

Part I

Renegotiating Transnational Solidarity in Crises

Chapter 2 The European Politics of De- and Resolidarisation. A Comparative Perspective on the Financial Crisis and the Covid-19 Pandemic

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“As a Social Democrat, I attribute exceptional importance to solidarity. But you also have obligations. You cannot spend all the money on spirits and women and then ask for help.”¹

“Above all, we need the courage today that we did not have in the 2010 crisis to finally achieve more integration in the Eurozone. We must not miss the opportunity again but must resolutely use the disruption to now expand the monetary union into an economic union via the European Recovery Fund.”²

1 Introduction: When deep integration becomes toxic, and when it does not

Solidarity is central to political communities, including the European Union. Supported and promoted by the Single European Market (SEM) and the Economic and Monetary Union (EMU), the EU is largely based on close economic integration, but also on a governance system that includes various aspects of institutional and regulatory communitarisation. Accompanying the dynamics of economic and political integration, social relations have also become transnational,³ stimulating the emergence of new forms

1 Werner Mussler, ‘Nach Interview in der F.A.Z. Dijsselbloem: “Ich bedauere, dass es als ‘Nord gegen Süd’ aufgefasst wurde”’ *Frankfurter Allgemeine Zeitung* (Frankfurt, 22 March 2017) <https://www.faz.net/aktuell/wirtschaft/wirtschaftspolitik/nach-interview-in-der-f-a-z-dijsselbloem-ich-bedauere-dass-es-als-nord-gegen-sued-aufgefasst-wurde-14937857.html> accessed 26 May 2023.

2 Wolfgang Schäuble, ‘Die Zukunft Europas: Aus eigener Stärke’ *Frankfurter Allgemeine Zeitung* (Frankfurt, 6 July 2020) <https://www.faz.net/aktuell/politik/inland/gastbeitrag-wolfgang-schaeuble-aus-eigener-staerke-16846887.html> accessed 26 May 2023.

3 Hans-Jürgen Bieling, ‘Konturen und Perspektiven einer europäischen Zivilgesellschaft’, in Johannes Wienand and Christiane Wienand (eds), *Die kulturelle Integration Europas* (VS Verlag für Sozialwissenschaften 2010).

of cross-border, transnational solidarity. The strength and resilience of these forms of transnational solidarity are difficult to assess and vary from context to context. In any case, it would be an oversimplification to assume that the dynamics of cross-border connectivity, such as advanced economic interdependence, territorially extended division of labour and intensified political cooperation, automatically lead to increased transnational solidarity. Sometimes the opposite is the case, as some of the established forms of transnational connectivity in the global economy are becoming increasingly toxic.⁴

Internal relations in the EU are still far from such dramatic escalations, i.e., the ‘weaponisation’ of cross-border networks and infrastructures.⁵ However, the numerous crises and related political discussions and initiatives indicate that the EU is not always able to practice a solidarity-based joint crisis management. Only under certain conditions does it seem capable of doing so. The different discourses and strategies that prevailed during the financial and euro crisis and the Covid-19 pandemic illustrate this. In the euro crisis, the EU drifted apart and struggled hard, in a context of eroding solidarity, to stabilise EMU through a reform of the European arrangements. It should be emphasised that the erosion of solidarity must be distinguished from the disappearance of solidarity. The erosion implies processes of de-solidarisation, such as a weakening of active ideational support, even if the institutionalised practices remain operational. By comparison, in the Covid-19 pandemic – aside from some nationalist efforts at the beginning – agreement was reached relatively quickly on NextGenerationEU. This refers to the establishment of a recovery and resilience facility, particularly to the benefit of economically weaker peripheral countries. This paper explores the reasons that explain the divergent strategies and the related processes of de- and re-solidarisation within the EU, particularly in the Eurozone. It is argued that this is generally due to the similar, yet divergent crisis dynamics, which – in the case of the Covid-19 pandemic – made a non-solidaristic discourse more difficult. Moreover, the European balance of power and hegemonic strategies in the Covid-19 crisis are clearly different due to the negative experience of the euro crisis and Germany’s changed preferences.

4 Mark Leonard, *The Age of Unpeace. How Connectivity Causes Conflict* (Bantam Press 2021).

5 Henry Farrell and Abraham L Newman, ‘Weaponized Interdependence: How Global Economic Networks Shape State Coercion’ (2019) 44 *International Security* 42.

This paper thus focuses on the changed political-economic structuring and the contested nature of negotiated and institutionalised forms of transnational solidarity. As will be discussed in more detail in the next section, this is linked to a specific understanding of solidarity that includes not only values and discourses but also its material conditions. Then, the paper turns to two case studies of the discursive and political processing first of the financial and euro crisis and second of the Covid-19 pandemic. It looks at their similarities and differences in order to determine more precisely the relevance of the (non-)hegemonic character of transnational strategies for the respective manifestations of the 'moral economy', i.e., shared and contested views on economic norms and practices that underpin European integration. The paper concludes with some reflections on the practice and prospects of transnational solidarity in Europe.

