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# Assessing the European Parliament's Power of the Purse: Rights, Capabilities, and Strategies

Michael W. Bauer and Stefan Becker

The European Parliament (EP) appears to be on an “unrelenting rise” (Dinan 2014). Each treaty revision after the establishment of the European Communities in 1967 brought more powers to the EP; and since it became the single directly elected institution on the European Union (EU) level in 1979, its empowerment accelerated. The Lisbon Treaty, that went into force at the end of 2009, further strengthened the EP by making co-decision the standard legislative procedure, expanding the need for parliamentary consent for international agreements, and strengthening its role in selecting the Commission president. At the same time, members of the EP (MEPs) have repeatedly shown that they are willing and able to translate these formal empowerments into actual influence (recently, Kohler 2014; Hix/Høyland 2013; Hobolt 2014). For all the evidence of parliamentary empowerment, there seems to be an important exception to its unrelenting rise—the EU budget. While Benedetto (2012, 2013) analyzes the respective Lisbon Treaty reforms and argues that the EP has lost budgetary clout, the outcomes of recent negotiations hardly read as parliamentary success stories. Does the budget thus represent an exception to the trajectory of ever more EP empowerment, and will the future of EU budget politics be characterized by an enduring Council, i.e., member state, dominance?

We seek to provide an answer by assessing several determinants of the EP's powers of the purse. Focusing on its influence on spending, we first differentiate between figures and procedure to evaluate outcomes of budget negotiations after the Lisbon treaty. With reference to prominent literature on EU policy-making and EP influence, we then assess the relevance of three parliamentary capabilities—internal preference homogeneity, organizational capacities, situational factors—and four strategies—rule interpretation, coalition building, issue linkage, and application of normative pressure—for these outcomes. Against the backdrop of the EP's formal budgetary rights after the Lisbon Treaty, we gauge the importance of these factors in a case study of the parallel negotiations on the Multiannual Financial Framework (MFF) 2014-2020 and the 2014 budget. The analysis builds on official documents and interviews with relevant MEPs, as well as budget officials in the EP Secretariat-General, the Council secretariat, and the Commission.

We show that formal rights alone—while central—hardly determine the EP's power of the purse; as in other policy areas, the EP's actual ability to influence outcomes is more volatile than an exclusive focus on treaty provisions suggests. In recent negotiations, a crisis-ridden political environment, increasing internal preference heterogeneity, and few coalition-building opportunities kept the EP from achieving better results in terms of budget figures. They did not, however, constrain the EP in pursuing greater budgetary flexibility. Furthermore, the EP already sought to link budgetary issues and enhance its organizational capacities to improve its bargaining position. So even if there is little chance that its formal status in budgetary matters will be advanced—and the EP itself can do little in terms of rule interpretation and

application of normative pressure to-wards this end—its weak position is subject to change. The EU budget is, therefore, an exception to the general trajectory of ever-greater EP em-powerment. However, its weaker, formal standing should not be overes-timated. A less critical environment, more internal heterogeneity, realistic coalition building opportunities, or more organizational capacities could all lead to more parliamentary influence in budgetary matters.

## **EP influence on the budget: Evidence from budget negotiations**

Budget negotiations revolve around figures (how much to spend) and procedure (how to spend). The figures attract most public attention, and budgetary battles on the EU level also revolve heavily around this theme. Traditionally, there has been a clear and stable difference between institu-tional preferences—the EP is eager to increase spending, while the Coun-cil is more status quo oriented (Lindner 2006). Procedural questions re-ceive less attention, but they are also important because budget flexibility may grant the involved actors opportunities to alter the budget after it has been passed (Wehner 2006, p. 31-38). In this regard, the Council favors a more rigid and stable budget, while the EP advocates more flexible spending. MFF and annual budget negotiations since 2008 show that the EP's power of the purse differs in these two dimensions.

In terms of figures, the MFF is the crucial budgetary agreement, laying the foundation by setting ceilings for EU spending in seven-year periods. The agreement for the years 2014–2020 can be considered a defeat for the EP. The firm stand of net payer governments in the Council, especially the UK, Germany, the Netherlands, and Sweden, kept the size of the mul-tiannual budget (in terms of commitment appropriations) at roughly one percent of the EU's Gross National Income (GNI). This figure is 3.5 percent lower than in the previous MFF, and is thereby far from the EP's position—voiced in a resolution in 2011 (P7\_TA(2011)0266)—that it was a five percent increase, at least. EP President Schulz accordingly called the figures “far from perfect.” While there is a difference between stra-tegic positioning and actual preferences, a nominal decrease in spending is remarkable, and can be considered a blow for the traditionally pro-spending EP.

