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A serious crisis that didn't go to waste? The EU, the Covid-19 pandemic and the role of ambiguity in crisis-management

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ABSTRACT

Was the European response to the Covid-19 crisis coherent to the challenges posed by the pandemic? The paper argues that the response to the pandemic had little to do with the characteristics of the crisis at hand and was rather linked to pre-conceived priorities of key actors in Europe (particularly surrounding the need to foster the green transition). The pandemic was thus considered as the epitome of an exogenous shock, to which no clear long-term policy response could be given, if not one that strengthens on previous political economic plans. The paper contributes to the literature on crisis-management in the EU, arguing that the multiple streams framework's focus on ambiguity is a fruitful complement to the historical institutionalist emphasis on critical junctures, particularly when studying exogenous shocks.

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1. Introduction

European integration has often been studied from the vantage point of crisis-management. Crises are understood as periods in which key decisions are made and previous patterns can be overturned (Jones, 2020). Just to name recent examples, the Eurozone crisis of 2010 (Woźniakowski, 2018), the following affirmation of Eurosceptical parties in core countries (Winzen, 2020) and the Covid-19 pandemic have fostered the escalation of debates surrounding cooperation between member states of the European Union (EU). On the other hand, while crises appear to pose threats to European

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integration, scholars have also realised that through them 'EU's authority continues to strengthen' (Jones *et al.*, 2021, p. 1). This suggests that crises might play an ambiguous role in either fostering or impeding integration. As Jean Monnet (1976, p. 417) famously remarked, Europe is 'forged in crises, and will be the sum of the solutions adopted for those crises'.

The paper emphasises an additional level of ambiguity that should be considered when theorising the relation between crises and crisis-management at the European level. Not only do crises differ in their (enhancing or weakening) effects on integration; but the more the shock at hand is exogenous in kind, being linked to no clear institutional issue, the more it provides policy-makers with autonomy in the formulation of their response. This aspect can be underestimated when employing historical institutionalist approaches to European integration, and particularly when looking at crises through the concept of 'critical junctures'. Crises are often seen as clear signals of institutional deficiencies inherent in the EU (Kamkhaji & Radaelli, 2017; Pontusson & Raess, 2012), providing international organisations with the opportunity to adapt (Wolff & Ladi, 2020). The 'failing forward' hypothesis builds on these assumptions to argue that intergovernmental agreements, set on the lower common denominator, create sub-optimal structures which are inherently crisis-ridden (Jones *et al.*, 2021). Such approaches provide valuable insights on the adjustments through which EU member states move towards increasing levels of integration as a response to specific institutional deficiencies. On the other hand, they are less equipped to explain policy-changes that occur in response to exogenous shocks, when (dis-)integration tendencies are only one of the features of the crisis at hand.

The paper turns to the so-called multiple stream framework (MSF), emphasising how the identification of problems and their solutions often happens at different times, leading to ambiguity in the link between crises and crisis-management. The value of this approach will be illustrated through the case of the Covid pandemic. Scholars of European integration have emphasised the 'contingent learning' carried out during the crisis which led to the ambitious response (particularly as implied in the NGEU) (Alexander-Shaw *et al.*, 2023; Ladi & Tsarouhas, 2020). Often resorting to the concept of 'critical junctures', the extant literature has argued that the lessons learned during the sovereign debt crisis were fruitful in shaping the management of the pandemic – particularly, as it pertains to the solidarity inherent within the EU recovery fund as part of the Next Generation EU, NGEU (see Buti & Fabbrini, 2023; Perez, 2023). Up to this point, emphasis has been placed mostly on the effects of the crisis (and of the resulting crisis-management) on (dis)integration dynamics (Dimitrakopoulos & Lalis, 2022). However, this has concealed what the crisis management literature can say regarding the realms of spending and the actual proposals for recovery. These appear to be

more ambiguously linked to the crisis at hand, and rather shaped by the previously developed focus on the need to foster the green and digital transitions, particularly salient since the early days of the von der Leyen Commission. In this context, rather than through the prism of critical junctures exposing the sub-optimality of existing institutions, Covid-19 should be understood as a 'window of opportunity' (Eckert, 2021, p. 86), strengthening (and moving forward with) policies that had already received strong backing before the pandemic. In particular, I will show that key actors at the European level – both the leadership of EU institutions (e.g., the Commission and the European Council) as well as political leaders of Member States that were core to the NGEU debate (Frugal Four, Southern countries and Germany) – saw a strict link between the European Green Deal, formulated and agreed upon before the outbreak of the pandemic, and the Next Generation EU. The main issues to be tackled were identified independently from the crisis-characteristics, and were agreed upon by both major coalitions characterising the NGEU debate – i.e., by the Frugal Four and Southern countries. On the other hand, the peak in contagion allowed for the needed convergence (facilitated by Germany's mediating role) around the instruments to be employed to reach these previously agreed upon goals.

The paper will first review the literature on how crises influence European integration and discuss the methods employed, emphasising how MSF is better suited than historical institutionalism to explain crisis-management in response to exogenous shocks. Section 2 will show how discourses of European leaders had already shifted towards emphasis on the green and digital transition as well as on the need to increase social protection prior to the pandemic. After the crisis erupted, it was this new consensus (and not a particular interpretation of the pandemic itself) that dictated the focus of the recovery plan (as highlighted in Section 3).

