two mechanisms that could explain the limited influence of the EP in this policy area. First, responsibility as a unilateral norm for the EP might apply not only to single legislative files linked to exceptional events (e.g. the Eurocrisis), but it might refer to more structural features of the EU’s policy-making. When participating in the regulation of major aspects of the EMU, the EP might recognise that the primary responsibility to act resides in the Member States. When the latter want to dictate policy, the EP understands that the informal rules of the OLP change, and restrains from playing the traditional role of a full (and eventually tough) co-legislator (Bickerton et al., 2015, pp. 712-3). The red lines of the negotiations are set by the Council – with the EP showing ‘that it was willing to play the game’ (Interview AE; also, W).

Second, it may not only be appropriate, but very rational for MEPs to recognise the ‘political importance [of the Six-Pack and Two-Pack] for the Member States’ and not ‘make a war out of it’ either (Interview S). For MEPs to oppose the Member States on such sensitive matters could be very costly. National governments lobbied their national MEPs to support the Council lines, by insisting on the necessity of passing legislation (Interviews F, U), with the EPP as the main target.

Prime Ministers, Finance Ministers, national officials ‘kept on calling’ the EPP (Interview P). As an interviewee put it, as a MEP ‘you don’t want to go into a second reading if the European Council is telling you that you need to finish the reading and every time you read the newspaper [the Heads] are telling you, “move on!”’ (Interview I). The political careers of MEPs largely depend on their national parties. Party coordination may ensure that party members in the EP toe the line of their bosses sitting in the (European) Council. In the field of EMU, these incentives are likely to be particularly strong, and the pressure to comply particularly high.

Conclusions

This article has analysed in detail the EP’s influence on two legislative packages: the Six-Pack and the Two-Pack. It had two main aims. Descriptively, it has shown that, despite being negotiated under the OLP, the EP obtained very little in the process. When the EP advanced its demands, only some secondary points (i.e. Economic Dialogue) were taken on board.

We then tried to explain the reasons behind the EP’s failure to shape these policy processes. Drawing on existing literature on EU policy-making, we assessed two hypotheses based on the rational-institutionalist mechanism of BATNA and sociological-institutionalist notion of legislative responsibility, linked to moments of acute crisis. While these two perspectives offer relevant insights on the two cases – with the more favourable BATNA of the Council explaining the outcome of the Two-Pack, and a norm of responsibility triggered by the crisis accounting for the limited impact of the EP on the Six-Pack – the explanatory power of each perspective was limited.

In the last part of the article, we advanced an additional explanation. We have argued that in areas close to core state powers, issues of national sovereignty and the rise of state-based institutions might have relevant consequences for how the EU functions, even under the OLP. The Six-Pack and the Two-Pack regulate an area (budgetary and macroeconomic surveillance) that calls sovereignty into question and that states consider primarily their domain. The EP may accept to act

within the boundaries defined by the states, following an informal norm of responsibility, or may be particularly sensitive to the pressure exercised by the governments via the national parties. Preliminary evidence demonstrates the plausibility of this reconstruction. Other variables traditionally identified by the literature as constraints to the influence of the EP may interact with core-state powers, and magnify (or reduce) the latter effect: for instance, the severity of the Eurocrisis has in all likelihood combined with the core state power argument to further reduce the negotiating power of the EP.

These considerations can be connected to the broader debate on the legislative role and political nature of the EP. A fruitful line of enquiry would compare cases when codecision regulates key areas of policy domains most fundamentally associated with state sovereignty. There is already some evidence that similar dynamics indeed apply to immigration and asylum policy (e.g. Ripoll Servent and Trauner, 2014) or budgetary negotiations (Bauer, Graham and Becker, 2015). At the same time, more conceptual efforts could be dedicated to identifying the causes and the mechanisms behind the responsible behaviour of the EP. This research would generate valuable insights for a more accurate analysis of the institutionalisation of the EP as-a-legislature (Roederer-Rynning and Greenwood, 2016).

ⁱ To capture the position of the EP, we consider the text voted in the Parliament before negotiations with the Council start. In the Six-Pack, this is the report voted by the ECON Committee; in the Two-Pack, it is the amended commission proposal voted by the plenary. The EP seeks to present itself as a unitary actor in inter-institutional negotiations (O’Keeffe, Salines and Wieczorek, 2016).

ⁱⁱ Obviously, this does not imply that each legislative dossier in the EMU automatically belongs to core state powers. However, important legislation such as the Six-Pack and the Two-Pack clearly does.

ⁱⁱⁱ See the Online Appendix for the full list. Interviews were conducted in April 2015, July 2015 and June 2016, and were tape-recorded.

^{iv} With RQMV, the Council needs a qualified majority to block a decision by the Commission.

^v Art. 6 and 10, Regulation No 1175/2011. The recommendation of the Commission will be considered adopted unless the Council rejects it, by *simple* majority.

^{vi} Where uncertainty does not exist, actors with different preferences across issues may agree on a ‘package deal’, where concessions are exchanged through issue-linkages or side-payments (Moravcsik 1993, p. 505).

^{vii} We were not able to trace relevant gains for the EP in other fields and/or negotiations related to its losses in the Six-Pack and the Two-Pack. This (non-)finding, considering our bargaining power hypothesis, is more surprising in the case of the Six-Pack.

^{viii} MEPs Silvestris and Iacolino, Explanations of Vote, 28.09.2011.

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