The figures of annual budgets between 2008 and 2015 add to the im-pression that the EP lost budgetary clout. Figure 7.1 shows the respective budget concessions of the Council and the EP, measured by the difference between their original positions and the eventually adopted budget in terms of payment appropriations. While the EP has always made more concessions than the Council, the adopted budgets from 2011 and after hardly differ from the original Council positions—with the 2014 budget as an outlier. Again, strategic positioning and actual preferences may dif-fer, but a trend of decreasing parliamentary influence suggests itself.

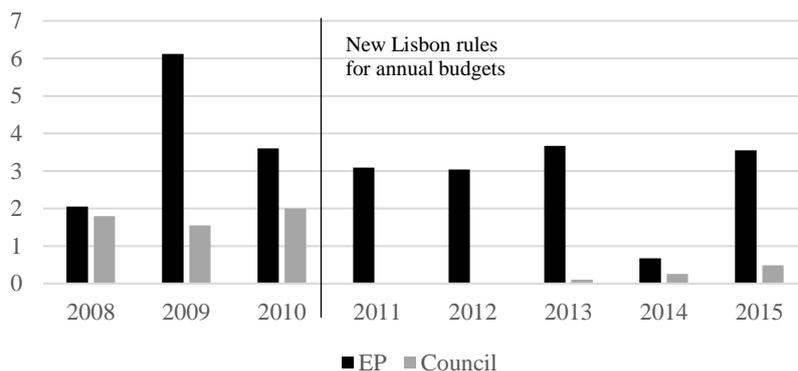


Figure 7.1: Council and EP concessions in annual budgets 2008-2015

Note: Figures represent the payment appropriation deviation of the adopted budget from the original positions (as adopted in first readings) in percent: EP figures are negative (i.e., the final budget is smaller than demanded), Council figures are positive (i.e., the final budget is bigger than demanded). Source: EP BUDG committee, Balance of Activities Reports 2009 and 2014; EP and Council 2015.

In terms of procedural issues, the most important decisions are again made during MFF negotiations. They predominantly relate to options for transferring funds between years and/or headings, as well as the establishment of financing facilities outside the agreed spending ceilings. In these matters, the EP was arguably more influential. The MFF from 2014 to 2020 compromises features of many of the parliamentary demands, including options to bring forward expenditure in specific areas (e.g., youth employment and research), the continuation and establishment of special funds that run outside the MFF ceilings (e.g., the Globalisation Adjustment Fund), and a revision clause for the MFF that requires the Commission to consider and possibly propose revisions in a midterm evaluation.

The outcomes of budget negotiations thus paint a mixed, but overall bleak picture of the EP's power of the purse. It was able to realize its preferences in terms of procedure, but it was weak in influencing budget figures. The following analysis shows how these outcomes came about. It considers EP rights, capabilities and strategies.

### Rights: The EP in the budgetary system after the Lisbon Treaty

The EU's budgetary system is divided into four areas: the own resources system for revenues, multiannual financial planning, annual budgeting, as well as implementation and discharge. This system comprises the full extent of possible EP rights: being consulted in matters of revenue, giving consent to multiannual planning, "co-deciding" annual budgets, and independently granting discharge after the implementation of the budget. As our analysis focuses on spending, we only discuss the rules for the MFF and annual budgets.

In this regard, the Lisbon Treaty brought three major reforms. First, the MFF was upgraded from an interinstitutional agreement (IIA) to hard law. The procedure of MFF decision-making remains broadly the same: the Council decides unanimously after obtaining the consent of the EP (Article 312 Treaty on the Functioning of the European Union, TFEU), which leaves parliamentarians with veto power; however, the effects of upgrading the MFF to hard law are significant, as it strongly constrains annual budgeting. As a result, the new MFF rules are widely considered to be a decrease of

parliamentary influence, because the EP is no longer able to threaten the Council with terminating the agreement, and thus loses a bargaining chip in annual budget negotiations (see Pollack 2008; Lindner 2006, p. 87). The threat of renouncing the MFF was not just a theoretical possibility—it was a frequent, if sometimes implicit, argument in budget negotiations before the Lisbon Treaty (Interviews #1, #9).

Second, the Lisbon Treaty eliminated the distinction between compulsory and non-compulsory spending categories, putting the EP on equal, formal footing in all sections of the annual budget. What first appears to be an empowerment of the EP (especially its stronger involvement in agricultural spending) is actually an overall decrease of influence, as Parliament loses power in the area of non-compulsory spending. This category gained importance over the years, and now amounts to roughly 60 per-cent of the EU budget. The loss of the EP's last unilateral say in this area is thus significant. While the EP's spending inclination was already curbed by maximum rates of increase and bargaining considerations (i.e., using non-compulsory spending as leverage to control compulsory spending), this reform effectively weakens the EP's ability to shape the annual budget (Interview #1).