2. Crises 'do not come with an instruction sheet'

In the wake of the Global Financial Crisis of 2007–2008, the then White House Chief of Staff Rahm Emanuel, remarked: 'You never want a serious crisis to go to waste, [...]. Things that we had postponed for too long, that were long-term, are now immediate and must be dealt with'.¹ In face of recurring crises, historically institutionalist accounts seem to have selectively adapted Emanuel's approach to the study of European integration. They have employed it in the sense that the literature on critical junctures tends to consider crises as moments in which policy-making has the potential for thorough changes and shifts (for a critical account of this, see Hooren *et al.*, 2014). Yet, they have done so *selectively*, because while Emanuel was championing the principle that crises give policy-makers leeway to act in a variety of realms that are not necessarily linked to the shock at hand

(Mirowski, 2013), political economy scholars tend to look at crises and crisis-management as being linked to one another (Pontusson & Raess, 2012). Opposing political groups suggest different solutions to critical junctures, but they do so to the extent that they can create internally coherent narratives about the institutional change needed. Crises create 'permissive conditions' for institutional change, which can then be exploited through 'productive conditions', e.g., increasing consensus of key actors on the need to provide institutional adaptation (Soifer, 2012). In the historical institutionalist framework, while not every crisis is a critical juncture, all crises signal faults in existing institutions and represent potential moments of institutional adaptation (Kamkhaji & Radaelli, 2017; Pontusson & Raess, 2012). As argued by Jabko and Luhman (2019, p. 1039), 'crises confront political leaders with the precariousness of institutions central to political order, and pressure them to respond'. In this sense, the historical institutionalist literature argues that junctures are 'critical' because they create an urgent need for institutional change (Capoccia & Kelemen, 2007; Pierson, 2011).

Proponents of the so-called 'failing forward' hypothesis within the EU build on this theoretical background, arguing that during critical junctures intergovernmental bargaining pushes member states to agree on the lowest common denominator. This, in turn, produces sub-optimal and crisis-prone institutions that in the long-run will require increasing levels of integration (Bergmann & Müller, 2021; Freudlsperger, 2021; Jones *et al.*, 2021). This approach has its obvious value in showing the processes through which crises can bring different member states increasingly closer. On the other hand, it makes assumptions that are hardly applicable to exogenous shocks. Crises are seen as signs of institutional deficiency, leaving little space to theorise ambiguity in policy-responses (Jones *et al.*, 2016). In addition, intergovernmental bargaining is said to push EU leaders 'to do what is necessary to save the euro, but nothing more' (Jones *et al.*, 2021, p. 1012). The present paper argues that the applicability of this framework is more limited than usually acknowledged. European integration proceeds through crises; yet, at best, crises create the push towards reaction. They do not always prescribe the framework through which actors need to do this. It is also debatable whether crises can always be blamed on institutional deficiencies. Paraphrasing a notorious argument provided by Blyth (2003) in regards to structures, crises 'do not come with an instruction sheet'.

The European response to the Covid pandemic represents an interesting case in this regard. There is widespread consensus that the reaction to the pandemic showed that the EU has avoided the mistakes made during previous crises (Buti & Fabbrini, 2023; Perez, 2023; Quaglia & Verdun, 2023; Rhodes, 2021), albeit reproducing 'failing forward'-type shortcomings (Dimi-trakopoulos & Lalis, 2022). To defend this point, the extant literature relies upon two key characteristics of the NGEU, the temporary program (2021–

2026) launched by the EU to foster recovery after the Covid-19 pandemic: (1) The share of grants compared to the amount of loans; (2) The mechanisms through which the Commission raises funds directly from financial markets (Buti & Fabbrini, 2023). The pandemic has, in fact, brought about significant changes in the overall approach to solidarity among member states. This has been explained as the consequence of the fact that Covid-19 was understood as ‘a symmetric external shock, for which no country bears responsibility’ (Ferrara & Kriesi, 2022, p. 17). However, the extant literature has dedicated little reflection on the direction towards which NGEU funds are allocated. The symmetry of the crisis-shock (Ferrara & Kriesi, 2022) explains the insurance mechanisms put in place during the peak of the pandemic (SURE, PEPP, etc.; see Schelkle, 2021) and provide insights on the long-term commitment to redistribute in favour of the countries hardest hit, insuring them against budget risks (Schelkle, 2021, p. 9). On the other hand, they do not provide an equally straightforward interpretation of the spending-focus of the NGEU (in particular, the green and digital transition). Adding emphasis on spending realms of the NGEU helps us highlight the inherent ambiguity of the crisis-management during the pandemic. Conversely, it shows that while the critical junctures framework can still play a role in understanding the short-term management of the crisis, it is insufficient to understand the EU’s long-term response. At the theoretical level, this reminds us that crises do not always specify a ‘direction’ towards which policy-makers should look for solutions.

In the context of an exogenous shock like the pandemic, the current conceptualisation of critical junctures allows us to speak about the way integration (gradually) intensifies; not about the allocation of resources that comes out of it. The latter is better understood by looking at pre-existing priorities, agreed upon before the coronavirus outbreak. Covid was understood as a crisis of ‘exogenous origin’ (Kyriazi *et al.*, 2023), but interestingly one that required not a contingent but a long-term response. The provisions of the NGEU were linked to the pre-existing consensus surrounding the green and digital transition, and were seen as urgent *regardless* (not *because*) of the crisis. As the paper shows, the disagreement among member states was mainly one of national responsibility vs. risk pooling (Ferrera *et al.*, 2021), whilst the key realms of spending of the NGEU were considered as shared priorities. In sum, the recovery plan tends to escape the theoretical grids of historical institutionalism in general, and the failing forward hypothesis in particular. The EU long-term response to Covid-19 was not meant to provide any institutional fix that the pandemic had made urgent, and there is little evidence that the mechanisms agreed upon were intergovernmentally set on the lowest common denominator.