2 *Conceptualising transnational European solidarity*

In historical retrospect, 'solidarity' has been conceptualised and thought of in very different ways, not only socio-politically but also analytically.⁶ Some have focused on the integration of entire societies, especially on the social bonds that came about through the quasi-natural forms of cooperation and connectedness.⁷ Others were much more interested in the new forms of solidaristic communication and organisation that emerged in functionally differentiated⁸ and socially divided societies – along the lines of class, gender or ethnicity.⁹ The latter implies that solidarity need not always, or at least not primarily, be based on commonly shared values. Equally important and structurally fundamental are the common interests that favour the emergence of solidarity-based social relations. They are often linked

6 For an overview Kurt Bayertz, 'Four Uses of Solidarity' in Kurt Bayertz (ed), *Solidarity* (Kluwer 1999); see also Ursula Dallinger, *Die Solidarität der modernen Gesellschaft: Der Diskurs um rationale oder normative Ordnung in Sozialtheorie und Soziologie des Wohlfahrtsstaats* (VS Verlag für Sozialwissenschaften 2009); Heinz Bude, *Solidarität – Die Zukunft einer großen Idee* (Carl Hanser Verlag 2019).

7 Emile Durkheim, *The Division of Labor in Society* (The Free Press of Glencoe 1960); see also Talcott Parsons and Edward A Shils (eds), *Toward a General Theory of Action* (Harvard University Press 1951).

8 Franz-Xaver Kaufmann, *Sozialpolitik und Sozialstaat: Soziologische Analysen* (VS Verlag für Sozialwissenschaften 2009).

9 Fernando Tormos, 'Intersectional Solidarity' (2017) 5 *Politics, Groups, and Identities* 707.

to specific objectives, the joint realisation of which gives rise to forms of solidarity that are practised in everyday life.

When this happens, the immediate self-interests are put aside insofar as the mutual recognition of the actors – including their specific problem perceptions and interests – and the obligation to jointly pursue their own interests come to the fore. The joint forms of coordination are materially stabilised and secured by mutual concessions and compromises and discursively by processes of communicative understanding. This has two significant implications for the politics of solidarity. First, it suggests that both the material concessions and compromises and the processes of discursive understanding are fundamentally important for reproducing the commitments of actors in solidarity relations. This is especially true when solidarity points beyond the sphere of in-person interaction such as neighbourhoods or circles of friends and refers to social relations in which people encounter each other anonymously and largely unemotionally, beyond personal sympathies, for example, in the context of European integration. Second, the complex forms of coordination indicate that solidarity relations are based on practices of extended reciprocity that go beyond immediate, short-term exchange deals. However, solidarity can not only be strongly asymmetric in the short term; asymmetric effects can also be reproduced in the medium and long term if this is seen as advantageous or normatively desirable by the involved actors.

Whether it is possible to politically organise solidarity relations – here, to be more precise, the forms of transnational solidarity in the European Union – is therefore determined to a large extent by the crisis and the problem perception of the actors involved. At the same time, however, they, or at least the political-economically leading forces, must also be able to develop a widely accepted strategy – in the sense of a transnational hegemonic practice – which aims to overcome the existing crisis by designing and implementing new political concepts and applying reasonable instruments. In contrast to traditional forms of domination, which are primarily based on control and coercion, transnational hegemonic strategies and practices are characterised by the fact that they meet with the active or at least passive consent of the dominated or subaltern social forces.¹⁰ Such consent can be generated discursively or ideologically. However, it is substantial and sustainable above all when it is also supported by a material substrate: for

10 Antonio Gramsci, *Selections from the Prison Notebooks* (Quintin Hoare and Geoffrey Nowell Smith ed and tr, International Publishers 1971) 244.

example, by the provision of common public goods – a stable currency to promote economic prosperity and social development – and by material compromises and related forms of solidarity. These two elements are inextricably linked. Mutual commitment to common goals is therefore sustainable above all when it is accompanied by a burden-sharing that is perceived as fair.

This does not preclude political struggles over common goals and the distribution of burdens. It is precisely in times of crisis, when “the old is dying and the new cannot be born”¹¹, that competing views on the content and direction of the transformation or reinvention of political arrangements and related practices become very clear. This is also true of the process of European integration, whose crises have repeatedly triggered the initiation of a series of new political projects. These have ranged from the European Coal and Steel Community (ECSC), the European Economic Community (EEC) with the Customs Union and the Common Agricultural Policy (CAP), via the European Monetary System (EMS) to the SEM and the EMU, various rounds of enlargement and treaty reforms. All these projects were characterised on the one hand by the fact that they were presented as answers to pressing problems or crises. Accordingly, the crises in the integration process so far can only be classified as development crises, not existential crises.¹² On the other hand, however, the above-mentioned projects have always been the result of complex inter- and transnational negotiations. Supported by numerous package deals and side-payments, they accordingly conveyed elements of transnational European solidarity. These elements have also been inscribed in the institutional settings and forms of regulation of the European Union, i.e., in the mode of operation of the EU institutions, in the cooperation between the member states and in different kinds of regulation and redistribution defined by primary and secondary law.

11. *ibid* 276.

12. Frank Deppe, ‘Von der “Europhorie” zur Erosion: Anmerkungen zur Post-Maastricht Krise der EG’ in Frank Deppe and Michael Felder (eds), *Zur Post-Maastricht Krise der Europäischen Gemeinschaft (EG)* (FEG-Arbeitspapier No. 10, 1993) 7, 7–14.

