

# No Hamiltonian Moment: How New Budgetary Instruments Replicate Persistent Financial Ideas

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## *Abstract*

When the negotiations on the 2021–2027 Multiannual Financial Framework (MFF) of the European Union (EU) were in their final round, the COVID-19 pandemic induced an economic shock. Member States agreed to adopt the MFF coupled to the EU Recovery program NextGenerationEU (NGEU) – a financial instrument unprecedented as it enhances budgetary powers of the EU with the potential to promote *integration through funding*. The interpretation of NGEU as a potential Hamiltonian moment remains controversial in the literature. This article contributes to the understanding of COVID19-crisis response policies and their consequences for European integration by comparing *integration induced by crisis* at the cases of the financial and state debt crisis (2011) and the pandemic crisis (2020). Hence, we address the research question: Does the COVID-19 crisis response display a critical juncture for EU budgetary politics? Following our analysis, there is (1) a continuity in intergovernmental control on negotiation processes but at the same time (2) substantial change regarding bargaining situations and as a result (3) new forms of EU budget financial instruments with an unprecedented level of risk-sharing and liabilities, while (4) former institutional and financial ideas stay in place. The focus in this paper is

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directed to the relational connection between ideational concepts and their support by differing coalitions. We situate our findings within the theory of liberal intergovernmentalism, considering contributions from new intergovernmentalism and discursive approaches.

### *1. Integration Induced by Crisis – Promoting Integration Through Funding*

The COVID-19 crisis struck the EU as profound exogenous shock with multidimensional effects. Particularly the steep economic decline resulting from inevitable lockdown policies, combined with financial compensation payments to support individuals and enterprises, has challenged the budgets of EU Member States. With the first comprehensive lockdowns in March 2020, discussions started on providing European financial assistance to Member States that had been struck very hard by the first wave of the COVID-19 pandemic (Italy, Spain, France). This debate was surprisingly embedded into the regular negotiations of the Multiannual Financial Framework (MFF) (2021–2027) of the EU, which were in their final round, and channeled towards the NGEU. Major steps in the negotiation process have been coalition proposals and hard bargaining between the Heads of States and Governments to achieve a package deal on the MFF, and the recovery program. At the end, the agreement included debt-financed grants and the recovery funds were coupled to the MFF. This constituted a striking move allowing common European crisis management and enabled the European Commission to act as borrower on international financial markets to a previously unknown extent. Meanwhile, new European debts – this time for defence – are discussed. We therefore inquire in this paper: Does the Covid-19 crisis response display a critical juncture for EU budgetary politics? And building on that, does NGEU depict a major change for European integration with effects on the further development in the sense of advancing integration through legal instruments hence qualifying as *integration induced by crisis* or more specifically in this case: *integration through funding*?<sup>1</sup> We want to follow up on the question raised whether NGEU represents a critical juncture in the socio-economic governance by

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1 B. De Witte, 'Integration through Funding. The Union's Finances as Policy Instrument' in R. Weber (ed), *The Financial Constitution of European Integration. Follow the Money?* (Bloomsbury Publishing, 2023), 221–236, 221.

focusing on the influence of the state debt crisis.<sup>2</sup> We argue that adjustments towards less conditionality, more joint liabilities and increasing fiscal capacity-building indicate a major shift in preferences and qualify indeed as *integration through funding*.

In addition, we ground the policy choices in response to the COVID-19 pandemic crisis with the hindsight to positions, coalition-building and power relations during the financial crisis derived from Liberal Intergovernmentalism. While both crises have been caused by an exogenous shock, they were accompanied by a fundamentally different framing resulting in different perception and support for solidary problem-solution.<sup>3</sup> We conduct a comparative analysis between the financial and the COVID-19 crisis. Our research is based on data and information derived from primary sources such as legal documents, official statements of European and national institutions as well as the reception of the conceptual and empirical literature on the crisis response policy mechanisms. Our approach combines arguments from Liberal Intergovernmentalism<sup>4</sup> and discursive approaches.<sup>5</sup>

In the following, we review the state of the literature on explaining both the management and results of the financial and COVID-19 crisis. Building on those insights, we explain our research design and contribution to the debate. This is followed by our empirical analysis on preference formation in relation to policy priorities, coalition-building and power relations in relation to *integration through funding*.