The MSF offers a valuable contribution to the ‘critical junctures’ framework when studying exogenous shocks. It starts from the assumption that solutions

and problems are formulated separately and, therefore, are inherently open to ambiguity (Ackrill *et al.*, 2013). This means that 'policy outputs are neither exclusively rational nor solely a function of institutional design; rather they depend heavily on a complex interaction between problems, solutions, and politics during fleeting open windows of opportunity' (Zahariadis, 2008, p. 514). Policy makers need to couple streams together by building a package of problem and policy (Zahariadis, 2008, p. 517). Coupling is ultimately necessary to provide a framework through which ambiguity is overcome and this strongly depends on the European mood, that is on the general *Zeitgeist*, favoured by consensus among 'important policy-makers, opinion leaders, and other politicians' (Zahariadis, 2008, p. 518).² The present paper argues that European consensus on the green transition and anti-austerity policies was determinant in shaping the response to the pandemic. Policy-makers in Europe coupled past problems (particularly the need to foster the green transition) with solutions that became available during the crisis-period. This left ambiguous the relation between the crisis-characteristics and the response to it. Ultimately, Covid-19 was seen as a policy-window, while the identification of problems and solutions had preceded the pandemic outbreak.

Moving forward, the paper provides an overview of policy-preferences at the European level during two key stages: (i) at the onset of the new Commission course led by Ursula von der Leyen (since December 2019), (ii) During the negotiations on the NGEU. Table 1 provides a brief account of the main events, meetings and decisions mentioned in the paper. I have analysed policy-preferences of key member state leaders and EU-level actors through public debates, declarations to the press and interviews. In addition, I rely on official documents from EU institutions and a broad range of informed media coverage to account for the context of the discussions (for similar methodology, see Dimitrakopoulos & Lalis, 2022). The choice of a qualitative methodology, reproducing the views of the actors involved, fits the purpose of the paper – which is to give a sense of actors' own interpretations of the different conjunctures. While shedding light on the tenuous link between the crisis-characteristics and the post-crisis management, my intention is not to argue that such a process was produced by the conscious doing of one actor or group of actors wanting to exploit the Covid-pandemic. I rather seek to emphasise the inherent ambiguity that can characterise crisis-response particularly in periods of exogenous shocks.

Such a methodology is not sufficient in unpacking causal mechanisms in the definition of crisis-management. Yet, it is well-suited to provide an illustration of the value of the proposed MSF as an integration of the 'critical juncture' explanations of the pandemic (for similar approaches applied within the literature, see Dimitrakopoulos & Lalis, 2022; Schelkle, 2021; Schramm & Wessels, 2022; Verdun, 2015). Through it, in fact, I will show that the main component of the recovery plan (the green and digital transition) were established

Table 1. Key meetings and events at the EU level (June 2019–July 2020).

Date	Meeting/Event	Agreed policies and decisions
30 June–2 July 2019	European Council meeting	Election of Charles Michel and proposal of Ursula von der Leyen to the European Parliament as candidate for President of the European Commission
16 July 2019	Election of Ursula von der Leyen as President of the Commission	
29 January 2020	European Commission adopts 2020 Work Programme	The Commission mainly focused on how to tackle 'generational challenges such as climate change, digitisation and migration'
10 March 2020	European Council videoconference	Priorities of: a. limiting the spread of the virus, b. providing medical equipment, c. promoting research related to Covid-19, d. tackling the socio-economic consequences of the crisis
13 March 2020	Commission sets out coordinated response	This involved flexibility in the application of EU fiscal and state-aid rules, while providing financial support to SMEs, workers and investment
16 March 2020	Eurogroup videoconference	Agreement on the need for a common long-term response to the pandemic
17 March 2020	European Council videoconference	Reinforced the strategy proposed on the 10th of March
25 March 2020	Open letter to European Council President Michel signed by the PMs of 9 member states	It asked for the issuing of the so-called 'coronabonds'
7–9 April 2020	Eurogroup Videoconference	Agreement on three safety nets for employment (SURE), sovereign (ESM) and firms, and proposal of a comprehensive recovery plan
15 April 2020	European Parliament Resolution	Asking the European Commission to draft a proposal for 'a massive recovery and reconstruction package'
23 April 2020	European Council Videoconference	Request to the European Commission to develop a recovery plan
24 April 2020	'Frugal Four' publish a non-paper on COVID-19 recovery	Asking for conditionality, while accepting Commission's borrowing within the multi-annual budget framework
18 May 2020	Franco-German Virtual Conference	Proposed to provide € 500 bn in grants to support Member states
27 May 2020	Commission's communication to the Parliament and Council of the EU	Proposal for the Recovery Fund and Adjusted Work Programme
17–21 July 2020	European Council meeting	Political agreement on the NGEU package

as EU priorities before the outbreak of the pandemic. Such priorities were supported by the main Member State's coalitions (including the so-called Frugal Four and Germany). Debates at the European level were mainly focused on the ideal instruments to achieve them. Covid-19 represented a policy-window through which the solidaristic (represented by the Southern countries) and austere (of the Frugal Four) positions could be reconciled. On the other hand, the debates analysed reveal the way in which European leaders kept the link between the pandemic and the following crisis-management structurally ambiguous. The focus on the recovery plan is justified because, whilst the

NGEU was only part of the EU's reaction to Covid-19,³ it is the only instrument adopted during the pandemic that the literature has considered as potentially 'pathbreaking' (Perez, 2023; Schelkle, 2021).

3. The storm before the storm: reinventing economic policy-making prior to the pandemic

The Eurozone crisis of 2010 was tackled 'through the moral hazard paradigm', according to which 'each national government should be considered responsible for the state of their own financial conditions and policies' (Buti & Fabbrini, 2023, p. 3). Intergovernmental bargaining, particularly via the Eurogroup, pushed through a strategy of 'austeritarianism', characterised by internal devaluation and financial support conditional on reduction of spending (Crespy, 2020; Perez, 2023). Consensus towards such policies was also widespread within progressive groups in Southern countries (see, for instance, Fifi, 2022). During the recovery period, EU-led austerity met increasing academic (De Grauwe & Ji, 2013; Krugman, 2015) and political criticism, and Europe experienced a resurgence of support for pro-Keynesian policies (broadly defined, see Barnes & Hicks, 2021; Crespy, 2020). Steps in this direction were for example initiated in 2015, in conjuncture with the Juncker Commission's strategy to give more relevance to employment and growth in the context of the European Semester (Schmidt, 2019, p. 1030).⁴ While under José Manuel Barroso budget responsibility appeared to be the priority, the Juncker Commission emphasised the possible trade-off between a strategy focused on fiscal consolidation and the member states' ability to develop growth-enhancing measures (Crespy, 2020, p. 136). Social protection entered the vocabulary of the Commission, but was still seen as subordinated to economic growth, which had to be fostered via the so-called Investment Plan for Europe (also known as the 'Juncker Plan'). In other words, while the Commission was now trying to move away from the EU-led austerity that had characterised the post-Eurozone crisis period, there was a clear acknowledgment that employment and social protection could only be the result of economic growth, and full-fledged re-distributive measures were still not on the agenda (Copeland, 2022).

