National Interests or European Party Affiliation? An empirical analysis of the determinants of the voting behavior in the European Parliament on economic governance and financial regulation issues during the crisis.

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Abstract. Whereas scholarly work has traditionally showed that the voting behaviour of members of Europen Parliament is primarily driven by ideology (more specifically, by the MEP's party group affiliation), we expect to find MEPs' national origins to play a counterbalancing role and – at least partially – weaken intra-party position on key economic and financial matters. Our empirical research focuses on European Parliament's final votes on key crisis-related economic governance and financial regulation measures, the Six-Pack and the Two-Pack, and, as far as the financial sector is concerned, on the establishment of the European System of Financial Supervision, the new Capital Requirements framework and the Credit Rating Agencies Regulation. Whereas our results do confirm traditional conclusions, we also find that national interests can be strong predictors of MEPs' votes, alongside with country-based economic indicators. Our probit models show variables related to these predictors to be statistically significant in a considerable number of cases, opening up new avenues for future research on territorial cleavages in the European Parliament.

Keywords: legislative politics, parties, European Union, roll-call voting, probit model
Jel codes: O52, P16, H7, C13

1. Introduction

The economic and financial crisis has had profound consequences not only for the economies of EU's Member States, some of which are still far from complete recovery, but also for the architecture of the Economic and Monetary Union. A number of measures has been taken at EU level to reinforce the coordinated economic governance and enhance regulation of the financial sector, aiming to better cope with similar crisis scenarios in the future. Most of the policy response, following the agenda-setting impulse by the European Council, has been enacted through EU secondary legislation, thereby requiring approval from the European Parliament.

The aim of this paper is to analyse MEPs' voting behaviour on a key number of final legislative votes in the two areas of economic governance and financial regulation. As far as economic governance is concerned, all regulations and directives forming the Six-Pack and the Two-Pack will be analysed; as far as the financial sector is concerned, attention will be given inter alia to the establishment of the European System of Financial Supervision, the new Capital Requirements framework implementing Basel III rules and the Credit Rating Agencies Regulation.

Whereas scholarly work has traditionally showed MEPs voting behaviour to be primarily driven by ideology (more specifically, by the MEP's party group affiliation), we expect to find MEPs' national origins to play a counterbalancing role and – at least partially – weaken intra-party position on key economic and financial matters, where a conflict of interest might exist between creditor and debtor countries. Hence, our research aims to identify possible distinctive voting patterns alongside EP political affiliation in this particular policy area.

The European Parliament has become a privileged object of analysis for political scientists over the last decades, with waves of scholarly attention closely mirroring the ever-increasing reinforcement of its powers since it was first directly elected in 1979. A vast literature exists on legislative politics in the European Parliament, aimed at the identification of the most significant dimensions shaping political and legislative behaviour in the EU's assembly. Research on voting behaviour in the EP has become an established field over the years, with the mainstream literature agreeing on the party group affiliation being the main voting determinant for MEPs. In spite of methodological issues undermining these analyses, a consensus exists on an ever-increasing level of intra-party cohesion in the EP and on the weakness of national identities for MEPs' voting patterns. Nevertheless, our research builds on some recent qualitative work pointing to the opposite direction and takes a look at voting behaviour on a specific subset of legislative votes where national identity is expected to have created strong cleavages. Whereas our results do confirm traditional conclusions, we also find that national interests can be strong predictors of MEPs' votes, alongside with country-based economic indicators. Our probit models show variables related to these predictors to be statistically significant in a considerable number of cases, opening up new avenues for future research on territorial cleavages in the European Parliament.

This paper is organized as follows. In section 2 a brief summary of the existing literature on voting behaviour in the European Parliament is presented. Section 3 recalls the EU-level measures to tackle the crisis, in terms of both economic governance and financial regulation. Section 4 provides information on the database, methodology and hypotheses. Section 5 presents the results of our econometric analysis and finally section 6 contains some concluding remarks,

2. **Related literature**

Research on voting behaviour within the European Parliament builds upon previous work on the US Congress, with seminal articles trying to disentangle the different determinants of voting dynamics among elected representatives of the US population. For example, Levitt (1996) considers several possible factors, namely personal preferences, the constituency's interests, the state electorate preferences and national party lines in his study of US senators, and finds out that personal ideological preferences are the strongest determinant of one's voting decision.

Studies on internal dynamics in the EP started from the identification of conflict dimensions at the heart of its political logic: in view of its supranational character and institutional uniqueness in comparative perspective, the scholarly community first had to find out whether traditional dynamics applied to the European Parliament as well. While the classic theories of European integration (intergovernmentalism and neo-functionalism) both see EU politics as centred on the speed of the integration process (more or less integration), empirical studies of the European Parliament confirmed that political competition in this institution revolves around the traditional left-right dimension (Hix 2001). Results of these studies clearly indicate that the main dimension of conflict in the European Parliament is the classic left-right dimension of democratic politics, with the anti/pro-EU integration dimension playing only a minor role. National interests have very little systematic influence on politics in the EP, a result somewhat surprising when thinking of some "state interest"- based theories in European Studies (Hix et al. 2006, Hix 2001). Voting behaviour and coalition formation happen mainly along a single policy dimension in the EP, and this dimension essentially corresponds to the domestic well-known left-right conflict (Hix 2001, Hix 2002, Kreppel 2010).