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2 A. Crespy and L. Schramm, 'Breaking the Budgetary Taboo: German Preference Formation in the EU's Response to the COVID-19 Crisis' (2021) *German Politics*, 1, 18.

3 A. Crespy and L. Schramm, see n. 2; S. Saurugger, 'What do the negotiations about the Multiannual Financial Framework 2021–2027 mean for theories of European integration? Reflections from an actor-centred constructivist perspective' in S. Münch and H. Heinelt (eds), *EU Policymaking at a Crossroads: Negotiating the 2021–2027 Budget* (Edward Elgar Publishing, 2022), 251–271, 267.

4 F. Schimmelfennig, 'Liberal Intergovernmentalism and the Crises of the European Union' (2015) 22 *Journal of European Public Policy*, 177–195; F. Schimmelfennig, 'European Integration (Theory) in Times of Crisis. A Comparison of the Euro and Schengen Crises' (2018) 25 *Journal of European Public Policy*, 969–989.

5 A. Crespy and L. Schramm, see n. 2; S. Saurugger, see n. 3.

## 2. State of the Art: Differing Approaches to Explaining EU Crisis Management

The different crises of the EU during the last decade have attracted major scholarly attention.<sup>6</sup> With the aim to identify influential actors and to explain the emergence of crisis response instruments as well as their impact on European integration, the contributions account for classic integration theory approaches from intergovernmental theory,<sup>7</sup> less prominently so from neofunctionalist viewpoints<sup>8</sup> as well as fusions of the major two theory approaches drawing on historical institutionalism.<sup>9</sup> From the latter originates the concept of path dependencies and critical junctures. While path dependency conceptualises a stable development over time produced by consecutive decisions, a critical juncture is understood as an interruption typically occurring in times of crisis and instability, deploying a starting point of new path dependent developments.<sup>10</sup> In addition, especially with

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6 M. Riddervold, J. Trondal and A. Newsome (eds), *The Palgrave Handbook of EU Crises* (Palgrave Macmillan, 2021).

7 C. Bickerton, D. Hodson and U. Puetter, 'The New Intergovernmentalism: European Integration in the Post-Maastricht Era' (2015) 53 *Journal of Common Market Studies*; S. Smeets, A. Jaschke and D. Beach, 'The Role of the EU Institutions in Establishing the European Stability Mechanism: Institutional Leadership under a Veil of Intergovernmentalism' (2019) 57 *Journal of Common Market Studies*; F. Biermann, N. Guérin, S. Jagdhuber, B. Rittberger and M. Weiss, 'Political (non-)reform in the euro crisis and the refugee crisis: a liberal intergovernmentalist explanation' (2019) 26 *Journal of European Public Policy*; A. Wenz-Temming and J. Sonnicksen, 'The double bailout: assessing new intergovernmentalism in the euro-crisis and the implications for European integration and democracy' (2020) 42 *Journal of European Integration*; A. Crespy and L. Schramm, see n. 2.

8 S. Hobolt and C. Wratil, 'Public opinion and the crisis: the dynamics of support for the euro' (2015) 22 *Journal of European Public Policy*; A. Niemann and D. Ioannou, 'European Economic Integration in Times of Crisis: A Case of Neofunctionalism' (2015) 22 *Journal of European Public Policy*.

9 E. Jones, D. Kelemen and S. Meunier, 'Failing Forward? The Euro Crisis and the Incomplete Nature of European Integration' (2016) 49 *Political Studies*; S. Ladi and D. Tsarouhas, 'EU economic governance and COVID-19: policy learning and windows of opportunity' (2020) 42 *Journal of European Integration*; F. Nicoli, 'Neofunctionalism revisited: integration theory and varieties of outcomes in the Eurocrisis' (2020) 42 *Journal of European Integration*; W. Schelkle, 'Fiscal Integration in an Experimental Union: How Path-Breaking Was the EU's Response to the COVID-19 Pandemic?' (2021) 59 *Journal of Common Market Studies*.