The appointment of the new Commission led by Ursula von der Leyen in December 2019 represented an additional step in the EU shift away from austerity, adding new and ambitious plans to tackle climate change. This represented a clear break from Juncker's approach, who instead of setting specific environmental goals, subordinated climate policies to growth and investments (Čavoški, 2020, p. 1112). The shift at the European level happened in the context of the German abandonment of its previous hawkish fiscal stances in order to preserve European unity (Schneider, 2023). After the Eurozone crisis, the centrifugal forces epitomised by the rise of populism

and the Brexit vote 'seems to have led to an opening towards proposals to stabilise the EMU through a macroeconomically relevant fiscal capacity' (Schneider, 2023, p. 1312). In particular, 'the danger that Italy would exit the Euro was one that had to be addressed with any available means' (Ryner *et al.*, 2022). The 'outspoken solidaristic stance' taken by Germany (and particularly by the then Finance Minister Olaf Scholz) since the early stages of the Covid-19 negotiations (Ferrera *et al.*, 2021) can be better understood as a continuation of the previous shift in ideas over fiscal policies.

At the European level, promising an 'economy that works for people' (Čavoški, 2020, p. 1112), von der Leyen was *de facto* inverting the ranking of the EU priorities. Presenting the new Commission, she argued:

At the heart of our work is the need to address the changes in climate, technology and demography that are transforming our societies and way of life. [...] The EU must lead the transition to a healthy planet and a new digital world. But it can only do so by bringing people together and upgrading our unique social market economy to fit today's new ambitions.⁵

As we will see in the next section, the need to promote 'the European way of life',⁶ while adapting European economies was constantly referenced during the debates over the post-pandemic recovery plan. The paper highlights that this approach was developed by the new Commission before the coronavirus outbreak and that the crisis was seen as an opportunity to push such priorities through.

During the plenary session in the European Parliament to present the College of Commissioners, von der Leyen further emphasised this point by arguing that 'The European Green Deal is our new growth strategy. [...] We will be global standard setters. This is our competitive advantage. And it is the best way to ensure a level-playing field. But all of this has to serve the European people'.⁷ Von der Leyen's words clearly signalled new emphasis being placed on social protection and the green transition, even beyond the concerns to combine this with economic growth and efficiency.

When it came to the aforementioned policy-realms, von der Leyen was representing the vast majority of European political forces. While she was elected by a slim majority in the secret ballot within the European Parliament, in fact, during the plenary debate, no significant criticism was made of her proposed policies. If anything, the groups that opposed her election argued that, while the direction delineated was a good one, her pledges lacked in ambition and legitimacy.⁸ The Greens, for instance, criticised von der Leyen because she did not seem to perceive the urgency given by 'a climate that is in disarray, a biodiversity that is collapsing and natural resources that are running out [...] fuelled by neoliberal globalisation and technological revolutions'.⁹ Similarly, the open letters sent ahead of the

vote by the Socialists & Democrats group and by Renew Europe mainly highlighted their concern with the undermining of the *Spitzenkandidaten* process, whereby the President of the European Commission is chosen among the leading candidates of European political parties.¹⁰

On the other hand, there was widespread agreement on the fact that 'The next European Commission must drive the economic, social, and ecological transformation of Europe, based on sustainable equality and on strong democracy'¹¹ and that 'there can be no status quo concerning environmental issues'.¹² In other words, the support for an agenda centred around the climate emergency was far more widespread than parliamentary vote had suggested. On the 29th of January, the Commission published its 2020 Work Programme, titled 'A Europe that Strives for More'.¹³ The Programme, in line with the United Nations Sustainable Development Goals, reinforced the idea that the digital and climate transitions were European priorities and that they had to be achieved in an inclusive manner. The Commission had envisioned the creation of an ambitious €1 trillion long-term budget to be ready by the beginning of 2021, and which would have helped finance the expenditures related to the plan.¹⁴

The approval of the budget was slowed down by disagreements surrounding the magnitude of the cohesion policy,¹⁵ and difficulties were protracted up until the Special European Council of the 20–21 February 2020.¹⁶ The main controversy was around the fact that the so-called Frugal Four (the Netherlands, Denmark, Austria and Sweden) were not willing to take increasing financial burden as a result of Brexit, in order to finance the plan, and insisted on keeping rebates (budget corrections used to compensate those member states that contribute the most to the EU common resources).¹⁷ Their position was that the overall amount of resources dedicated to the EU budget should have been kept constant, and that an increase in climate spending should have been compensated by an equal reduction in other forms of spending. On the other hand, the urgency to promote the green and digital transition was hardly a point of debate. As argued by the prime ministers of the Frugal Four in an open letter to the *Financial Times*:

It is crucial for the EU's legitimacy that we focus a significantly higher share of the budget on meeting today's challenges: fostering an innovative and competitive economy, the fight against climate change, migration and security. We therefore need to spend a smaller share on established policies and we must also truly contain administrative spending by aligning it to national realities [...] We are confident that it is possible to reach an agreement on an ambitious and modern budget that devotes at least 25 per cent of its spending to climate action.¹⁸

Within the Commission there were initial talks to review the fiscal rules of the Stability and Growth Pact in order to facilitate green investments,¹⁹ and European Council President Charles Michel emphasised that also among

Member States ‘there is strong convergence on the fact that we need cohesion and modernisation in the realms of climate change, the digital agenda, migration and security’.²⁰ Convergence was lacking when it came to deciding which fiscal instruments were fit for the job. In the words of French President Emmanuel Macron, unanimity was missing when it came to ‘means’, not ‘ambitions’.²¹

As the next section will show, the reaction to the Covid-19 pandemic appeased the discussions over funding and resulted in a reinforcement of the focus on previously emphasised spending realms.²² In other words, the medium-term response to the crisis was shaped by priors that were considered urgent *despite* (rather than *because of*) the pandemic.