3 European crisis dynamics and the erosion or revival of transnational solidarity – two case studies

The institutionalisation of transnational solidarity has, however, its limits and often remains precarious, especially in times of crisis. This applies not least to all those arrangements whose functioning rests on a rather shaky foundation, and which at the same time – due to far-reaching forms of political control and complex distributional effects – depend on a rather high degree of solidaristic commitment. In the case of the EMU, the shaky foundations result above all from the fact that the ordoliberal design of the EMU and the so-called ‘Brussels-Frankfurt consensus’ are being constantly undermined by the political-economic dynamics of European capitalism. The ordoliberal design assumes that EMU, its members and supranational institutions should abide by the rules originally agreed and refrain from political intervention in the economy.¹³ The ‘Brussels-Frankfurt consensus’ holds that this can best be achieved if all adhere to a specific division of competences that is appropriate and sufficient for the EMU’s mode of operation. While the economic union, narrowed to SEM, is to be shaped by the Brussels apparatuses – the European Commission, the European Parliament, and the Council of Ministers – the monetary union is to be the primary responsibility of the European Central Bank (ECB) based in Frankfurt.¹⁴ According to this consensus, all will be well, if the EMU member states support the ECB by maintaining fiscal discipline, even in times of economic crisis.

In the course of economic and monetary integration, above all in the financial and euro crisis, however, it turned out, that this setting rather reinforced but not balanced the processes of uneven development.¹⁵ As a result, the established arrangements came under pressure to adapt. Moreover, the pressure on the member states of the Eurozone to bear more of the costs of crisis management has also increased. In this context, however, the proposals – referring to rather conflicting understandings of transnational solidarity – pointed in different directions: while some insisted on stricter

13 Magnus Ryner, ‘Europe’s Ordoliberal Iron Cage: Critical Political Economy, the Euro Area Crisis and its Management’ (2015) 22 *Journal of European Public Policy* 275.

14 Paul De Grauwe, ‘What Have we Learnt about Monetary Integration since the Maastricht Treaty?’ (2006) 44 *Journal of Common Market Studies* 711.

15 Johannes Jäger and Elisabeth Springler (eds), *Asymmetric Crisis in Europe and Possible Futures: Critical Political Economy and Post-Keynesian Perspectives* (Routledge 2015).

compliance with the established fiscal rules of EMU, others advocated a more comprehensive, politically managed EMU. The latter also implies a more active common economic policy through more European resources, investments, and compensatory transfers.

3.1 The financial and euro crisis

The first serious test case for the sustainability of EMU was the financial and euro crisis. Its origins and unfolding were the subject of controversial academic and public debate from the outset. However, some causes and connections are beyond question: first, that the crisis originated in the U.S., where the economy was in a state of turmoil following the bursting of the so-called sub-prime bubble; and second, that the crisis affected the European countries, as their financial institutions were heavily involved in the trade in subprime loans and related securities. The recession therefore – also a consequence of the slump in production for export-oriented capital in Europe – quickly spread to the European economy. At first it seemed that the threat to EMU had been averted. In 2008 and 2009, governments, the European Commission and the ECB intensified their efforts to cushion the collapse of European banks and counteract the economic recession. On the one hand, all EU states set up special funds to stabilise ailing banks through state recapitalisation in the form of share purchases, loans or guarantees; on the other hand most countries launched economic stimulus programmes to mitigate the recession.¹⁶ The ECB supported these processes by counter-acting the drying up of the interbank market with a significantly loosened, liquidity-providing monetary policy.

However, this discretionary state interventionist stabilisation policy soon reached its limits. The costs of crisis management were considerable, reflected in rising public debt across the board. At the same time, the problems faced by the EMU member states varied significantly. While in some countries the economy gradually recovered, others, whose economies were particularly hard hit by the financial crisis and which already had high levels of public debt before the crisis, were confronted with sharply rising interest rates. They found it increasingly difficult to refinance their debt through

16 Waltraud Schelkle, 'Good Governance in Crisis or a Good Crisis for Governance? A Comparison of the EU and the US' (2012) 19 *Review of International Political Economy* 34.

new borrowing, leading to significant liquidity and, in the eyes of some observers, even solvency problems. For them, in any case, the financial crisis turned into a 'sovereign debt crisis', which ultimately also affected the EMU's mode of operation, and even called its very existence into question.¹⁷ It became clear that the given design of EMU, in line with the above-mentioned Brussels-Frankfurt consensus, lacked transnationally flexible labour and product markets and fiscal compensation and was therefore insufficient to bring about the socio-economic convergence needed as the basis for a stable monetary union.¹⁸ Why this was not the case has been the subject of much controversy, not only academically but also among the European public. Some attributed the uneven development in the Eurozone to the divergent productive foundations of the national models of capitalism, which increasingly drifted apart under the conditions of cross-border financial market-mediated accumulation. In this way, the structural imbalances in the intra-European current account balances between the surplus and creditor countries on the one hand and the deficit and debtor countries on the other became entrenched.¹⁹ Others saw the problem primarily in the unsound budgetary policies of the national governments and – due to the single interest rate – in a monetary policy that was at the same time too expansionary for these countries, undermining the goal of improved competitiveness in the medium and long term.²⁰

The second position largely prevailed in the European management of the financial and euro crisis.²¹ This reflected the strong position of the governments of the so-called Nordic countries in the Eurozone, i.e., Germany, the Netherlands, Austria, and Finland, whose economies were running structural current account surpluses and whose financial institu-

17 Henk Overbeek, 'Sovereign Debt Crisis in Euroland: Root Causes and Implications for European Integration' (2012) 47 *The International Spectator* 30, 38–40.