Once the ideological dimension was acknowledged as being pivotal to internal dynamics in the EP, scholarly attention turned to its expression within the elected assembly, namely EP party groups. Several indexes of agreements have been developed to measure intra-party cohesion. Since the birth of this institution, most MEPs have sat in party groups reflecting traditional European party ideologies, and the minority of parliamentarians sitting in separate “national delegations” has been shrinking over time, in line with the decrease of independent groups in the EP. Therefore, research has focused on the role of party groups in the European Parliament, in particular intra-party cohesion as a good indicator of consistency in voting behaviour among MEPs from the same ideological area (Attinà 1990). Based upon data on roll call votes, research on directly elected parliaments since 1979 has shown transnational party affiliation to be much more important than national affiliation in determining voting decisions, with party cohesion in the EP steadily increasing over time (Hix 2001, Hix et al. 2006, Hix and Bartolini 2006). A comparative study of pre- and post-2004 enlargement patterns similarly showed MEPs from new Member States to vote predominantly along transnational party lines, with delegations from Central and Eastern Europe giving only slight additional importance to national divisions (Hix and Noury 2009).

The scholarly consensus therefore is that national interests do not significantly affect MEPs’ voting decisions, with country-based divisions becoming relevant only in the cases of conflict between the EP party group position and the national party one. In fact, European legislators are at once members of national parties and affiliated to European party groups; they have multiple sources of affiliation leaving room for a potentially high degree of political conflict. The two different “principals” both require their loyalty: national parties, which are responsible for the selection of candidates for European elections, and EP party groups, which are the key agenda-setters and control the allocation of committee positions, finances, speaking time and other party positions in the European Parliament (Hix et al. 2006). While the positions of one MEP’s national party and EP party group normally coincide, there are instances where this is not the case and national delegations cherish minority positions within the respective EP party groups. In these cases, research has shown MEPs to be primarily loyal to their national party principals, who are in control of EU elections candidatures (Hix 2002, Cicchi 2013). Nevertheless, national parties and national interests must not be confused and one cannot maintain, basing on these results, that national identities are a strong predictor of voting behaviour in the EP.

In spite of the consensus it enjoys, this strand of the literature has become subject to increased criticisms in view of its supposed methodological weakness (Carrubba et al. 2004, Carrubba et al. 2006). In fact, studies on voting behaviour have consistently used roll call votes even if they traditionally make up only a minority of votes and might therefore represent a partially biased sample of the whole population of votes (Høyland 2010, McElroy 2007). Some of these critiques have been addressed by demonstrating the absence of any strategic selection bias between requested and mandated roll call votes, but the possible bias between roll call votes and secret votes has not been explained so far (Hix et al. 2013). This problem will truly disappear only in the future, as roll-call votes compulsory have been made compulsory on all final legislative votes in 2009, and non-binding resolutions in plenary have been subject to the same procedure since March 2014.

Notwithstanding the validity of studies using roll call votes, some recent publications have shed new light on voting determinants in the EP by using qualitative, interview-based methods. For example, a study conducted on a sample of Danish MEPs showed national affiliation to play a much stronger role than revealed by previous research, especially in areas such as employment, environment and agricultural policy where MEPs seem to follow national interests rather than ideological positions (Rasmussen 2008). Although very limited in scope, the study opens up promising avenues for future research and sets the basis for our analysis of economic governance and financial regulation votes. The same goes for another recent survey of MEPs' policy preferences, conducted in 2010, which found that the Member State of origin is a more powerful predictor of general MEPs' attitudes than the EP party group affiliation (Farrell et al. 2012). The study found an impressive 40 percent of the variance in policy positions to be explicable by MEP nationality, as opposed to only 15 percent attributable to EP political group memberships (and the remaining 45 percent accounted by personal ideological preferences). These results are not entirely consistent with earlier research, highlighting a puzzling gap between voting behaviour and general political attitudes.

Some studies also investigated the role played by national identity by focusing on single policy areas. One study on EU trade policy (Kang 2013) confirmed, contrary to the author's expectations, that MEPs vote prevalently in line with EP party groups on trade policy issues, with country-specific variables largely unable to explain voting decisions. However, on single sensitive issues the study found some national delegations (the Italian and the French) to vote along their national interests and against the dominant position of their party groups in the EP. Another study dealt with foreign policy issues and analysed voting patterns in the EP from 1979 to 2004, confirming the traditional result that EP party lines are a better predictor of voting behaviour than national interests (Gische 2007). However, when breaking down votes into more specific sub issues (such as justice or human rights), the author found the country of origin to become a better predictor in some cases, a result which is easily concealed by pooled, large-n analyses which are more common in the literature.

3. The EU's response to the crisis: economic governance and financial regulation

3.1. Economic governance

In November 2011, the Council and the European Parliament adopted a legislative package comprising 5 Regulations and one Directive, the "Six-Pack"[1], which reinforced the existing Stability and Growth Pact (SGP) in the domain of fiscal policy. The Six-Pack applies to all EU Member States, but it includes some specific rules for euro zone countries, especially regarding financial sanctions. While the SGP focused on the surveillance of Member States' budgetary deficits, its recent reform complemented the coordination procedure with a similar process for public debt levels, and put greater emphasis on prevention efforts to ensure long-term sustainability of public finances. The new EU secondary law package also created the Macroeconomic Imbalance Procedure, thereby submitting a wider spectrum of macroeconomic policies to EU level surveillance.

Taking a closer look at fiscal policy coordination, the original criteria were kept as each Member State's public debt must not exceed 60% of its Gross Domestic Product (or at least diminish with a sufficient speed towards that objective), while its budget deficit must not exceed 3% of GDP; its budgetary balance shall in addition converge towards the country specific mid-term objectives (MTO). In the context of the preventive arm, the Six-Pack ensures a stricter implementation of the rules by quantitatively defining what a "significant deviation" from the country's MTO (or from the adjustment path) means. As aforementioned, it operationalized the debt criterion by providing for the launch of the Excessive Deficit Procedure not only in case of excessive deficit, but also if the public debt does not diminish towards the 60% level at a satisfactory pace. Financial sanctions in case of non-compliance can progressively be applied only to euro area members, and can reach up to 0.5% of their GDP. Additionally, the Six-Pack introduced the RQMV (Reverse Qualified Majority Voting) rule, whereby when a proposal for sanctions is made by the Commission it is considered adopted unless a qualified majority of Member States votes against it in the Council.