Third, the fallback option in the event that budget negotiations fail, the provisional twelfths mechanism, was reformed. The EP is now able to “co-decide” in all policy areas in monthly budgets, but only to the extent that it can block increases or impose decreases (Benedetto 2012, p. 50). Before, it was able to vote for increases in non-compulsory spending. This reform renders it difficult for the EP to threaten the Council with letting the negotiations fail, as no agreement means no unwanted increases from the Council's perspective.

Overall, then, the Lisbon Treaty reforms on the spending side of the budget system are to the disadvantage of the EP. As the implementation of these rules coincides with disappointing budget outcomes from a parliamentary perspective, the verdict seems clear; the Lisbon Treaty effectively weakened the EP's power of the purse. Influence over policy outcomes is, however, contingent on more than formal rights. The next section shows how EP capabilities also affected recent budget negotiations.

## **Capabilities: The EP's core strengths in budgetary bargaining**

Institutional capabilities are necessary to translate formal rights into actual influence. Following the prominent literature on the EP's role in EU policy-making (Farrell/Héritier 2003; Hix/Høyland 2013; Shackleton 2006; Thomson/Hosli 2006), there are three dominant factors: internal preference homogeneity, organizational capacities, and situational factors.

### **Internal preference homogeneity**

When collective actors are bargaining, internal preference homogeneity is crucial, as splits can be exploited by others (e.g. Scharpf 2000). In the EU, member states in the Council and political groups in the EP frequently struggle to reconcile preferences in order to come up with a common position. In particular, the EP's ability to present a “unified front against the Council and the Commission” (Hix/Høyland 2011, p. 60) is far from assured. Traditionally, no political group is close to having a majority, and legislative coalitions are more fluid than in national legislatures. Thus intra-institutional

bargaining is intense (Shackleton 2006, p. 122). Coordination and cooperation problems are further aggravated by the second-order character of EP elections, and the easier access to small parties with little experience (Reif/Schmitt 1980; Hix/Høyland 2013).

Table 7.1: EP final votes on budgets (budget years 2009-2015)

EP term	Budget procedure	Budget year	Votes		
			For	Against	Abstention
8	New	2015	60%	34%	6%
7	New	2014	74%	24%	2%
7	New	2013	74%	24%	2%
7	New	2012	75%	21%	4%
7	New	2011	76%	21%	3%
7	Old	2010	84%	14%	2%
6	Old	2009	90%	5.5%	4.5%

Source: votewatch.eu (accessed 6 July 2015)

In budgetary matters, the EP was able to build a “unified front” among its various party groups for a long time (Lindner 2006). However, as it matured, gained further powers, and became more diverse, this ability waned. Pollack (2008, p. 43) draws up a scenario “in which budgetary issues do not unite the EP against a common adversary but increasingly divide MEPs along party-group, committee, or national lines.” Indeed, final budget votes in the EP between 2009 and 2015 show a trend of diminishing majorities (Table 7.1). The significant decrease of votes in favor of the budget in just one parliamentary term (2009-2014) is remarkable. Furthermore, the vote on the 2015 budget points towards future challenges, with only 60 percent of the most EU-skeptic EP in history voting in favour. This result is not only due to the influx of more EU-skeptic representatives in the 2014 elections; the percentage of MEPs that voted for the budget resolution is smaller than the number of seats pro-European party groups in the EP have combined.

While instructive, these final votes tell only half the story. Prior intra-institutional preference aggregation is even more important because it determines the EP’s bargaining strength. In this regard, our data support Pollack’s scenario: MEPs’ preferences toward the budget are indeed becoming more heterogeneous. While there has always been a plethora of requests—the Budget Committee frequently receives up to 3,000 amendment proposals (Interview #1)—previously there was a tendency to eventually pull together when negotiating with the Council. This appears to be changing. As one interviewee (#5) succinctly remarks, “personal” or “party-political” agendas are increasingly at play in budgetary politics.

Decreasing internal preference homogeneity can also be observed in the MFF negotiations. Again, the final EP votes suggest a relatively strong unity. In the end, 79 percent of MEPs voted for and 18 percent against the compromise, with three percent abstaining. However, the EP was far from presenting a unified front against the Council during the negotiations. In the beginning it was able to convince the Council that it would use its veto power if need be. As time passed, however, it was not able to uphold

a credible threat, and its broad majority was disintegrating. In February 2013, for instance, when the European Council came up with a more concrete position (EUCO 37/13), the liberal group in the EP was quick to assert that it would not seek to challenge the overall figures. That made it difficult for others to push for a bigger budget, as it would make them look profligate. This had a “huge effect” on the negotiations (Interview #4), as it set the scene for the upcoming debates.