4. Recovering from what? Covid-19 as an opportunity to rethink European economies

At the onset of the pandemic in Europe, the most affected countries lamented a reproduction of the ‘moral hazard paradigm’ that was applied during the Eurozone crisis a decade earlier, with particular emphasis being placed on the need to rely on national responsibility to tackle the crisis (Buti & Fabbrini, 2023, p. 680).²³ Such an approach, however, proved to be anything but long-lasting. On the 25th of March, a group of nine countries (led by key representatives of the Southern coalition, Spain and Italy, and joined by France) sent an open letter to the European Council President Charles Michel, asking to issue joint debt instruments, the so-called ‘coronabonds’, to fight the crisis.²⁴ While the issuing of common debt was seen as taboo in Northern countries (including Germany), the need for European solidarity through ‘other instruments’ quickly gained support.²⁵ Already in the European Coordinated response set out by the Commission on the 13th of March 2020, the EU had decided to sidestep both the rules on governments’ state aid and the Stability and Growth Pact.²⁶ The decision was then supported by Joint statement of the Members of the European Council on the 26th of March,²⁷ while the Eurogroup had agreed on the need for a common long-term response to the pandemic (beyond the contingent one).²⁸ Member states supported the idea that ‘[w]e should [...] start to prepare the measures necessary to get back to a normal functioning of our societies and economies and to sustainable growth, integrating inter alia the green transition and the digital transformation, and drawing all lessons from the crisis’,²⁹ The European Council also appealed to the idea to ‘start reflecting on resilience’ when confronted with external shocks.³⁰ On the other hand, the most ambitious proposals of debt mutualisation encountered strong resistance from Northern countries. Dutch Prime Minister Mark Rutte – the most adamant advocate of the Frugals’ position – suggested that funding a recovery plan through coronabonds would have meant ‘crossing the

Rubicon', creating a *de facto* transfer union (Schramm & Wessels, 2022, p. 258), but he added that, even in the early stages of the pandemic, the difference between Northern and Southern countries was 'nothing that cannot be solved'.³¹

After the peak of contagion in April, the sentiment surrounding the opportunity to provide a European solidaristic response to the pandemic further 'shifted from harsh antagonism to relative appeasement' (Ferrera *et al.*, 2021, p. 1330). This was possible because of the convergence around the idea of 'walking the road together without leaving countries people and regions behind' (Ferrera *et al.*, 2021, p. 1330). In particular, the Frugal Four's positions became more conciliatory and more open to the possibility of risk-pooling (Ferrera *et al.*, 2021). For the short-term solution to the crisis, on the 9th of April, the Eurogroup agreed on a €540 billion package protecting member states, companies and employees.³² The immediate effects on labour markets were addressed via the so-called SURE program, but the EU also agreed to work on a Recovery Fund that, according to the President of the Eurogroup Mário Centeno, 'would turbo-charge the European investments that we will need to build a better, greener, more resilient and more digital economy'.³³ This idea had already been anticipated, among others, by the German ministers for Foreign Affairs and Finance, who had argued that 'once the crisis is over, the aim will be to get Europe's economy back on the path to growth and recovery. We EU member states have to act together to this end, in a spirit of European solidarity and with combined forces, in order to strengthen the European Union'.³⁴ As Centeno emphasised in the letter sent to Charles Micheal, the remaining divergences between member states was due to the fact that some 'were of the view that it should be based on common debt issuance, while others advocated alternative solutions, in particular in the context of the multi-annual financial framework'.³⁵ In practice, both groups supported 'bold and ambitious proposals' that Centeno linked to the lessons learned after the financial crisis, 'when Europe did too little, too late. This time around, it is different'.³⁶

The initial proposal of the recovery fund was accompanied by the idea that the fund should be temporary and 'commensurate to the costs of the crisis',³⁷ but as the discussions went on, the link between the crisis and the instruments remained rather unspecified. With the Resolution of 17th April 2020, the European Parliament urged the Commission 'to propose a massive recovery and reconstruction package for investment to support the European economy after the crisis [...]', insisting that it 'should have at its core the European Green Deal and the digital transformation in order to kick-start the economy, improve its resilience and create jobs while at the same time assist in the ecological transition, foster sustainable economic and social development'.³⁸ The Roadmap for Recovery drafted by the President of the European Council and the President of the Commission also argued that 'the EU is facing an

unprecedented crisis with huge effects on every aspect of our society. It must manage its response with determination, unity and solidarity. This calls for imagination in harnessing all the resources of the Member States and of the EU. There is no place for business as usual'.³⁹ As argued by Alexander-Shaw *et al.* (2023), the political response to the pandemic in Europe had a lot to do with the fear of possible disintegration. On the other hand, what has been so far underplayed is the extent to which this was linked, at the same time, to a push towards rethinking economic policy-making more broadly and particularly to fulfil the ambition inherent in the EU Green Deal. The EU thus saw the recovery from the pandemic as an occasion to 'relaunch and transform our economies'.⁴⁰ It is following this spirit that the former president of the Commission Jean-Claude Juncker predicted that 'after the crisis we will be better Europeans'.⁴¹ The President of the European Council concluded that there was agreement among EU member states regarding the need and urgency to establish a recovery fund 'dedicated to dealing with this unprecedented crisis'.⁴² To this, the Frugal Four responded (without questioning the overarching purpose of the plan) that the recovery fund should have been a loan-based system, while fiscal transfers should only be part of the MFF.⁴³