Another major advancement in the economic governance of the EU has been the launch of the European Semester, a cycle of fiscal and economic policy coordination taking place during the first half of the year and framed within the Europe 2020 strategy. Implemented for the first time in 2011, its aim is to ensure a better coordination among fiscal and macroeconomic

[1] Regulation (EU) No 1173/2011 of the European Parliament and of the Council of 16 November 2011 on the effective enforcement of budgetary surveillance in the euro area, Regulation (EU) No 1174/2011 of the European Parliament and of the Council of 16 November 2011 on enforcement measures to correct excessive macroeconomic imbalances in the euro area, Regulation (EU) No 1175/2011 of the European Parliament and of the Council of 16 November 2011 amending Council Regulation (EC) No 1466/97 on the strengthening of the surveillance of budgetary positions and the surveillance and coordination of economic policies, Regulation (EU) No 1176/2011 of the European Parliament and of the Council of 16 November 2011 on the prevention and correction of macroeconomic imbalances, Council Regulation (EU) No 1177/2011 of 8 November 2011 amending Regulation (EC) No 1467/97 on speeding up and clarifying the implementation of the excessive deficit procedure, Directive of the Council on the requirements for budgetary frameworks of the Member States (Council Directive 2011/85/EU).

policies of the Member States, in the hope that synchronizing the timetables of these procedures as well as increasing EU surveillance mechanisms shall ensure enhanced convergence and stability in the European economies. Economic policy coordination hence takes place in the three areas of fiscal policy, structural reforms and macroeconomic imbalances, the latter having been acknowledged as a key factor contributing to the economic crisis during the last years. Generally speaking, the European Semester places little constraint on Member States' individual choices, as EU-level guidance and country-specific recommendations have no binding nature whatsoever, thereby still giving little incentive to comply.

In May 2013, a new package of legislation including two Regulations (the Two-Pack) came into force, establishing stronger surveillance mechanisms for the budgetary policies of euro area Member States[2]. The Two-Pack introduces a common budgetary deadline and common budgetary rules for euro area Member States, completing the existing governance framework as this exercise of coordinated surveillance takes place in Autumn. In fact, euro area Member States are required to submit their draft budgetary plans for the following year by the 15th of October, and must adopt them by the 31st of December. In the meanwhile, the great innovation introduced by the Two-Pack consists in the European Commission's power to assess the draft plan in advance (by the 30th of November), and above all to request the concerned state to submit a revised plan if it detects severe non-compliance with SGP obligations, even before the budget draft is discussed by the parliament at Member State level.

3.2. Financial regulation and supervision reform

Since the election of the new legislature in 2009, the European Parliament has been a key player in the process of financial reform. The first major change in the area of financial markets was the establishment of the European System of Financial Supervision (ESFS) in January 2011, aiming to correct the failures and shortcomings of the inconsistent and diverging framework of the Member States' supervisory agencies. Replacing three existing Committees which were made up of national representatives of the supervisory authorities, three new European Supervisory Authorities were created (ESAs): EBA, ESMA and EIOPA. The European Banking Authority (EBA) has its seat in London and shall assure the adequacy

[2] Regulation (EU) No 472/2013 of the European Parliament and of the Council of 21 May 2013 on the strengthening of economic and budgetary surveillance of Member States in the euro area experiencing or threatened with serious difficulties with respect to their financial stability, Regulation (EU) No 473/2013 of the European Parliament and of the Council of 21 May 2013 on common provisions for monitoring and assessing draft budgetary plans and ensuring the correction of excessive deficit of the Member States in the euro area.

of European banks' capital structure, notably by conducting periodic stress tests and in case of need overriding national supervisors. The European Securities and Markets Authority (ESMA), based in Paris, works in the area of securities legislation and has among its key tasks the regulation of credit rating agencies (CRAs). The Frankfurt-based European Insurance and Occupational Pensions Authority (EIOPA) finally deals with insurance products and pension schemes, as well corporate governance issues. To complement this framework acting on a micro-prudential basis, the European Systemic Risk Board was created with the objective of identifying potential systemic-level risks to financial stability in Europe; although being an independent institution it is under the responsibility of the European Central Bank.

In 2011, two major pieces of legislation were passed at EU level in the area of financial regulation, notably AIFMD, the Alternative Investment Fund Managers Directive (Directive 2011/61/EU), and the first Regulation on Credit Rating Agencies (Reg. No 513/2011). AIFMD's aim was to fill the regulatory void left by the UCITS Directive (Undertakings for the Collective Investment in Transferable Securities) on private equity and hedge funds, which had previously benefited from a complete lack of transparency. The directive includes an array of provisions, ranging from passporting rules to evaluation requirements, from maximum leverage to capital ratios. On the other hand, Reg. 513/11 transferred responsibility for CRAs to the ESMA in order to simplify and centralize their supervision at European level. More interestingly, Reg. No 462/2013 introduced stricter rules for CRAs, particularly with a view to reduce over-reliance on credit ratings and improve the quality of the rating process: provisions include accountability rules for gross rating mistakes, a mitigation of the conflict of interest problem stemming from the issuer pays remuneration model and the publication of all ratings on a European Rating Platform.