Nevertheless, serious considerations in the EP remained concerning letting the negotiations break down. This was a sentiment strongest among more generalist and budgetary MEPs (Interviews #5, #6, #7). At the same time, however, many other MEPs were concerned about the spending programs of their interest. Therefore, they put pressure on the negotiators to reach a compromise, even if it meant settling for lower spending than desirable, in order to ensure that these programs ran smoothly. In addition to these internal disputes, there was also pressure from national capitals. EP President Schulz even considered making the MFF vote secret to shield MEPs from external interference. In particular, parties in national governments used the upcoming EP elections as leverage, as party lists had to be drawn up and candidates selected. As a result, there were effectively two camps in the EP, one dedicated to pushing for more funds, the other arguing for austerity in the EU budget (Interview #4). While such a split is not surprising, their balance certainly is. During the MFF negotiations, the EP thus lost a credible veto threat and its bargaining position was weakened due to heterogeneous internal preferences.

What was less contentious within the EP, and therefore a focus in the advanced stages of the MFF negotiations, were procedural matters. The EP delegation put emphasis on the fact that the figures were unmovable. “The Council is dictating the figures. And we are dictating the flexibility,” as one interviewee (#6) summarized the strategy in the later stages of negotiation. The procedural outcomes were considered a success, not least because in times of low spending ceilings, “The strength attached to how the budgetary machinery functions [turns out] to be quite important,” as one Commission official (#11) put it, acknowledging the EP’s assertiveness in these matters. Indeed, the eventual outcome was a much more flexible MFF than the Commission originally called for.

The 2016 EP thus featured political groups and single parliamentarians pursuing diverging spending agendas. Pressures through national party channels were increasing. This internal heterogeneity works to the detriment of the overall institutional agenda, traditionally focused on increasing the budget. Procedural matters, on the other hand, were less contested in the EP, which allowed budget negotiators to pursue a more assertive strategy.

## **Organizational capacities**

Bargaining strength also relies on expertise, and capacities for information processing and analysis are particularly important in parliamentary settings (Krehbiel 1991). In this regard, the EP competes with the expertise of both the Commission and the Council. It has already been shown that a lack of organizational capacities and technical expertise can constrain the EP in co-decision (Thomson/Hosli 2006). Differentials in expertise may also influence conduct in negotiations, as actors with limited resources

are sometimes keen to spend as little of those resources as possible on a subject (Farrell/Héritier 2003, p. 583).

It goes without saying that budgeting is a prime example of complex issues requiring plenty of expertise (Wildavsky 1986, p. 10). The actors have to summarize past revenues and expenditures, forecast future economic conditions and fiscal outcomes, and estimate costs and consequences of new programmatic initiatives. Indeed, many important legislative conflicts are resolved on the basis of numbers derived from mathematical models that require specialized knowledge (e.g., Khimm 2011). Institutions with stronger budgetary capacities can influence negotiations through control of information. In the national setting, this is usually the executive branch (e.g., Wehner 2006).

On the EU level, Parliament also faces institutions with high expertise in budgetary matters. The Commission employs a specialized career staff and has a whole directorate-general dedicated to budget issues, and the Council can make use of expertise from 28 national governments. Both institutions thus have an informational advantage over Parliament in budgetary issues. In the EP, the Budget Committee is supported by the secretariat, where the Directorate for Budgetary Affairs employs around 50 people. This includes, however, assistants with clerical tasks (Interview #7), and the directorate is also responsible for supporting the Budgetary Control Committee. Furthermore, the number of political group staff dedicated to the budget—the second important contributor to the EP’s overall expertise (Dobbels 2013, p. 202)—is also relatively small; one of the two largest groups employed four budget advisors in the last legislative period (Interview #5), the overall number of staffers directly dedicated to the budget is thus likely not higher than fifteen. Including the specialized MEPs and their assistants, parliamentary resources are, therefore, rather small compared to the Council and the Commission.

The relevance of this asymmetry in organizational capacity becomes evident in the 2014 budget negotiations. Generally, the budget procedure in the EU is strictly timed and highly routinized. For all the routine, however, even the experts in the EP face obstacles in processing the relevant information. In a short period of time, the budget secretariat staff is mostly occupied with “procedure,” “consolidating texts and amendments,” and thus it does not have any time to “reflect” on the Commission figures (Interview #1). As a result, MEPs, especially those in policy committees, have hardly any opportunity to create substantiated claims based on independent analysis. Instead, they have to resort to Commission proposals as their points of departure for the negotiation. Around 95 percent of all adopted budget lines are identical to the Commission proposal, one interviewee (#4) estimates. Most of this can be attributed to the incremental nature of budgeting (Citi 2013) and the Commission’s experience in submitting acceptable proposals. Yet, in certain cases, the EP’s inability to scrutinize the Commission figures in detail can also be considered an additional reason.