Two key principles behind the plan were the following: a. Covid represented a symmetric shock that, however, affected countries differently. This required solidarity to create a 'level playing field' for recovery; b. While the crisis required exceptional measures, the EU had to keep upholding its key values during the recovery effort. The need to foster the digital and green transitions were now integral parts of these values (Vesan & Corti, 2022). The crisis thus represented an occasion to strengthen the Strategic Agenda presented by the European Council for the period of 2019–2024, which already focused on building a 'climate neutral, green, fair and social Europe'.⁴⁴ In fact, the Roadmap for Recovery, a part from a rather vague appeal to the need to restore and deepen the Single Market and the associated value chains, mainly focused on the modernisation of European economies.⁴⁵ This happened in a situation in which the three largest business organisations in the EU argued that 'policy ambitions on a greener, more inclusive and innovative, more sovereign, autonomous and industrious Europe that had not been funded so far will have to be fully budgeted now'.⁴⁶ In line with such requests, Von der Leyen and Michel argued that Europe needed a 'Marshall-Plan type investment [...] targeted on our commonly agreed objectives and on where it is most needed'.⁴⁷ In sum, rather than responding to the pandemic, the plan was focused on upholding EU values *despite* the shock. As remarked by Juncker, 'In view of the Covid-19 crisis[...], one should not make the mistake of forgetting the remaining parts of the multi-faceted crisis. The refugee issue is still there. There are household problems. The climate crisis has not disappeared'.⁴⁸ The recovery plan was thus seen as a solution in as much as previous policy issues were

coupled with the policy-window created by the pandemic. Beyond dealing with the short-term effects of Covid-19, the EU thus needed 'a plan that should promote recovery and at the same time make our society more resilient through modernisation and sustainability'.⁴⁹

The plan finally took form in mid-May, when Angela Merkel and Emmanuel Macron proposed to raise €500 billion for the post-COVID-19 recovery 'to drive the modernisation of European economies and their business models'.⁵⁰ The Franco-German proposal was a clear sign that a compromise on instruments was starting to emerge (Schelkle, 2021). On the other hand, the counter-proposal of the Frugal Four coalition in favour of a one-off Emergency Fund based on a 'loan-to-loan' approach⁵¹ can be best seen as a last-minute call for compensation (Schelkle, 2021). It is also significant that beyond the focus on the instruments to be employed, Northern countries agreed on the diagnosis of what was needed to boost the European recovery, with particular emphasis on the green and digital transition.⁵² Evidence from in-depth analysis of the policy-priorities of business organisations and trade unions within these countries, shows that rather than focussing on the size of the budget, they were more concerned about the way the money was going to be spent (Ryner *et al.*, 2022). This is exemplified by the joint paper cosigned by Finnish trade unions and business organisations, which argued:

The target is investments and reforms that concern e.g., green growth and digital transformation. With recovery investments, we can support the EU's long-term goals, such as the fight against climate change, the introduction of new technologies and the enhancement of competence.[...] Without a common will, the operation of the EU will be broken from within, and the global role of our continent will also be shortened. The functioning and cooperation of the EU and the euro area are a necessity for us.⁵³

Ultimately, it can be argued that the Frugal Four's strategy is better understood as an attempt to reduce the grant-based funds of the NGEU, rather than walking away from the negotiation table (Ryner *et al.*, 2022).

On the other hand, while the Merkel-Macron proposal certainly reflected the German strategy of 'polity-maintenance' in light of the crisis, it is also clear that the initiative was meant to respond to problems that had little to do with the pandemic. In her speech in the Bundestag, Merkel remarked that 'on the one hand we have to deal with the consequences of the crisis, but on the other hand we also have to make Europe more resilient and make it more sustainable'.⁵⁴ According to Merkel, recurring shocks had shown 'time and again [...] that Europe is not yet sufficiently resistant to crises',⁵⁵ and the pandemic represented only the latest reminder of 'how fragile the European project still is'.⁵⁶ The pandemic was seen as a symmetric shock that deepened existing inequalities within the EU,⁵⁷ but it was mainly the pre-existing issues that policy-makers had to focus on:

*regardless of the pandemic, our way of life and to do business is in a deep upheaval, driven by two developments: climate change, which we need to counter with a low-carbon and in the future CO₂-neutral lifestyle, as well as digitisation, which is fundamentally changing the way we work and live together, all in one rapid pace. From this follows that the answer to the economic and social consequences of the pandemic must not be a return to conventional work and management, but must accelerate and strengthen the shift towards new jobs and new economies.*⁵⁸

A week after the Franco-German proposal, the EU Commission launched the NGEU, which included an increase in funding to €750 billion (between grants and loans). On the 21st of July, the European Council agreed on the plan after having reduced the amount of resources dedicated to 'satellite' programs and having increased the funding for the main pillar of the NGEU, the so-called Recovery and Resilience Facility (Buti & Fabbrini, 2023, p. 681). The final resistance of the Frugal Four was overcome through a slight reduction in the originally proposed share of grants and larger rebates on their budget contributions and a closer link between spending and structural reforms.⁵⁹ To access the resources provided, member states had to draft Recovery and Resilience Plans detailing spending realms as well as milestones and targets to address Country Specific Recommendations (Buti & Fabbrini, 2023).