10 G. Capoccia, 'Critical Junctures' in O. Fioretos, T. G. Falleti and A. Sheingate (eds), *The Oxford Handbook of Historical Institutionalism* (Oxford University Press, 2018), 89–106.

regard to the COVID-19 crisis, approaches focusing on learning processes, discourses, framing and ideational aspects became more prominent.<sup>11</sup>

All of those contributions address more or less extensively (1) the outcome of negotiations especially with respect to burden-sharing and solidarity,<sup>12</sup> (2) the bargaining processes to develop crisis response instruments,<sup>13</sup> (3) the significance of different actors such as governments, supranational institutions, financial markets,<sup>14</sup> and (4) the impact on European integration in general.<sup>15</sup> In an effort to join the prominent theoretic approaches of intergovernmental and neofunctionalist interpretations, Erik Jones, Dan Kelemen, and Sophie Meunier<sup>16</sup> argue that bargaining processes in crisis situations are determined by the “lowest common denominator”<sup>17</sup>, which enables nothing but incomplete integration arrangements in the sense of *failing forward*. Arguing along those lines, the deficient negotiation results

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- 11 S. Ladi and D. Tsarouhas, see n. 9; A. Crespy and L. Schramm, see n. 2; J. Miró, ‘Debating fiscal solidarity in the EU: interests, values and identities in the legitimization of the Next Generation EU plan’ (2022) 44 *Journal of European Integration*; S. Saurugger, see n. 3; V. Schmidt, ‘EU Leaders’ Ideas and Discourse in the Eurozone Crisis: A Discursive Institutional Analysis’ in C. Carta and J. Morin (eds), *EU Foreign Policy through the Lens of Discourse Analysis. Making Sense of Diversity* (Routledge, 2014), 245–264.
  - 12 B. Laffan, ‘Framing the crisis, defining the problems: decoding the Euro area crisis’ (2014) 15 *Perspectives on European Politics and Society*; F. Schimmelfennig, see n. 4; P. Becker, ‘The negotiations about the Multiannual Financial Framework 2021–2027: what happened when with what result?’ in S. Münch and H. Heinelt (eds), *EU Policymaking at a Crossroads: Negotiating the 2021–2027 Budget* (Edward Elgar Publishing, 2022), 30–54.
  - 13 E. Jones, D. Kelemen and S. Meunier, see n. 9; D. Finke and S. Bailer, ‘Crisis bargaining in the European Union: Formal rules or market pressure?’ (2018) 20 *European Union Politics*; C. de la Porte and M. D. Jensen, ‘The next generation EU: An analysis of the dimensions of conflict behind the deal’ (2021) 55 *Social Policy & Administration*.
  - 14 A. Niemann and D. Ioannou, see n. 8.; S. Smeets, A. Jaschke and D. Beach, see n. 10; M. G. Schoeller, ‘The Rise and Fall of Merkozy: Franco-German Bilateralism as a Negotiation Strategy in Eurozone Crisis Management’ (2018) 56 *Journal of Common Market Studies*, 1019; Tesche, ‘Pandemic Politics: The European Union in Times of the Coronavirus Emergency’ (2022) 31 *Journal of Common Market Studies*, 480.
  - 15 F. Schimmelfennig, see n. 5; F. Scharpf, ‘The costs of non-disintegration: the case of the European Monetary Union’, in D. Chalmers, M. Jachtenfuchs and C. Joerges (eds), *The end of the Eurocrats’ dream: adjusting to European diversity* (Cambridge University Press, 2016), 29–49; S. Saurugger, see n. 3.
  - 16 E. Jones, D. Kelemen and S. Meunier, see n. 9, 1016.
  - 17 A. Moravcsik, ‘Preferences and Power in the European World: A Liberal Intergovernmentalist Approach’ (1993) 31 *Journal of Common Market Studies*, 487, 501.

create neofunctionalist effects over time since incomplete policy solutions provoke crises and again yield intergovernmental bargaining with incomplete integration results.<sup>18</sup> Such an approach provides us with a theoretic grounding of state preferences, distributional conflict and crisis bargaining.<sup>19</sup>