18 Fritz W Scharpf, 'Monetary Union, Fiscal Crisis and the Pre-Emption of Democracy' (2011) 9 *Zeitschrift für Staats- und Europawissenschaften (ZSE)/Journal for Comparative Government and European Policy* 163.

19 Joachim Becker and Johannes Jäger, 'Integration in Crisis: A Regulationist Perspective on the Interaction of European Varieties of Capitalism' (2012) 16 *Competition & Change* 169; see also Costas Lapavistas and others, *Crisis in the Eurozone* (Verso 2012).

20 Roland Vaubel, 'Die Politische Ökonomie der Staatsschuldenkrise und die Zukunft des Euro' in Dirk Meyer (ed), *Die Zukunft der Währungsunion Chancen und Risiken des Euro* (Lit Verlag 2021).

21 Joscha Abels, *The Politics of the Eurogroup: Governing Crisis and Conflict in the European Union* (Routledge 2023).

tions were therefore in the position of international creditors. The Nordic countries pushed for the Eurozone problems to be seen as a consequence of the excessive debt burden and insufficient competitiveness of the deficit countries. They were supported in this by the European Commission, the ECB and the associations of transnational financial, service and industrial capital, as well as by market-liberal forces in the debtor countries, all of which were interested in limiting and reducing public debt.²² The close discursive link between the sovereign debt crisis and the euro crisis led quite directly to austerity policies, since neither a dissolution of the EMU nor a strategy of growth-induced consolidation were seriously considered in view of the unknown risks and considerable, at least hardly calculable, costs.

The model of a 'European Stability Union', characterised by the goals of austerity and improved competitiveness, largely determined the initiatives that have reformed the governance of EMU since 2010. For example, it was decided that the Commission and the Council of Ministers would coordinate and control national budgetary policies at an earlier stage in a European Semester. The criteria of the Stability and Growth Pact (SGP) were made even more restrictive through the adoption of a so-called 'six-pack', consisting of five regulations and one directive, only partly linked to the problem of current account imbalances. But that was not all: the Fiscal Compact transferred the German debt brake to the Eurozone; and the 'Euro plus Pact' aimed to extend the competition-oriented reform agenda to further areas of labour and social policy, albeit only through a declaration of intent. More far-reaching and binding were the reform conditions and controls imposed by the so-called Troika of the Commission, the ECB and the IMF in some highly indebted countries dependent on external loans. Usually, they were not associated with solidarity-based support, but with considerable external disciplinary pressure from which the countries concerned could not escape.

Ultimately, however, it would be too short-sighted to reduce the reform debate to this model alone. There have been some initiatives aimed at the somewhat different model of a 'European Liability Community'. This model could not be implemented in important respects, as the creation

22 Hans-Jürgen Bieling, 'European Financial Capitalism and the Politics of (De-)Financialization' (2013) 17 *Competition & Change* 283; see also Mathis Heinrich, 'EU Governance in Crisis: A Cultural Political Economy Perspective on European Crisis Management 2007–2014' (2015) 13 *Comparative European Politics* 682.

of Eurobonds or a European economic government were rejected, and most governments adhered to the no-bail-out principle. In some respects, however, it did succeed: a European Stability Mechanism (ESM) was set up with a substantial intervention capacity of 750 billion euros. In addition, to counteract the euro crisis, the ECB not only stabilised the credit system through interest rate cuts and an active liquidity management, but also adopted an unconventional monetary policy of extensive government bonds purchases to ease the payment difficulties of troubled states. In doing so, it effectively assumed the role of a 'lender of last resort' for public institutions.

The above-mentioned elements of a European liability community were certainly fundamental to the survival of EMU. They also contained some elements of solidarity, but their potential was not developed. Obviously, the initiatives of the 'European Liability Community' were overshadowed by the 'European Stability Union' or were significantly conditionalised by it. This is shown, among other things, by the distributive effects of the euro crisis, which were the subject of a rather one-sided political debate. Thus, the critical focus has been primarily on political interventions, such as those of the ECB, and on the negotiated support payments and transfers, such as in the framework of the ESM, while the distributional effects mediated by the financial markets have been largely ignored. For example, there has been little public discussion of the fact that the German treasury was relieved of around 100 billion euros through the so-called 'Greek crisis', i.e., through the extremely favourable credit offers, including negative interest rates, from internationally operating financial institutions.²³

This example shows that the generalisation of austerity concepts and their affirmation through the reform of European economic governance was certainly driven by interests, but at the same time also guided by "economic imaginaries", that is semiotic systems that give meaning and shape to the "economic field".²⁴ Particularly influential were the interpretations brought into the discussion by the German side, which were strongly influ-

23 Geraldine Dany, Reint E Gropp, Helge Littke and Gregor von Schweinitz, 'Germany's Benefit from the Greek Crisis' [2015] IWH Online 7 https://www.iwh-halle.de/fileadmin/user_upload/publications/iwh_online/io_2015-07.pdf accessed 26 May 2023.