Following the European Council agreement on the NGEU in July, Italian Prime minister Conte argued that the EU had 'embraced a different perspective in favour of a more cohesive, more inclusive, more supportive Europe, closer to the citizens and, ultimately, more political and certainly more consistent with the spirit originating from the European dream, [...]'.⁶⁰ In the most enthusiastic reactions to the NGEU, and particularly within Southern European countries, Covid-19 was described as an 'historical opportunity',⁶¹ or, in the words of Rahm Emanuel, a crisis that should not 'go to waste'. The EU did not see the NGEU as a fix for institutional deficiencies that the crisis had brought into the spotlight. Rather, the crisis is best understood as a window of opportunity which helped 'coupling' previously identified problems with a convergence over solutions. This is further proven by the fact that the Adjusted Commission Work Programme looked very much like an expanded carbon-copy of the original Work Programme published in 2019.⁶² The document emphasised the link between the pre-crisis and the post-crisis narrative, by arguing:

The priorities set out in President von der Leyen's Political Guidelines and the Commission Work Programme for 2020 are more important than ever given the need for Europe to bounce forward from the crisis. The need to accelerate the twin green and digital transitions, to build a fairer Europe with an economy that works for people, to strengthen our Single Market and strategic autonomy, to rally round our values, to nurture our democracy and to take our full global responsibilities as a geopolitical actor are ever more acute.⁶³

Table 2. Multiple streams analysis of problems and solutions.

	Germany	Frugal four	Southern countries
Pre-pandemic Problems	Need to preserve Eurozone unity in light of Brexit and rising populism	Support for the green transition, while keeping financial burden equal	Support for EU Green Deal and need to move beyond austerity
Pre-pandemic Solutions	Increasing spending and partial mutualisation of debt	Keeping rebates and adjust the share of resources dedicated to the EU Green Deal	Eurobonds
Post-pandemic Problems	Need to preserve Eurozone unity, ensuring sustainable development and resilience	Support for recovery plan to boost green and digital transition, while rejecting the Eurobond proposal.	Need to rethink European economies in a solidaristic sense
Post-pandemic Solutions	Mediating the requests of Frugal and Southern countries on the balance between grants and loans; while rejecting the Eurobond proposal	Increasing acceptance of grants bestowed through the MFF, while strong opposition to Eurobonds. Request to keep favourable rebates	Initial request to employ Eurobonds increasingly mediated through emphasis on the need to implement an encompassing recovery plan centred around grants

On the other hand, it is remarkable that actors both at the European and national levels placed little to no emphasis on the link between the NGEU and the specific characteristics of the Covid-crisis. In other words,

The CWP 2020 contained numerous initiatives related to the European Green Deal. When the Commission adjusted its work programme in May 2020, these initiatives were retained, with only slight modifications to their timing. *The European Green Deal is a focus of the Next Generation EU instrument, [...]*.⁶⁴

The link between crisis and the post-crisis management was ultimately left ambiguous based on the idea that ‘support should be put in place, in a spirit of solidarity between Member States, in particular for those Member States that have been particularly hard hit’.⁶⁵ The pandemic was thus considered as the epitome of an exogenous shock, to which no clear long-term policy response could be given, if not one that reinforces previous political economic plans.

Table 2 summarises the continuity and change in the identification of core problems and solutions by Germany, the Frugal Four and Southern countries between the pre- and post-pandemic period. Emphasis on the need to foster the green transition was kept constant throughout, and cut across the main country-coalitions at the EU level. In line with the MSF, Covid-19 is best seen as a window of opportunity that allowed to couple this previously identified problem with increasing convergence on solutions, thanks to a compromise between the most ambitious (eurobonds) and conservative (change only the compositions but not the magnitude of the budget) proposals. In the interest of preserving European unity, Germany played a mediating role between the two key country-coalitions at the EU level.

5. Conclusion

The paper has argued that the medium term response to the Covid-pandemic was shaped by priors that were considered urgent *despite* (rather than *because of*) the pandemic. Von der Leyen's election at the head of the European Commission in late 2019 had already shifted the EU's focus towards the green and digital transition as well as towards a reinforcement in solidarity and social protection. The debates over the budget had already shown wide convergence on the need to increase expenditure in certain realms considered core to European values (especially the green transition), while the divergence between member states was mainly focused on the overall size of the budget and the instruments that would have funded new expenditures. The priorities spelled out in the Commission 2020 Work Programme (drafted a few weeks before the recording of the first case of Covid-19 in Europe) were reinforced and sped up as a result of the pandemic. On the other hand, in line with the MSF, the link between the NGEU and the characteristics of the crisis at hand were left ambiguous and were never discussed in detail. The EU ultimately took the pandemic as an opportunity 'to launch the transformation of [European] economies',⁶⁶ in line with priorities that had been elaborated before the coronavirus outbreak. As shown in Sections 2 and 3, conflicts between member states focused mainly on instruments (something that the extant literature has extensively discussed), while the allocation of resources (a feature that is much less emphasised by existing studies) was broadly agreed upon. The peak in contagion facilitated the convergence over a form of risk-pooling that could be accepted by the Frugal Four, with Germany playing a moderating role *vis-à-vis* the most ambitious proposals (e.g., Eurobonds).

The paper has shown that while it is true that crises shape the pattern of European integration, they can do so in manners that can escape the theoretical grids of historical institutional theories of critical junctures. Scholars of European integration tend to consider integration *per se* as their response variable. This hides all the instances in which (dis)integration and the consequent institutional adjustment are only two of the dimensions at play in crisis-management. In addition, understanding crises as 'critical junctures' can misguide us to overemphasise coherence between shocks' characteristics and the following institutional fix. In particular, exogenous shocks – having no relation to institutional or integration issues – can lead to ambiguity in crisis-management and to the strengthening of pre-conceived goals. This might be the main reason why, to use Dimitrakopoulos Lalis (2022)'s expression, the response to the Covid pandemic shows more 'forward' than 'failing'. Such a reaction at the European level is all the more remarkable, given the fact that in previous crises climate priorities have been often pushed to the side (Dupont *et al.*, 2020). This also seems to put into question

the idea that during crises policy-makers 'must engage in sense-making under limited time, dynamic conditions, and intense pressure, evaluating the nature and scope of a crisis and searching for an appropriate response' (Moynihan, 2009, p. 191). I have argued that exogenous shocks (like the pandemic) provide policy-makers with no clear institutional fix to be implemented, while giving them leeway to push through their pre-existing policy-preferences. Therefore, the NGEU is best seen as the product of the EU's 'long-term thinking', rather than a coherent reaction to a critical juncture (Bongardt & Torres, 2022).