Two additional regulations were approved in 2012: Reg. No 236/2012 concerns short selling and credit default swaps (the latter being derivatives instruments reputed as having played a major role in the sovereign debt crisis) and essentially imposes a ban on uncovered (naked) short selling of sovereign CDS, sovereign debt and shares, while Reg. No 648/2012 (EMIR – European Market Infrastructure Regulation) introduces obligations on OTC (over the counter) derivatives, central counterparties (CCPs) and trade repositories (TRs). In 2013, the CRD IV package, consisting of a directive (Directive 2013/36/EU) and a regulation (Reg. No 575/2013), transposed in EU law the latest global standards on capital adequacy, namely Basel III, which expanded the previously existing Basel II regulatory framework. In order to allow banks to adequately manage the risks related to their activities and absorb the losses they incur into, the new framework sets stricter prudential requirements for capital ratios, new liquidity and leverage requirements as well as new counterparty risk provisions, and introduces mandatory counter-cyclical capital buffers as a macro-prudential complement to the existing standards.

All the aforementioned measures do contribute significantly to the improvement of the EU financial regulation framework, but the banking union probably deserves greater credit as a big step-up in the integration of the European banking sector. During the financial crisis, failing institutions were dealt with at national level, hence creating huge problems for the solution of cross-border cases (notably DEXIA), and different standards at Member State level left some room for regulatory arbitrage among jurisdictions. To tackle these issues and build a stronger EMU, the project of the banking union has been set in motion: the first pillar to be built has been the Single Supervisory Mechanism (SSM), which will become operational in November 2014 and allocates ultimate supervisory responsibility on all euro zone banks to the ECB. While the coordination task therefore rests at European level, direct responsibility goes to Frankfurt only for the largest, systemically important banks (around 150 out of 6000, yet representing ca 80% of European banking assets), while the remaining will be supervised in principle by national authorities, with the ECB enjoying final supervisory authority.

4. Data, methodology and hypotheses

In order to study the voting behaviour of MEPs on economic and financial issues, we use data downloaded from Votewatch.eu, the reference website launched by Simon Hix to study legislative behaviour in the European Parliament. The 20 votes under analysis, divided in the two clusters of economic governance and financial regulation, are comprehensively listed in Tables 1 and 2.

Table 1. Economic governance votes

ECONOMIC GOVERNANCE	Reference	Date of vote	Procedure
Six-Pack: effective enforcement of budgetary surveillance in the euro area	Regulation (EU) No 1173/2011 of the European Parliament and of the Council of 16 November 2011 on the effective enforcement of budgetary surveillance in the euro area	28 Sept. 2011	Ordinary Legislative Procedure (OLP)

Six-Pack: enforcement measures to correct excessive macroeconomic imbalances in the euro area	Regulation (EU) No 1174/2011 of the European Parliament and of the Council of 16 November 2011 on enforcement measures to correct excessive macroeconomic imbalances in the euro area	28 Sept. 2011	Ordinary Legislative Procedure (OLP)
Six-Pack: strengthening of the surveillance of budgetary positions and the surveillance and coordination of economic policies	Regulation (EU) No 1175/2011 of the European Parliament and of the Council of 16 November 2011 amending Council Regulation (EC) No 1466/97 on the strengthening of the surveillance of budgetary positions and the surveillance and coordination of economic policies	28 Sept. 2011	Ordinary Legislative Procedure (OLP)
Six-Pack: prevention and correction of macroeconomic imbalances	Regulation (EU) No 1176/2011 of the European Parliament and of the Council of 16 November 2011 on the prevention and correction of macroeconomic imbalances	28 Sept. 2011	Ordinary Legislative Procedure (OLP)
Six-Pack: speeding up and clarifying the implementation of the excessive deficit procedure	Council Regulation (EU) No 1177/2011 of 8 November 2011 amending Regulation (EC) No 1467/97 on speeding up and clarifying the implementation of the excessive deficit procedure	28 Sept. 2011	Legislative (consultation)

Six-Pack: requirements for budgetary frameworks of the Member States	Council Directive 2011/85/EU of 8 November 2011 on requirements for budgetary frameworks of the Member States	28 Sept. 2011	Legislative (consultation)
Two-Pack: strengthening of economic and budgetary surveillance of Member States in the euro area under financial distress	Regulation (EU) No 472/2013 of the European Parliament and of the Council of 21 May 2013 on the strengthening of economic and budgetary surveillance of Member States in the euro area experiencing or threatened with serious difficulties with respect to their financial stability	12 March 2013	Ordinary Legislative Procedure (OLP)
Two-Pack: common provisions for monitoring and assessing draft budgetary plans and excessive deficit procedure in the euro area	Regulation (EU) No 473/2013 of the European Parliament and of the Council of 21 May 2013 on common provisions for monitoring and assessing draft budgetary plans and ensuring the correction of excessive deficit of the Member States in the euro area	12 March 2013	Ordinary Legislative Procedure (OLP)

Table 2. Financial regulation votes

FINANCIAL REGULATION	Reference	Date of vote	Procedure

European System of Financial Supervision	Reg. No 1092/2010 of the European Parliament and of the Council of 24 November 2010 on European Union macro-prudential oversight of the financial system and establishing a European Systemic Risk Board	22 Sept. 2010	Ordinary Legislative Procedure (OLP)
European Banking Authority (EBA)	Regulation (EU) No 1093/2010 of the European Parliament and of the Council of 24 November 2010 establishing a European Supervisory Authority (European Banking Authority), amending Decision No 716/2009/EC and repealing Commission Decision 2009/78/EC	22 Sept. 2010	Ordinary Legislative Procedure (OLP)
European Insurance and Occupational Pensions Authority (EIOPA)	Regulation (EU) No 1094/2010 of the European Parliament and of the Council of 24 November 2010 establishing a European Supervisory Authority (European Insurance and Occupational Pensions Authority), amending Decision No 716/2009/EC and repealing Commission Decision 2009/79/EC	22 Sept. 2010	Ordinary Legislative Procedure (OLP)