24 Bob Jessop, 'Cultural Political Economy and Critical Policy Studies' (2010) 3 Critical Policy Studies 336, 344.

enced by ordoliberal concepts.²⁵ For example, the then German Chancellor, Angela Merkel, argued in her government statement of 2 November 2011:

“Because the current crisis in the euro area is first and foremost a crisis of confidence, in addition to tackling the causes of this crisis – too much public debt, lack of competitiveness of some euro states – we must address the fundamental flaws in the construction of the Economic and Monetary Union. If we do this, we will, moreover, show that we do not only see the troubles of the crisis, but that we understand this crisis above all as a turn for the better, as an opportunity to turn around, and that we actually learn from it. These are, after all, very simple lessons: rules must be observed; their observance must be monitored; their non-observance must have consequences. National self-responsibility and European solidarity are mutually dependent.”²⁶

Such references to the regulatory framework and the personal responsibility of the actors can also be found in statements by other German politicians, including Jens Weidmann, the then president of the Bundesbank, and especially Wolfgang Schäuble, the German finance minister during the euro crisis.²⁷ In Schäuble’s statements and writings in particular, the idea of solidarity plays an important role. In the tradition of ordoliberal thinking, however, it is Protestant-based and conditional. Supporting others is in principle possible and sometimes necessary, but it must respect certain ethical principles and institutional rules. By distrusting people as potential ‘sinners’, institutional arrangements are supposed to encourage the personal responsibility of individuals, a willingness to work hard, and honesty and thrift. This implies a fundamental scepticism towards all those notions of solidarity, which, in both the national and the European context, are decisively based on unconditional distributive transfers which repeatedly create perverse incentives and enable moral hazard. According to ordolib-

25 Ryner (n 13); see also Matthias Matthijs and Kathleen McNamara, ‘The Euro Crisis’ Theory Effect: Northern Saints, Southern Sinners, and the Demise of the Eurobond’ (2015) 37 *Journal of European Integration* 229.

26 Angela Merkel, ‘Regierungserklärung von Bundeskanzlerin Merkel zum Europäischen Rat’, *Deutscher Bundestag*, 2 December 2011 <https://www.bundesregierung.de/breg-de/service/bulletin/regierungserklaerung-von-bundeskanzlerin-dr-angela-merkel-800684> accessed 12 December 2015.

27 Josef Hien, ‘The Religious Foundations of the European Crisis’ (2019) 57 *Journal of Common Market Studies* 185.

eralism, a strong state and, in the context of the EU, a disciplining system of governance are needed to prevent this.

Based on these basic assumptions, Germany, in cooperation with other – so-called ‘Nordic’ – creditor states, propagated an understanding of solidarity that met with little approval in the highly indebted countries for both economic and ethical-moral reasons; all the more so, as “Berlin, Frankfurt, and Brussels early on fashioned the crisis into a ‘normative’ morality tale of Southern profligacy vs. Northern thrift.”²⁸ Influenced by conflicting ethical-moral considerations – including the assignment of blame – cross-border solidarity remained absolutely minimal, i.e., tied to the economic survival of EMU. Moreover, the pre-existing forms of solidarity that had devolved over the previous decades have been partially damaged. This draws attention to the tensions in the functioning of the ‘moral economy’ of European integration. The moral economy encompasses the overlapping solidarities that can be mutually reinforcing, but also contradictory and undermining. In this sense, it encompasses the – under capitalist conditions – modernised norms and obligations, i.e., not only the socio-economic relations, but also the socio-cultural processes of the production of meaning. The interpretation of a concrete crisis constellation, for example, predetermines certain reactions. It makes a difference, whether a crisis is perceived as a ‘sovereign debt crisis’ or a ‘euro crisis’, as a ‘refugee crisis’ or a ‘crisis of the European migration regime’, etc. This suggests that the European economy and EMU are also fundamentally characterised by “dynamic combinations of norms, meanings and practices”²⁹, including conflicts over organisational structures. However, these conflicts can be mitigated under the conditions of hegemonic leadership, i.e., an active and integrating promotion of transnational solidarity norms. Given the rather narrow and dogmatic focus of the German hegemonic strategy, such ambitions were rather disregarded and not successful in the euro crisis. However, the situation was different in the Covid-19 pandemic, where the German position – and thus the relations of transnational solidarity – changed significantly.

28 Matthijs and McNamara (n 25) 230.

29 Jaime Palomera and Vetta Theodora, ‘Moral Economy: Rethinking a Radical Concept’ (2016) 4 *Anthropological Theory* 413, 414; for a more comprehensive overview see also Tim Rogan, *The Moral Economist: R.H. Tawney, Karl Polanyi, E.P. Thompson, and the Critique of Capitalism* (Princeton University Press 2017).