It could be expected that the MFF negotiations, ongoing for more than two years, provide more opportunities for analytical exercises by the EP—and also more urgency, given the importance of this agreement. Yet normal parliamentary work goes on, and there are numerous policies to be decided, not least the 65 multiannual programs needed to accompany the MFF. In the last negotiation cycle, the whole MFF package,

including “details in structural funds, in agriculture policy, about the national envelopes, about compensations, about the levels of co-financing and other ideas” was simply “too much for everybody,” as one EP interviewee (#6) stated. In particular, the parliamentary delegation considered itself lacking important budgetary expertise in negotiations, and Commission and Council officials also noticed that EP representatives entered budget talks less well-prepared (Interviews #10, #11). This asymmetry has not only hard impacts when it comes to arguing over figures, but also soft consequences when expertise can be considered an important source of an actor’s authority. When Council or Commission delegates are “not convinced” about their parliamentary counterpart’s knowledge, as happened in budget talks (Interview #10), this influences the conduct of negotiations.

Some MEPs recognized this and started pushing for stronger organizational capacities in budgetary matters. As of January 2014, the EP has a new research service. One unit with around 20 administrators is dedicated to institutional, legal and budgetary matters. Yet given that they work on broad portfolios in addition to budgetary matters, this staff number is small compared to the 250 employees of the U.S. Congressional Budget Office, which served as a role model for some MEPs and administrators (Interviews #4, #5, #6).

Therefore, the EP has insufficient organizational capacities to process all relevant budgetary information to substantiate its own positions and effectively counter Council or Commission claims. More expertise would not solve political conflicts inside the EP, but it would inform the debate and could make for a more assertive negotiation strategy. Organizational capacities are, however, much more relevant for budget figures than for procedural issues. The analysis of innumerable budget lines requires more capacities than designing flexibility instruments—more so as institutional templates are already available. Therefore, the lack of capacities hardly affects bargaining strength in procedural questions.

## **Situational factors**

The political environment shapes bargaining power, but often situational factors affect actors to different degrees. In the EU, member state governments in the Council are accountable to their citizens via their national political systems, while MEPs are directly accountable to voters. In theory, this should make the EP more sensitive to situational factors in the political environment. Practically, however, its members face little pressure from the electorate as EU elections are still diffuse, second-order national elections (Reif/Schmitt 1980; Farrell/Héritier 2003, p. 583; Hix/Høyland 2013). This is typically considered a bargaining strength for the supranational parliament.

In budget negotiations since 2009, however, this remoteness was reduced. On the one hand, the political environment was overshadowed by the enduring financial and economic crisis. National governments took great pains to consolidate their finances, including large budget cuts, sometimes under heavy pressure from Brussels. On the other hand, European integration, in general, is increasingly politicized and subject to fierce criticism. The EU institutions face a growing “constraining dissent” (Hooghe/Marks 2008, p. 5). EU-skeptic parties on the rise in many member states

proved quite successful in the 2014 EP elections. Even mainstream parties increasingly issue complaints about “Brussels” being too powerful and interventionist.

As a result, more attention is also paid to EU finances, and the MFF 2014-2020 negotiations were in the spotlight like never before. The increased attention was not only felt in the Council, where disputes between net payers and net receivers became fiercer (Interview #9, #10), but also in the EP. After all, demanding more funds and redistribution is a delicate task in times of national fiscal crises. It is perhaps no coincidence that in 2012 the EP Bureau established a Directorate for Impact Assessment and European Added Value that, among other things, draft reports on the cost of “Non-Europe” and the benefits of existing policies. Inter alia, these endeavors are to substantiate claims for a larger budget. However, these efforts proved futile during the MFF 2014-2020 negotiations, which were permeated by the crisis and austerity considerations (Interviews #5, #9). Pressures from national parties were also crucial in this regard (Interviews #4); there was close to no room for MEPs to maneuver, due to the crisis.

Apart from economic considerations, MEPs were also concerned about negative effects on the overall integration project. Regarding the MFF negotiations, one interviewee (#5) from the EP stated, “The situation, the political pressure of the present economic crisis has been so intense that it was basically impossible for the Parliament [...] to block a deal. [...] The political effects of a budget crisis on top of the economic crisis for the moment meant that the main political parties of the Parliament decided not to use the veto power.” Legitimacy concerns were a major factor for the empowerment of the EP (Rittberger 2003), and they still form a strong basis for its influence, as it can invoke its status as the single directly elected institution on the EU level. Indeed, the EP was the most trusted EU institution involved in legislative policy-making in 2013, even if it had also suffered a loss of trust since the onset of the crisis (Eurobarometer 79 2013). MEPs are cautious to further risk this important asset with overly confrontational strategies.

In contrast, the crisis bolstered arguments for more budget flexibility. The high level of uncertainty as to where resources would be most needed in the next years supported earlier EP claims. Especially the continued, and even increased, use of specialized funds and the MFF midterm review can be partly attributed to EP invoking the crisis. In terms of figures, however, the crisis was a strong constraint for the EP’s bargaining strength, and the MFF can without a doubt be considered an austerity budget.