European Securities and Markets Authority (ESMA)	Regulation (EU) No 1095/2010 of the European Parliament and of the Council of 24 November 2010 establishing a European Supervisory Authority (European Securities and Markets Authority), amending Decision No 716/2009/EC and repealing Commission Decision 2009/77/EC	22 Sept. 2010	Ordinary Legislative Procedure (OLP)
Alternative Investment Fund Managers (private equity and hedge funds)	Directive 2011/61/EU of the European Parliament and of the Council of 8 June 2011 on Alternative Investment Fund Managers and amending Directives 2003/41/EC and 2009/65/EC and Regulations (EC) No 1060/2009 and (EU) No 1095/2010 (Text with EEA relevance)	11 Nov. 2010	Ordinary Legislative Procedure (OLP)
Establishment of the ESM (Amendment of the TFEU)	Amendment of the Treaty on the Functioning of the European Union with regard to a stability mechanism for Member States whose currency is the euro	23 March 2011	Legislative (consultation)
Short Selling and Credit Default Swaps (CDS)	Regulation (EU) No 236/2012 of the European Parliament and of the Council of 14 March 2012 on short selling and certain aspects of credit default swaps Text with EEA relevance	15 Nov. 2011	Ordinary Legislative Procedure (OLP)

European Market Infrastructure Regulation: OTC Derivaties, Central Counterparties and Trade Repositories	Regulation (EU) No 648/2012 of the European Parliament and of the Council of 4 July 2012 on OTC derivatives, central counterparties and trade repositories (Text with EEA relevance)	29 March 2012	Ordinary Legislative Procedure (OLP)
Credit Rating Agencies	Regulation (EU) No 462/2013 of the European Parliament and of the Council of 21 May 2013 amending Regulation (EC) No 1060/2009 on credit rating agencies Text with EEA relevance	16 Jan. 2013	Ordinary Legislative Procedure (OLP)
Capital Requirements Directive (CRD IV)	Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC (Text with EEA relevance)	16 April 2013	Ordinary Legislative Procedure (OLP)
Capital Requirements Regulation (CRD IV)	Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending	16 April 2013	Ordinary Legislative Procedure (OLP)

	Regulation (EU) No 648/2012 (Text with EEA relevance)		
Single Supervisory Mechanism (SSM)	Council Regulation (EU) No 1024/2013 of 15 October 2013 conferring specific tasks on the European Central Bank concerning policies relating to the prudential supervision of credit institutions	12 Sept. 2013	Legislative (consultation)

Each observation in the originally downloaded datasets (one for each vote) refers to a single MEP's voting record and has the following variables: name of the MEP, Member State of origin, voting decision, EP party group and a binary variable signalling loyalty or rebellion to the party group. As the outcome we aim to predict is the voting decision, we use a probit model to estimate the MEP's voting behaviour based on several variables, including of course EP party affiliation and Member State of origin[3]. The dependent variable is the voting decision; we recoded the original variable "Vote" (taking the possible values "Absent", "Abstain", "Against", "Didn't vote", "Documented absence" and "For") into a binary variable (Vote in Favour) taking value 1 when the vote is positive and 0 in all other possible cases.

The key independent variables are "EP in Favour", "PIIGS + Cyprus" and "Eurozone". "EP in Favour" is a recoding of "EP Group", which reflects the MEP's political affiliation inside the EP and takes eight possible values, corresponding to the different party groups sitting in the European Parliament (ALDE, ECR, EFD, EPP, GUE/NGL, Greens, S&D, Non-Inscrits). As "EP Group" is a categorical variable with a nominal scale which would be difficult to include in its original form, we recoded it in order to reproduce the MEP's appartenance to the party coalition supporting the vote. For each piece of legislation, we studied the distribution of "Vote in Favour" across parties in order to detect the supporting coalition of

[3] Of course we might have used a logit model as well, but we preferred probit, which is mostly used in scholarly literature, in order to make results comparable with previous findings.

EP groups (e.g. EEP, ALDE and S&D or EPP, ALDE and Greens/NGL), i.e. those parties where at least 80% of the affiliated Members voted in favour. We then recoded the variable into a dummy taking value 1 when the MEPs is part of this "supporting coalition", which does not hold a stable pattern over all votes, and value 0 when he/she is not. The second independent variable is "PIIGS + Cyprus", a dummy which takes value 1 when the MEP is from Portugal, Ireland, Italy, Greece, Spain or Cyprus and 0 in all other cases; it is therefore aimed at identifying those countries particularly hit by the economic crisis and receiving or having received some form of financial assistance by the EU (with the exception of Italy). The variable "Eurozone" is obviously another dummy accounting for the MEP being part of the euro area (value 1) or not. Alongside party group and nation of origin, we tried to assess whether economic conditions in the home countries also played a part in Members of the EP's voting decision. In order to do so, we later included two additional variables in the models, namely "GDP Loss" and "Unemployment Growth", both binary variables taking value 1 when the Member State of the MEP suffered from, respectively, a loss in its GDP (from year t-1 to year 1, when the vote takes place) or an increase in its unemployment level. Data were taken from Eurostat.