3.2 The Covid-19 pandemic

Looking at the political-economic implications of the Covid 19 pandemic, at first glance they are strongly reminiscent of the course of the financial and euro crisis. As in 2008 and 2009, in 2020 and 2021 numerous medical and – in connection with the lockdown measures – economic initiatives were first taken at the national level, before various steps of European coordination were initiated as well; and as in the case of the financial and euro crisis, the states and societies of southern Europe were again particularly affected by the pandemic: on the one hand, because of the intensity of the outbreak due to the family way of life and the lack of medical care, which was dramatic in northern Italy; and on the other hand, because of the central role played by the tourism and cultural sectors, which were severely affected by the numerous lockdowns and the lack of foreign tourists and travellers, and which had to be supported economically.

However, although the crisis problem was similar, the interpretation and the European management of the pandemic differed significantly from that of the financial and euro crises. As far as the interpretation of the crisis is concerned, from the very beginning, i.e., soon after the outbreak of the pandemic, the unimaginable suffering in the severely affected countries – thousands of deaths, bereaved families, overburdened health systems, long and comprehensive lockdowns and severe economic consequences – was reported with great empathy in the media throughout Europe. Unlike the financial and euro crises, the causes were also not sought in the southern European countries themselves. Rather, the pandemic was perceived as a ‘general crisis’ or an ‘external shock’ that could not be avoided and that hit southern European countries particularly hard because of their unfortunate international linkages and sectoral vulnerabilities. A certain asymmetry in the evolution and consequences could therefore not be overlooked, even if the societies of the economically stronger ‘North’ were also affected by the pandemic, the lockdowns, and the disruptions in transnational value chains. Hence, over time, a common strategy emerged in which European interests increasingly took precedence over national interests and concepts.

Certainly, in the first months after the outbreak of the pandemic, there were also numerous nationalist reactions: for example, in the form of border closures to curb mobility and regain control over the spread of infection; in the procurement of medical equipment (masks or respirators); or in the research, organisation and provision of vaccines to privilege national

pharmaceutical companies and national populations. But there were also everyday forms of transnational solidarity, such as the transfer of patients when hospitals and intensive care units were overburdened, and the cross-border provision of urgently needed medical equipment. The experience of the difficulties of effective pandemic management led the governments to agree relatively early with the European Commission on two key projects for further communitarisation: on the one hand, the European Health Union, which contains numerous new elements, such as an additional agency (HERA) and a strengthened health governance, a common crisis and prevention strategy, the establishment of a data system required for this purpose, and the joint procurement of medicines;³⁰ and on the other hand, the establishment of the joint recovery fund ‘NextGenerationEU’, which is intended above all to provide economic support to the countries that were hit particularly hard by the pandemic and to prevent the feared upheavals in the Eurozone from occurring once again.

As far as the political economy and relations of solidarity in the EU are concerned, the recovery fund ‘NextGenerationEU’ is of fundamental importance. In response to the deep recession, the European Commission and the Council had agreed early on to loosen state aid rules and to temporarily suspend the Stability and Growth Pact (SGP) by applying a ‘general escape clause’ in order to increase the economic policy capacity of member states; and the ECB has launched another unconventional monetary policy programme, the so-called Pandemic Emergency Purchase Programme (PEPP), to ensure a properly functioning monetary system. In this context, NextGenerationEU has been crucial in providing additional common resources for member states to organise the stabilisation and modernisation of their economies. Although these resources are sometimes considered insufficient,³¹ they represent a novelty for the EU in terms of

30 Eleanor Brooks and Robert Geyer, ‘The Development of EU Health Policy and the Covid-19 Pandemic: Trends and Implications’ (2020) 42 *Journal of European Integration* 1057; see also Marie Nabbe and Helmut Brand, ‘The European Health Union: European Union’s Concern about Health for All: Concepts, Definition, and Scenarios’ [2021] *Healthcare*, 1741; Remi Maier-Rigaud, ‘Krisengetriebene Integrationsdynamiken – eine neofunktionalistische Erklärung des zunehmenden Schutzes öffentlicher Gesundheit durch die Europäische Union’ [2022] *integration* 202.

31 Zsolt Darvas, J Scott Marcus, Alkiviadis Tzaras, ‘Will European Union Recovery Spending Be Enough to Fill Digital Investment Gaps?’ (*Bruegel*, 20 July 2021) <https://www.bruegel.org/2021/07/will-european-union-recovery-spending-be-enough-to-fill-digital-investment-gaps/> accessed 26 May 2023.

joint deficit spending, which significantly extends the economic and financial policy-making of the supranational institutions. In fact, the reconstruction fund has a total investment volume of 750 billion euros, of which 390 billion will be made available in the form of grants and 360 billion in the form of loans to the member states according to their exposure to the crisis. Counter-financing will come from additional Community revenue, but only a few years later.³² As in the multi-annual financial framework (2021–2027) negotiated together with the reconstruction fund, the national investment programmes focus on climate protection and digitalisation, with 37 % and 20 % of the funds provided respectively. This double modernisation impulse – climate protection and digitalisation – not only reinforces the industrial policy turnaround already initiated by the Juncker Commission to mitigate the precarious and unbalanced development in the EU. It also substantially underpins the Green Deal strategy of the von der Leyen Commission.