### **Strategies: The EP’s pathways of influence in budgetary bargaining**

In general, the EP can do more than follow formal procedures. It can employ various strategies to maximize its influence. The literature on EU policy-making and the EP (Kaeding/Selck 2005; Pollack 2008; Thomson et al. 2004; Rittberger 2003, 2012, 2014) puts forward four major pathways: rule interpretation, coalition building, issue linkage, and application of normative pressure.

#### **Rule interpretation**

If there is a legal basis, the EP may seek to transform the bargaining game instead of playing it. As Rittberger (2014, p. 1177) states, “incompleteness of the formal treaty

rules is at the centre of the EP's attempts to exercise discretion and engage in the interpretation of the rules to obtain a more favourable allocation of decision-making powers." The most recent instance of this strategy would be the (eventually prevailing) EP interpretation of the Lisbon Treaty rules for selecting the Commission president; having one of the EP election's Spitzenkandidaten at the top of the Commission is considered "an important victory in the inter-institutional battle for power" (Hobolt 2014, p. 1537).

In budgetary matters too, the EP used to interpret rules to its advantage. It was particularly engaged in defining what constitutes non-compulsory expenditure and the calculation of the maximum rates of increase (Lindner 2006). These opportunities have now vanished. Budget management has grown into a sophisticated and dense field. The IIAs had already eliminated most of the room for interpretation (see also De Feo 2017), and with the Lisbon Treaty, the rules for budgetary politics seem to be finally settled. The EP is thus confined to playing the given game.

## **Coalition building**

One strategy to maximize influence within the given rules is coalition building. In the EU, the most prominent case is the alliance of the EP and the Commission in advocating supranational solutions. For a long time, these two institutions have favored and jointly pursued policies much more integrationist than the median government in the Council (e.g., Kaeding/Selck 2005; Thomson et al. 2004). However, cracks have appeared in this alliance. The Commission is seen to be in general decline, preoccupied with managing tasks or moving towards the Council (Bauer/Becker 2014; Kassim et al. 2013, p. 131-133).

The Commission used to be a reliable partner for the EP in budgetary matters. For a long time, it "generally did not play the role of honest broker, but rather demonstrated a set of policy preferences close to that of the Parliament," Pollack argued in 2008 (p. 24). After 2005 however, this period appeared to be over. The Commission's draft budgets between 2006 and 2010 were rather defensive from a supranational perspective. The EP position deviated from the budget draft much more significantly than the Council position; it appears that the Commission was tilted towards the preferences of national governments. Following that, Commission drafts and EP positions have almost aligned, and the Commission's MFF proposal was also in line with the EP position. However, the Commission proved rather passive as the moderator of budget negotiations; EP representatives have been disappointed with recent Commission performances. In their opinion, the Commission was overly defensive, mainly focused on getting some kind of agreement and thus avoiding gridlock. It is described as "no longer as strong as it used to be," and "too weak" (Interviews #5, #6). Perhaps unsurprisingly, Commission officials, also see their institution as in the middle, sometimes with the Council, other times siding with the EP (Interviews #11, #12).

The Commission has a second role in budget procedures that is relevant to EP influence. It serves as the central provider of relevant information. In the past, with its ties much closer, the EP depended comfortably on the Commission documents and analysis, and this move usually played out in favour of the parliamentarians. While they

still rely on the Commission, MEPs have become skeptical of the quality of information. In their view, the Commission fails to provide “the figures they should” (Interview #5). Even though its estimates are “usually accepted” (Interview #2), a creep-ing sense of mistrust in budgetary matters is noticeable.

In terms of budget procedures, however, the Commission was broadly in line with the EP, although its initial proposals for flexibility were less ambitious than the parliamentary position. Commission President Barroso underlined this position shortly after the Council set out its position on the MFF in 2013, when he said the envisaged framework would only have a chance to work with the “proper level of flexibility.” The Com-mission subsequently sought to facilitate agreements in this area, and it successfully cooperated with the EP. It has to be said, however, that the Council was more indifferent in terms of procedure than it was in terms of figures.

Apart from aligning with the Commission, the EP can also seek to ex-ploit disagreement in the Council. However, as of 2016, there was no critical mass of member state governments it could form a coalition with. In the case of the MFF, the Council was split between the so-called “Friends of Better Spending”, net payers advocating austerity, and the “Friends of Cohesion Policy”, net recipients calling for more spending. The latter group modestly sided with EP demands. Yet given the unanimity requirement and the economic situation at the time, the balance of power between these two groups in the Council was far from even. The net payers had hardly any trouble realizing their preferences. Most in the EP are (unsurprisingly) annoyed with the status quo orientation of MFF decision-making, which is why it called for the use of qualified majority voting in the future (Resolution 2014/2005(INI)). But with (net payer) member states yielding power, this is a rather remote possibility.