We additionally studied the cross-tabulation of "Vote in Favour" and "Member State" in order to detect any possible recurring patterns or Member States' coalitions, and account for that in the empirical analysis as well. On economic governance votes, by earmarking Member States having a high degree of voting cohesion (more than 60%, 70% or 80% of MEPs in favour), we identified a "core" of nine countries consistently displaying a very high level of approval on all the votes. These countries are Estonia, Finland, Hungary, Latvia, Luxembourg, the Netherlands, Slovakia, Slovenia and Sweden; a last dummy variables, "MS in Favour", was accordingly included in the probit models. In the financial regulation cluster, we built the variable "MS in Favour" by assigning value 1 to all Member States but the Czech Republic, Cyprus and the United Kingdom, the less "integrationist" of all, as the rest all displayed a very high degree of voting cohesion in favour of the proposed legislation, being measures of reinforced financial regulation largely supported by most of the EP. A table with intra-state voting cohesion (Table 4) displays how the variable "MS in Favour" was built.

Table 3: Variables and data

Dependent variable: in favour (1) and against (0) the analysed legislation		
Independent variables	Contents	Source

EP in Favour: loyalty to political group	Is the MEP affiliated to one of the parties supporting the directive/regulation? (1/0)	Votewatch.eu
PIIGS + Cyprus	Does the MEP come from either Portugal, Ireland, Italy, Greece, Spain or Cyprus? (1/0)	
Eurozone	Does the MEP come from a euro zone Member State? (1/0)	
MS in Favour	Is the MEP from one of the Member States with the highest level of cohesion in favour of the proposed legislation? (1/0)	Own assessment
GDP Loss	Has the Member State the MEP comes from suffered from economic recession in the year preceding the vote? (1/0)	Eurostat
Unemployment Growth	Has the Member State the MEP comes from suffered from an increase in the unemployment rate in the year preceding the vote? (1/0)	Eurostat

Table 4. Construction of the variable "MS in Favour"

	Economic Governance								Financial Regulation											
	Reg. No 1173/2011	Reg. No 1174/2011	Reg. No 1175/2011	Reg. No 1176/2011	Reg. No 1177/2011	Directive 2011/85	Reg. No 472/2013	Reg. No 473/2013	Reg. No 1092/2010	Reg. No 1093/2010	Reg. No 1094/2010	Reg. No 1095/2010	Directive 2011/61	Art. 136 TFEU (ESM)	Reg. No 236/2012	Reg. No 648/2012	Reg. No 462/2013	Directive 2013/36	Reg. No 575/2013	Reg. No 1024/2013
Austria				■ X			■	■	■ X	■ X	■ X	■ X	■	■	■ X	■ X	■ X	■ X	■ X	■ X
Belgium				■ X			■	■	■ X	■ X	■ X	■ X	■	■ X	■ X	■	■	■ X	■ X	■ X
Bulgaria				■			■	■	■ X	■ X	■ X	■ X	■ X	■ X	■	■ X	■ X	■ X	■ X	■ X
Cyprus				■				■	■	■	■	■		■	■			■	■	
Czech Republic													■			■		■		
Denmark				■		■	■	■	■ X	■ X	■ X	■ X	■	■	■	■ X		■	■ X	■ X
Estonia	■ X	■ X	■ X	■ X	■ X	■ X	■ X	■ X	■ X	■ X	■ X	■ X	■	■ X		■ X	■ X	■ X	■ X	■ X
Finland	■	■	■ X	■ X	■ X	■ X			■ X	■ X	■ X	■ X	■	■		■ X	■ X	■ X	■ X	■ X
France				■		■	■	■	■	■ X	■ X	■ X		■	■ X	■	■ X	■ X	■ X	■ X
Germany		■		■ X		■	■		■ X	■ X	■ X	■	■	■	■	■ X	■ X	■ X	■ X	■ X
Greece				■			■	■	■	■	■	■	■	■ X	■	■ X	■ X	■ X	■ X	■ X
Hungary	■	■		■ X	■	■	■ X	■ X	■ X	■ X	■ X	■ X	■ X	■	■ X	■	■	■ X	■ X	■
Ireland				■			■ X	■	■	■	■	■	■	■ X	■	■ X	■ X	■ X	■	■ X
Italy				■ X			■	■	■	■	■	■	■ X	■	■ X	■ X	■ X	■ X	■ X	■ X
Latvia	■	■	■	■	■	■	■ X	■	■	■	■	■	■			■		■ X	■ X	■ X
Lithuania	■	■		■ X	■	■			■ X	■ X	■ X	■ X	■	■	■		■ X	■	■	■ X
Luxembourg		■ X	■	■ X	■	■ X	■ X	■ X	■ X	■ X	■ X	■ X	■ X	■ X	■ X	■ X	■ X	■ X	■ X	■ X
Malta	■			■ X					■ X	■ X	■ X	■ X	■ X	■ X	■	■ X	■	■	■	■ X
Netherlands	■	■	■	■	■	■			■ X	■	■ X	■ X				■ X	■	■ X	■	■ X
Poland				■		■	■	■	■ X	■ X	■ X	■ X	■ X		■	■ X	■	■	■	■ X
Portugal				■			■	■	■	■	■	■	■	■	■	■ X	■ X	■	■	■
Romania				■ X			■ X	■ X	■	■	■	■	■	■	■	■ X	■ X	■ X	■ X	■ X
Slovakia	■	■		■ X	■	■	■ X	■ X	■ X	■ X	■ X	■ X	■ X	■ X	■ X	■ X	■	■ X	■ X	■
Slovenia		■	■	■ X	■	■	■ X	■ X	■ X	■ X	■ X	■ X		■ X	■ X	■	■ X	■ X	■ X	■ X
Spain				■ X		■ X	■ X	■ X	■ X	■ X	■ X	■ X	■	■ X	■	■	■ X	■ X	■ X	■ X
Sweden	■	■	■	■ X	■	■ X	■	■	■ X	■ X	■ X	■ X	■	■ X		■ X	■ X	■ X	■ X	■
United Kingdom											■		■			■				■

Legend: ■ more than 60% of MEPs coming from that Member State voted in favor; X more than 80% of MEPs coming from that Member State voted in favor. The highlighted lines indicate the two coalitions of Member States "voting in favour", which we used to build the binary variable "MS in Favour". The group is formed as following: for economic governance votes, it is composed of Estonia, Finland, Hungary, Latvia, Luxembourg, Netherlands, Slovakia, Slovenia and Sweden; for financial regulation votes it is composed of Austria, Belgium, Bulgaria, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain and Sweden.