The establishment of the NextGenerationEU was by no means smooth and without resistance. For example, some Nordic countries, the so-called ‘frugal four’ – the Netherlands, Austria, Denmark, and Sweden – pushed for national rebates, as did the German government, and successfully lobbied to convert a significant part of the community funds from grants to loans. However, they failed to prevent debt mutualisation. This was mainly because the German government repositioned itself in terms of European crisis management.³³

“Earlier opposition to a ‘transfer union’ gave way to advocating EU-wide solidarity against the economic consequences of the pandemic, debt financing and support for grants to member states. It was Germany’s change of policy that altered the dynamics of policy-making within the EU, enabling agreement.”³⁴

However, the first steps in this direction were taken even before the outbreak of the Covid-19 pandemic. For example, the Federal Ministry of

32 Caroline De La Porte and Mads Dagnis Jensen, ‘The Next Generation EU: An Analysis of the Dimensions of Conflict Behind the Deal’ (2021) 55 *Social Policy & Administration* 388.

33 Ulrich Krotz and Lucas Schramm, ‘Embedded Bilateralism, Integration Theory, and European Crisis Politics: France, Germany, and the Birth of the EU Corona Recovery Fund’ (2022) 60 *Journal of Common Market Studies* 526.

34 Simon Bulmer, ‘Germany, the Eurozone Crisis and the Covid-19 Pandemic: Failing Forward or Moving on?’ (2022) 20 *Comparative European Politics* 166, 167.

Economics, then still led by the CDU, in cooperation with France and with the support of the Federation of German Industries (BDI), had argued for a more active European industrial policy, both in view of internal EU imbalances and global competition with the U.S. and especially China.³⁵ This strategic shift continued in the context of the pandemic. The reasons for this were multi-layered. From a political-economic point of view, it was crucial that a renewed orientation towards the Asian region appeared to be highly risky in the context of fragile value chains and the intensified conflict between the U.S. and China, and that, in return, the importance of the European economic area had regained significance. This included averting another – costly – euro crisis as early and proactively as possible by mobilising and making available community resources. The associations of export-oriented capital in Germany and in the EU supported the German government in this. The German government, in particular the then SPD-led finance ministry, still rejected a comprehensive mutualisation of debt, but supported the establishment of a European reinsurance scheme for short-time work (SURE) with a budget of 100 billion euros and later the NextGenerationEU recovery fund.

This fundamentally changed position of the German government is certainly due to the significantly changed political-economic environment. But it is also an expression of a changed perception of the European crisis processes and the associated possibilities for dealing with them effectively and in a socially inclusive manner. Of course, the role of the finance ministry under Olaf Scholz should not be overestimated. The structural political-economic changes were too serious and the lines of continuity with the previous finance ministry until the pandemic too pronounced. At the same time, they should not be underestimated either. After all, the team of advisors had changed considerably under Scholz and was clearly more Keynesian in orientation. It is precisely this Keynesian orientation that, in a context of general uncertainty, brings with it a greater sensitivity to the fragility and vulnerability of the European economy and to the economic and social costs of refraining from political intervention.³⁶ The willingness to politically correct and regulate the mode of operation of the European economy increases the possibilities for strengthening norms of

35 Etienne Schneider, 'Germany's Industrial Strategy 2030, EU Competition Policy and the Crisis of New Constitutionalism. (Geo-)Political Economy of a Contested Paradigm Shift' (2023) 28 *New Political Economy* 241.

36 Elke Muchlinski 'Keynes's Economic Theory – Judgement under Uncertainty' in Tom Cate (ed), *Keynes's General Theory Fifty Years Later* (Edward Elgar 2012).

transnational solidarity. This is especially true if, beyond the Keynesian critique of unregulated market dynamics, the socio-moral foundations of functioning political communities are strengthened. As the former finance and foreign minister put it:

“Europe’s founders knew that European solidarity is not a one-way street, but a life insurance policy for our continent. We must act in this historic crisis with this in mind. We need a clear expression of European solidarity in the corona pandemic. Germany is willing. It is now Europe’s common task to buttress the existing programmes, fill the gaps and to span a safety net for all EU states that need further support.”³⁷

At least implicitly, the Keynesian perspective points in the direction of a strengthened solidarity by addressing the specific conditions of operation of different types of markets. In this respect, the analytical perspective of Karl Polanyi complements that of Keynes. Polanyi is even somewhat clearer, because for him the mechanisms of solidarity-based forms of co-operation inherently rely on the principles of reciprocity and redistribution, even under the conditions of the evolving market system.³⁸

4 About similarities and differences: Understanding the (non-)hegemonic reorganisation of the European “moral economy”

The developments during the financial and euro crises and the Covid-19 pandemic outlined in the previous section are characterised by some similarities, but also by significant differences. The similarities lie primarily in the fact that both are expressions of transnational crisis dynamics that potentially call into question the very existence of European integration, in particular the functioning of EMU. The differences lie in the fact that the crisis strategies, and with them the ideas of transnational European solidarity, are diverging. On the one hand, this is due to different crisis narratives. In the case of the financial and euro crisis, the countries most

37 Heiko Maas and Olaf Scholz, ‘A Response to the Corona Crisis in Europe Based on Solidarity’ (*Auswärtiges Amt*, 2020) https://www.auswaertiges-amt.de/en/newsroom/news/maas-scholz-corona/2330904?utm_source=POLITICO.EU&utm_campaign=a1f43744b0-EMAIL_CAMPAIGN_2020_04_06_05_10&utm_medium=email&utm_term=0_10959edeb5-af43744b0-190285345 accessed 14 November 2022.