With the exception of procedure, the EP is mostly left to its own de-vices when fighting for budgetary influence. While the Commission puts forth rather ambitious proposals, it does not follow through, acting rather passively during negotiations. Furthermore, from the EP’s point of view, it fails to be a reliable provider of authoritative information.

## **Issue linkage**

Strategies of issue linkage are ubiquitous in the EU, and the budget is no exception. An example is the EP extracting concessions in “compulsory spending” by offering modesty in “non-compulsory” spending (Enderlein et al. 2005). In a similar vein, when its legislative powers were more lim-ited, the EP used its budget powers to influence policy-making, often by putting funds on hold until its demands were fulfilled (Pollack 2008, p. 24). Both strategies are now outdated, but with many separate decisions on revenues, expenditure, and implementation, the fragmentation of the EU budgetary system still provides several issue linkage opportunities. Indeed, the EP pursued two such strategies in the 2013 negotiations.

The first was aimed at the EU's revenues through the own resources system. Much to the dismay of parliamentarians, the Lisbon Treaty hardly affected the revenue system, and they consequently sought to gain influ-ence by linking it to other budgetary issues. The EP’s initial rejection of the 2011 budget was motivated by this concern (Benedetto 2012, 40). Then, in 2013, the EP put the issue back on the agenda during the MFF negotiations by threatening to use its veto power. As one interviewee (#1) stated, the

MFF opened up “a small window” in the battle for reforming the own resources system (see also the relevant resolution, EP 2013a). Afterwards, the Council was open to discussing reform options. The first tangible result was the creation of a high-level group on own resources, made up of several members appointed by the EP, the Commission and the Council, and chaired by the former Italian prime minister and EU Commissioner, Mario Monti (EP 2014).

The second incidence of issue linkage concerned the question of unpaid bills from previous years (see also D'Alfonso/Sapała 2017). After the problem had been on the agenda for a while, and governments in the Council dodged more ambitious amending budgets, the EP again used the MFF negotiations to put pressure on the Council. Budget Committee Chair Alain Lamassoure stated that there would be no parliamentary con-sent to the MFF unless there was an agreement on the matter of unpaid bills (EP 2013). Again, the Council was accommodating. In this case, the EP's assertiveness helped to provide more funds for outstanding pay-ments.

Its general willingness to link issues begs the question of how the EP uses its strongest power, the right to grant discharge, to influence other budgetary matters (see also Cipriani 2017). Interestingly, there is a para-dox of power. The fact that a refusal of discharge can bring a Commis-sion downfall renders the threat to use this “atomic bomb” (Interview #4) for ordinary policy-making purposes very implausible. Still, the discharge procedure provides an opportunity to put forward or reiterate budgetary claims, but this has yet to be realized. One reason is the way the Budget Control Committee works; many MEPs feel its conduct has been too spe-cialized and too occupied with financial management. Instead, many wish that the committee would place more emphasis on scrutinizing the added value of EU spending, thereby generating insights that can be used for fu-ture budget negotiations. Since the Lisbon Treaty, the EP and the Council receive evaluation reports from the Commission in addition to the purely formal “budgetary statements” indicating that the EU funds have been used appropriately. This information has potential for “forward-looking” budgeting (Interview #1), and the results could then be used in the hear-ing of Commission candidates. For this to happen however, coordination between the budget-making and budget-controlling actors has to improve.

Overall, the EP is willing to strengthen its overall budgetary influence by linking different issues. The issue of outstanding payments can be con-sidered the most tangible EP success yet; it remains to be seen whether its efforts regarding the own resources system will yield substantial results.

### **Application of normative pressure**

The final pathway the EP has to maximize influence is the application of normative pressure. Bargaining dynamics between the Council and the EP are not solely based on material factors and strategies. In fact, the history of the EP receiving more power with every treaty change is commonly explained by ideational or normative arguments (Rittberger 2003). By the writing of this, the supranational parliament continues to emphasize legit-imacy gaps to expand its involvement. One example is its criticism of the process and outcome of the predominantly intergovernmental manage-ment of the financial and economic crisis (Rittberger 2014). However, in terms of the budget, it is

precisely because the EP is on equal formal footing with the Council in the annual procedure that such normative arguments are futile. But regarding the MFF and the revenue system such arguments could still be effective. From the EP's perspective, the EU budget is still representation without taxation, and the reinvigorated debate on the own resources system features normative arguments akin to claims for the legislative empowerment of the EP. Yet there is a strong possibility that the conflict between net payers and net receivers will overshadow any EP demands. Also, in times of crisis and decreasing budgets, the urgency of such normative questions is weak.

## Conclusion

Since its first direct election, the powers of the EP have increased in all fields of parliamentary activities from legislation, to controlling the Commission, to selecting political personnel. However, budgetary power appears to be an exception to this general trend. The Lisbon Treaty reforms constitute—for the first time in the history of European integration—a step back from parliamentary empowerment. The crucial question is how significant these changes really are. Based on the literature on general EP influence in policy-making, we sought to assess the EP's power of the purse with an analytical framework combining rights, capabilities, and strategies.