In line with previous research findings, our first hypothesis is that EP party affiliation, operationalized via the variable "EP in Favour", is the main determinant of MEPs' voting decisions. Nevertheless, as aforementioned we expect national factors to mitigate the party position factor. Our central assumption is that “PIIGS + Cyprus” creates a cleavage, in the sense that MEPs from crisis-ridden countries may be less likely to vote in favour of the proposed system of economic governance and/or financial reform **(sono d’accordo per economic governance ma non per financial reform DISCUTERE)** : they might be more prone to blame the deficiencies in the EMU architecture for their sovereign debt crisis and hence less willing to reinforce the common rules of fiscal surveillance, which are centered on debt and deficit criteria. An alternative result would be that the “Eurozone” dummy is significant, hence signaling an ever-growing differentiation between the “core” of the EU and non-euro area countries, which goes in the direction of a “two-speed” European Union: this result could be partially expected because some pieces of legislation are applicable only in the euro area, but it would nonetheless signal that MEPs tend to consider, while voting, the consequences for their country of origin. As far as the economic context is concerned, a situation of recession is expected to diminish MEPs’ willingness to vote in favour **(THE SAME APPLIeS)**, mainly because of the possibly higher “adjustment” and implementation cost of the new legislation for crisis-ridden countries.

5. Results

Our analysis of the European Parliament’s final votes on key crisis-related economic governance and financial regulation measures highlights some general insights. A first interesting finding we obtained by a preliminary observation of VoteWatch data is that the coalition of party groups in favour of the concerned directive/regulation was not the same on all votes. Data revealed indeed a far higher consensus among MEPs on financial regulation initiatives **(AS EXPECTED MA DEVE ESSERE MEGLIO MOTIVATO PRIMA)** than it was the case with the strengthening of economic governance and fiscal rules at European level. Generally speaking, financial reform was supported by an encompassing coalition of Greens, S&D, ALDE and EPP, while only ALDE and the European People’s Party consistently supported the reform of EU economic governance. This is far from surprising, as enhancing common rules for financial regulation and supervision, notably by filling some major regulatory voids, has been a policy goal shared by all major political forces in the European Parliament, and by most Member States. On the other hand, the proposed reform of the Stability and Growth Pact has been criticized by more leftist forces, as budgetary rules are deemed to be too tight and they have not been complemented by the creation of a common fiscal resource, e.g. via the issuance of Eurobonds, as advocated by some. For this reason, the S&D group did not support any of the regulations and directives in the economic governance packages (Six-Pack and Two-Pack), with one notable exception, namely the creation of the Macroeconomic Imbalances Procedure. The major parties instead formed a stable coalition in backing all improvements in the EU financial regulatory architecture, where we see the four aforementioned groups voting in favour of most of the measures. This varying pattern of support for the proposed economic and financial measures does not reflect only the different degree of consensus regarding the two groups of measures, it also mirrors the growing politicization of the European Parliament (Kreppel 2000, Hix and Bartolini 2006).

Probit regressions were run both for every single vote and for the two pooled clusters of economic governance and financial regulation votes. By the running the separate probit models on each of the votes, we find confirmation for the traditional results in the scholarly literature on voting behaviour in the European Parliament, i.e. that the primary factor influencing a legislator's decision to vote in favour or against a proposed legislation is his/her EP party affiliation. This is demonstrated by the high and positive coefficient of the variable "EP in Favour", which is significant across all estimated models. Nonetheless, the variable we constructed in order to account for the coalition of supporting Member States similarly shows high statistical significance in most of the cases**.** Therefore, MEPs from this particular cluster of "integrationist" Member States (a group which has a different configuration in the two cases of economic governance and financial regulation, signalling the far higher support for the latter) were significantly more likely to cast a favourable vote. On the other hand and contrary to our expectations, coming from either a crisis-ridden country (PIIGS and Cyprus) or from the Eurozone does not seem to overwhelmingly affect MEPs' voting behaviour: both variables are significant only in some cases, yet most of the times this effect does not hold once EP ideological affiliation is included in the model. Additionally and contrary to our hypotheses, where significant the coefficient for PIIGS is positive, whereby we expected MEPs from crisis-ridden countries to be less likely to support a tighter framework of fiscal surveillance.

The results of the pooled analysis, displayed in tables 5 and 6, confirm the determining role played by party ideology, yet they also underline complementary voting factors, not lastly a decisive role of the economic context, namely unemployment rates in the MEP's Member State of origin.