While questioning the general validity of the critical juncture framework, the argument of the present paper is not that such an approach cannot explain the response to *certain* crises. During the sovereign debt crisis of 2010–2011, for example, both political actors supporting increasing austerity and those that were opposing it did so with the justification that they had identified the causes of the crisis and that future ones could be avoided by reforming EU and national institutions. However, the general rule that crisis interpretation is key to understanding post-crisis policy-making is at least insufficient. The Covid-pandemic shows that pre-conceived priorities also have an impact on policy-responses to crises; and that when political actors cannot blame shocks on any specific institutional deficiency, past agendas might dictate crisis-management. In doing this, the paper has shown the validity of integrating current emphasis of the critical junctures framework with the MSF's emphasis on ambiguity. On the other hand, the employed methodology has clear limitations. Inference on the causes that dictated specific policies will require further exploration of the issue through quantitative methodologies. The present article has described how different streams were coupled to form the response bestowed through the NGEU. Future research should investigate causal mechanisms that brought about this specific combination of past problems with new solutions. In particular, more attention should be dedicated to comparing the NGEU innovative response with the reliance (and expansion of) existing policy tools in EU health policy (Brooks *et al.*, 2023).

Notes

1. Wall Street Journal, Rahm Emanuel on the Opportunities of Crisis, 19 November 2008. Also cited in Hooren *et al.* (2014).
2. This approach aligns with the wider research, beyond the European case, which has emphasised the radical uncertainty characterising crisis-management (t Hart & Boin, 2001).
3. This included loans to support short-time work schemes under the so-called SURE instrument, the ECB's pandemic emergency purchase programme (PEPP) and ESM loans to support healthcare systems. The EU has also invested

considerable efforts into preparing for the next pandemic, through the EU4Health initiative.

4. While the application of fiscal rules started being widely questioned already as a consequence of the Eurozone crisis, the appointment of the Juncker Commission 'constituted a difference in kind' (Schmidt, 2019, p. 1030).
5. European Commission, Press Release: The von der Leyen Commission: for a Union that strives for more, 10 September 2019.
6. European Parliament, Briefing: The von der Leyen Commission's priorities for 2019–2024, January 2020.
7. European Commission, Speech by President elect von der Leyen in the European Parliament Plenary on the occasion of the presentation of her College of Commissioners and their programme, 27 November 2019.
8. Parliamentary groups that explicitly declared that they would have voted against von der Leyen included the Greens, the Identity and Democracy and the Left. See European Parliament, Debates, 16 July 2019.
9. See European Parliament, Debates, 16 July 2019 (my translation).
10. Iratxe García Pérez, [S&D Letter to Ursula von der Leyen], July 2019.
11. Iratxe García Pérez, [S&D Letter to Ursula von der Leyen], July 2019.
12. Dacian Cioloş, [Renew Europe Letter to Ursula von der Leyen], 11 July 2019.
13. European Commission, Work Programme 2020: A Union that strives for more, 29 January 2020.
14. European Commission, Work Programme 2020: A Union that strives for more, 29 January 2020.
15. Sam Fleming, Finland pushes for cuts in EU cohesion funds amid budget deadlock, *Financial Times*, 2 December 2019.
16. European Council, Special European Council, 20–21 February 2020.
17. Bruntsden, J., Fleming, S. & Khan, M., Frugals refuse to finance the EU's budget ambitions, *Financial Times*, 21 February 2020. Brexit had created a €60 bn–€75 bn in the EU budget.
18. Sebastian Kurz, The 'frugal four' advocate a responsible EU budget, *Financial Times*, 16 February 2020.
19. Sam Fleming, German politicians warn EU on looser budget rules for green drive, 11 December 2019.
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22. In particular, the NGEU allowed for a short-term jump in total EU spending from 1.1 per cent to over 3 per cent in 2021–2022. See (Bisciari *et al.*, 2021).
23. This approach was particularly championed by the Dutch Finance Minister Wopke Hoekstra, while the opposite position was epitomised by Southern European countries, and particularly by Portugal's prime minister António Costa (Buti & Fabbrini, 2023).
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25. Reuters, Merkel says no to 'coronabonds', 9 April 2020.
26. European Commission, Press Release: COVID-19: Commission sets out European coordinated response to counter the economic impact of the Coronavirus, 13 March 2020.
27. European Council, Joint statement of the Members of the European Council, 26 March 2020.

28. Eurogroup, Statement on COVID-19 economic policy response, 16 March 2020.
29. European Council, Joint statement of the Members of the European Council, 26 March 2020.
30. European Council, Joint statement of the Members of the European Council, 26 March 2020.
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32. European Council, Invitation letter by President Charles Michel to the members of the European Council ahead of their video conference on 23 April 2020, 21 April 2020.
33. Eurogroup, Video conference of the Eurogroup, 7–9 April 2020.
34. Federal Foreign Office, A response to the corona crisis in Europe based on solidarity, 5 April 2020.
35. Mario Centeno, Letter to Charles Michel, 10 April 2020.
36. Eurogroup, Remarks by Mário Centeno following the Eurogroup videoconference, 9 April 2020.
37. European Council, Photos and videos: Video conference of the members of the European Council, 23 April 2020.
38. European Parliament, Resolution of 17 April 2020 on EU coordinated action to combat the COVID-19 pandemic and its consequences, 17 April 2020.
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42. European Council, Conclusions of the President of the European Council, 23 April 2020.
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44. European Council, A New Strategic Agenda, 2019–2024.
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