Our empirical insights lend support to a more complex interpretation of the EP's recent budgetary defeats. We agree that the EP's budgetary rights have been curbed, and there is little remedy for this disenfranchisement by way of rule interpretation or application of normative pressure. We have, however, shown that the outcomes of recent budget negotiations are also driven by other factors. Above all, the crisis-ridden political environment, increasing internal preference heterogeneity, and few coalition-building opportunities limited the EP's bargaining power, at least in terms of budget figures. All of these factors, however, do not remain constant. For example, the next MFF negotiations could take place in a more stable political environment, with a more assertive Commission, a Council that is less firm without the UK, and a new EP that is again pro-integration. Also, the EP is already willing to link different budgetary issues to improve its bargaining position, as can be seen in the cases of own resources and unpaid bills. It is also enhancing its organizational capacities to increase its budgetary expertise. Its power of the purse is thus more flexible—or less doomed—than its budgetary rights after the Lisbon Treaty and recent budgets would suggest.

By distinguishing between figures (how much to spend) and procedure (how to spend it) as objects of budgetary negotiations, we have also shown that the EP was not as unsuccessful as it may have seemed. Its negotiators have understood the current predicament and switched from fighting for higher figures to fighting for greater flexibility. Such procedural questions are, in the short-term, less important than overall figures; however, in the medium and long-term, they represent opportunities to reshape EU spending to some extent. Even if the current constellation of factors remains, the EP could still put an emphasis on procedure and establish “veto points” in order to wield more influence later (Immergut 1992).

In sum, the budget is an anomaly in the overall trajectory of EP empowerment, but a better understanding of budgetary politics is needed to make authoritative claims about the EP's power of the purse. We have shown that some factors generally considered

for EP influence in policy-making are highly relevant for budgetary negotiations, while others are not. Our case study only provides a snapshot that delivers a subtle ranking order for the significance of these factors. Future research, especially of the qualitative kind that is missing in budgetary politics, could yield a clearer picture of parliamentary influence.

## Notes

- 1 In total, twelve semi-structured interviews were conducted on 10 and 11 July 2013, in Brussels. In addition, the interviewees answered a questionnaire with closed and open questions.
- 1 “Parliament gives final approval to EU long-term budget”, Euractiv.com, 20 November 2013, Available at <http://www.euractiv.com/priorities/eu-budget-gets-massive-approval-news-531817> (6 July 2015).
- 1 More comprehensive accounts of the post-Lisbon budgetary system and the role of the EP can be found in Lindner 2006; Benedetto and Høyland 2007; Giuriato 2009; Corbett et al. 2011; Hix and Høyland 2011; Benedetto 2012; Benedetto 2013; Benedetto and Milio 2012 and Becker 2014.
- 1 EU budget deficits are forbidden by treaty law (Art. 310 TFEU). The own resources system broadly defines spending, but there is some room for maneuver. Before the negotiations on the latest MFF for the period 2014–20 began, it was theoretically possible to generate and spend up to 1.23 percent of the EU’s GNI (Council Decision 2007/436/EC, Council decision 2010/196).
- 1 “A sum equivalent to not more than one twelfth of the budget appropriations for the preceding financial year may be spent each month in respect of any chapter of the budget” (Article 315 TFEU).
- 1 It goes without saying that, in general, the same applies to the Council (e.g., Kaeding and Selck 2005), and even the commission is not as monolithic as it was long portrayed (recently Hartlapp, Metz & Rauh 2014).
- 1 “Parliament to use secret ballot in vote on EU budget”, Euractiv.com, 8 February 2013, Available at <http://www.euractiv.com/priorities/parliament-hold-secret-vote-eu-b-news-517661> (6 July 2015).
- 1 Speech by President Barroso on the outcome of the European Council meeting on the Multiannual Financial Framework of 7-8 February 2013 (European Parliament Open Conference of Presidents), SPEECH/13/130.
- 1 The Commission and the Council are the two options of relevance here, as the complexity and technical density of budgetary politics make it a unlikely case for policy activism in wider civil society.

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## List of interviews

1. Official from the European Parliament, 10 July 2013
2. Member of the European Parliament, 10 July 2013
3. Member of the European Parliament, 10 July 2013
4. Official of the European Parliament, 10 July 2013
5. Member of the European Parliament, 10 July 2013
6. Member of the European Parliament, 11 July 2013
7. Official of the European Parliament, 11 July 2013

8. Official of the Council of the European Union, 10 July 2013
9. Official of the Council of the European Union, 11 July 2013
10. Official of the Council of the European Union, 11 July 2013
11. Official of the European Commission, 10 July 2013
12. Official of the European Commission, 11 July 2013