Table 5. Results of the probit models for merged economic governance votes

	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6
PIIGS + Cyprus	0.085					
	(0.057)					
GDP Loss	0.130*	0.039	0.162**	-0.064	-0.110	-0.070
	(0.057)	(0.054)	(0.052)	(0.067)	(0.070)	(0.067)
Unemployment	-	-	-	-	-	-
Growth	0.178***	0.122***	0.122***	0.274***	0.264***	0.221***

	(0.038)	(0.037)	(0.037)	(0.048)	(0.048)	(0.049)
Eurozone		0.299***			0.116*	
		(0.036)			(0.047)	
MS in Favour			0.262***			0.334***
			(0.044)			(0.059)
EP in Favour				2.469***	2.460***	2.480***
				(0.045)	(0.046)	(0.046)
constant	0.272***	0.084**	0.213***	-1.144***	-1.210***	-1.231***
	(0.021)	(0.031)	(0.023)	(0.038)	(0.047)	(0.042)
Unstandardized beta coefficients (standard errors in parentheses)						
* p<0.05, ** p<0.01, *** p<0.001						

The results of the pooled analysis confirm those of the single votes' analysis, notably the high statistical significance of the two variables related to national origins ("MS in Favour") and political affiliation ("EP in Favour") holding across all estimated models. Another interesting finding is that Eurozone membership proved significant, by exerting a positive influence on MEPs' probability of casting a favourable vote, although the result is weaker when controlling for party ideology in the EP. Moreover, GDP loss seems not to have affected MEPs' voting decision in the economic and financial arena, at least when accounting for political and national factors. The variable has indeed a weak significant effect only in Model 1 (the simplest) and Model 3 (which doesn't account for party affiliation). On the other hand, unemployment growth has a robust statistically significant effect: the coefficient for this variable – accounting for a worsening of the employment rate in the Member's state of origin – is significant at the 0.001 level even when all other relevant variables are included. More specifically, when confronted with a rise in the unemployment levels in their home countries, MEPs were less likely to vote in favour of the proposed economic governance measure **(MA SE VENGONO DAI PIGS L?EFFETTO E' CONTRARIO?)**

Table 6. Results of the probit models for merged financial regulation votes

Colonna1	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6
PIIGS + Cyprus	0.114*					
	(0.053)					
GDP Loss	0.073	0.036	0.032	0.015	0.008	-0.021
	(0.044)	(0.038)	(0.038)	(0.042)	(0.043)	(0.042)

Unemployment Growth	0.114***	0.130***	0.134***	0.145***	0.147***	0.154***
	(0.031)	(0.031)	(0.032)	(0.035)	(0.035)	(0.036)
Eurozone		0.328***			0.027	
		(0.031)			(0.036)	
MS in Favour			0.883***			0.376***
			(0.040)			(0.047)
EP in Favour				1.757***	1.751***	1.674***
				(0.037)	(0.038)	(0.038)
constant	0.647***	0.461***	-0.076	-0.604***	-0.616***	-0.859***
	(0.023)	(0.029)	(0.040)	(0.037)	(0.041)	(0.050)
Unstandardized beta coefficients (standard errors in parentheses) * p<0.05, ** p<0.01, *** p<0.001						

Table 6 shows similar results for the analysis of pooled financial regulation votes. In particular, the two variables "MS in Favour" and "EP in Favour" are statistically significant at the 0.001 level and results are robust across all estimated models. PIIGS membership has a weak effect only in the simplest model not accounting for political partisanship, and the positive effect of Eurozone membership emerging in Model 2 fades away once party affiliation is included in the analysis (Model 5). However, the inclusion of economic contextual factors once again proves a right choice: while a change in the GDP growth rate did not affect MEPs' behaviour, unemployment growth proves highly significant, but in the opposite direction. The coefficient for this variable is indeed positive across all models, and significant at the 0.001 level: experiencing a worsening of labour market conditions apparently led MEPs to be more likely to enhance financial sector reform at the EU level**.**

6. Conclusions

This article has aimed to assess MEPs' voting behaviour in the arena of crisis-driven economic and financial reform at EU level. Our expectation was that a range of factors has been relevant alongside political party affiliation in shaping MEPs' voting decisions on these delicate matters, particularly in a context which has experienced a resurgence of nationalist feelings on some crisis-management choices. More specifically, we expected MEPs' national origins to create possible cleavages and determine distinctive voting patterns, especially on some sensitive issues.

First, our study of 20 selected pieces of legislation revealed the existence of a different supporting coalition in the EP for the two clusters of economic governance and financial regulation votes: while financial regulation reform appears of a solidly consensual nature, the reinforcement of the EU economic governance (notably by strengthening the Stability and Growth Pact) was supported only by a limited – and more right-wing - majority in the EP. In accordance with traditional literature on voting behaviour in the European Parliament, the econometric analysis showed the most effective predictor of one MEP's decision to vote in favour to be his/her EP party group. Nevertheless, a second noteworthy finding is the peculiar role played by the economic situation under the form of the unemployment rate in the MEP's country of origin. While a deterioration in the national employment level had a negative effect on the legislators' probability to favour the enhancement of the EU economic governance structure, the variable shows an exactly opposite effect on financial reform votes: when the unemployment level went up, MEPs were more likely to cast a positive vote on the proposed reform of financial regulation and supervision. In addition, whereas MEPs from crisis-ridden countries (PIIGS and Cyprus) or from the Eurozone did not display a significantly different behaviour, two different "coalitions" of Member States are visible on economic governance and financial reform votes, and including this variable in the analysis shows that national factors have indeed been relevant in determining MEPs' behaviour, even when controlling for EP party affiliation. In spite of the limited nature of the study, our findings reveal some interesting insights for the research on voting behaviour inside the European Parliament. Intra-party voting cohesion has been on the rise for several decades and party affiliation is shown to have played a fundamental role in our sample of votes, in line with existing literature. Nonetheless our findings for the economic context shed some new light on previous research, and suggest a possible enlargement of the analysis to a more comprehensive group of votes, both in the economic and financial realm as in other policy areas.

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