38 Karl Polanyi, *The Great Transformation: The Political and Economic Origins of Our Time* (Beacon Press 1957 [1944]).

affected were blamed for the crisis themselves; in the case of the Covid-19 pandemic, responsibility could not be easily assigned to specific countries and actors. On the other hand, however, the hegemonic actors in the EU – not least the German government and the social forces supporting it – reacted quite differently to the crises, reflecting the changing relevance and composition of interests as well as the changing perspectives on the organisation of the ‘moral economy’ of European integration prevailing in public discourse.

The observation that crisis management in the Covid-19 pandemic was more strongly oriented towards transnational solidarity norms than before, i.e., in the financial and euro crises,³⁹ can be deciphered in terms of hegemony theory. At the same time, however, this involves a specific understanding of solidarity that sees it not simply as structurally given, but as institutionally organised and socially constructed. In this sense, the concrete – transnational – norms of solidarity and their practical implementation are constantly subject to political negotiations and public struggles. This suggests that solidarity relations cannot be conceived outside the existing interests of social and governmental actors. However, they cannot simply be traced back to these either, since the discursive struggle for ‘necessary’, or even better, ‘appropriate’ collective responses to pressing problems or crises – and in this sense the ‘moral economy’ of capitalist development – is of central importance.

However, the development and change of hegemonic strategies and practices is not so easy to grasp. This is mainly due to the fact that hegemony, as a form of domination characterised by the consent of the ruled, involves inter- and transnational processes on the one hand and multi-layered social processes on the other. The leading hegemonic forces can accordingly promote or hinder the formation of transnational solidarities through multiple channels or arenas of discourse. In this paper, the supranational and intergovernmental interpretations and positions were primarily taken into consideration; especially as they are presented from the perspective of the German federal government. Correspondingly, however, the societal discourses and debates, in which the interpretations of intellectuals and

39 Alexia Katsanidou, Ann-Kathrin Reinl and Christina Eder, ‘Together We Stand? Transnational Solidarity in the EU in Times of Crisis’ (2022) 23 *European Union Politics* 66; see also Licia Bobzien and Fabian Kalleitner, ‘Attitudes Towards European Financial Solidarity During the Covid-19 Pandemic: Evidence from a Net-Contributor Country’ (2021) 23 *European Societies*, 791.

political decision-makers are either accepted and supported or rejected, must also be considered.

In contrast to the financial and euro crises, where the crisis management was often conflictual and disruptive, in the case of the Covid-19 pandemic it was, by and large, more hegemonic in character. In a sense, NextGenerationEU functioned as a hegemonic project, or at least as a hegemonic initiative, that seemed to be useful for a number of strategic concerns: averting an impending euro crisis, redressing uneven development, re-industrialising and ecologically modernising the European economy through digitalisation and climate protection, and supporting European companies in the face of intensified global competition. At the same time, the transnational discourses mobilised in this context strengthened the 'moral economy' of European integration insofar as they served specific demands for a just European economic order with elements of mutual support and redistribution. The strengthening of transnational norms of solidarity thus unfolded during the implementation of hegemonic strategies and practices. Both dimensions, that of hegemony and that of solidarity, were in this sense rather linked in the Covid-19 pandemic – in contrast to the financial and euro crisis, in which the national forms of solidarity were mostly in the foreground and opposed to each other.

5 Conclusion: Preconditions of transnational solidarity

The cases discussed in this paper illustrate that transnational solidarities do not simply emerge naturally, but have to be actively produced – in public discourse and in political negotiation processes. If the efforts are to be successful, this requires a hegemonic strategy and practice, i.e., moral and intellectual leadership, but also material resources – financial support – to adequately take into account the interests and needs of the subaltern social forces. If activities are limited to moral declarations, i.e., expressions of solidarity, without material underpinning, they will be seen as lip service that cannot be taken seriously in the medium and long term. If, on the other hand, only material transfers are in the foreground, without any transnational – even controversial – communication and agreement on the common goals to be achieved, they easily degenerate into charitable compensation payments. In most cases, viable transnational solidarity norms only emerge when moral orientations and material compromises complement and reinforce each other. This is especially the case when they are

inscribed in the institutional, regulatory, and redistributive arrangements through which the European economic and monetary area is politically organised.

As far as the EMU's mode of operation was concerned, however, this process of 'inscription' was blocked for a long time. Accordingly, the 'Frankfurt-Brussels consensus' reproduced itself, although the financial and euro crises revealed the shaky foundations on which it was based. With the Covid-19 pandemic and the establishment of NextGenerationEU, the scene has obviously changed. Forms of a lived political-economic practice of transnational solidarity have emerged, at least in a rudimentary form, which could be adapted to the further development of a more comprehensive governance of EMU. Steps in this direction seem to be not only normatively desirable but also politico-economically necessary if the so-called resilience of EMU is to be strengthened. However, the reforms introduced so far could easily prove insufficient to prevent another euro crisis. Such concerns are serious as the scope for unconventional central bank policy is clearly limited in a situation of high inflation and rising public debt.