More pointed to fiscal policies, *Christopher Bickerton*, *Dermot Hodson* and *Uwe Puetter* as New Intergovernmentalists address instruments chosen during the state debt crisis in their analysis. They classify credit facilities such as the European Stability Mechanism (ESM) as “de novo bodies”<sup>20</sup> and explain their growing importance with a dilemma of national governments that is rooted in politicisation. While Member States regard further integration as a necessary tool for effective problem-solving, public support for further delegation to established supranational institutions lapses.<sup>21</sup> Therefore, programs to assist Eurozone states with financial difficulties were outsourced in separate institutions under strict intergovernmental control. Nevertheless, *Tobias Tesche* sees also the institutional arrangements in response to the COVID-19 crisis, which were linked to the EU budget, derived from the willingness to carry European integration forward, while managing domestic opposition.<sup>22</sup> In a similar vein, *Amandine Crespy* and *Lucas Schramm*<sup>23</sup> emphasise the ever-closer interrelation between national and European (negotiation) processes. They see domestic interests as well as ideational aspects to influence intergovernmental bargaining. This enriches integration-theory-driven analyses with new variables, not least to compensate shortcomings of Liberal Intergovernmentalism stemming from its origin in explaining European integration in quiet periods rather than in times of crisis.<sup>24</sup>

Meanwhile, the discussions on institutional results of the COVID-19 crisis management circle around the buzzword of a “Hamiltonian moment”<sup>25</sup> exploring whether the new financial arrangements lay the ground for a

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18 E. Jones, D. Kelemen and S. Meunier, see n. 9, 1015, 1017, 1027.

19 F. Biermann, N. Guérin, S. Jagdhuber, see n. 7.

20 C. Bickerton, D. Hodson and U. Puetter, see n. 7, 713–714.

21 C. Bickerton, D. Hodson and U. Puetter, see n. 7, 713–714.

22 T. Tesche, see n. 14.

23 A. Crespy and L. Schramm, see n. 2.

24 F. Schimmelfennig, see n. 4, 972–973.

25 G. Celi, D. Guarascio and A. Simonazzi, ‘A fragile and divided European Union meets COVID-19: further disintegration or “Hamiltonian moment”’ (2020) 74 *Journal of Industrial and Business Economics*.

fiscal union, which would indicate a deepening of European *integration induced by crisis* and channelled *through funding*. Establishing common debt without strict conditionality may then pave a way for further debt programs and deeper integration.<sup>26</sup> Equally, we see contributions in the literature rebutting the “Hamiltonian moment” argument and instead emphasising the deliberate choice of less visible forms of fiscal capacity-building with respect to domestic audiences.<sup>27</sup>

### 3. Theoretical Approach and Research Design

The scholarly literature still provides little knowledge on the influence of the financial crisis and its management on the responses given to the COVID-19 pandemic. Therefore, we consider and contrast the implications of both chosen and not-chosen instruments during the state debt (2011) and pandemic crisis (2020). Having in mind the impact on the socio-economic policy design of the EU and based on aspects mainly discussed in the literature, we focus on (1) conditionality, (2) joint liabilities and (3) fiscal capacity-building created with the chosen instruments in the following section. Conditionality is understood as conditions for the disbursement of funds. These could be requirements to be met regarding the use of the disbursed funds or accompanying political programs and reforms.<sup>28</sup> Joint liability can follow an intergovernmental approach with strict national liability shares or a more supranational approach with a common European liability.<sup>29</sup> Finally, fiscal capacity-building addresses the European ability of financial action, which can differ both in terms of the amount of funds available and the freedom to decide how to spend them. Building on that, we investigate in the empirical analysis the underlying reasons for the policy choices with a focus on the impact of the financial crisis response

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26 S. L. Greer, A. de Ruijter and E. Brooks, ‘The COVID-19 Pandemic: Failing Forward in Public Health’ in M. Riddervold, J. Trondal and A. Newsome (eds), *The Palgrave Handbook of EU Crises* (Palgrave Macmillan, 2021), 747, 760.

27 D. Howarth and J. Schild, ‘Nein to “Transfer Union”: the German brake on the construction of a European Union fiscal capacity’ (2021) 43 *Journal of European Integration*, 222; U. Krotz and L. 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*, 536.

28 P. Becker, see n. 12.

29 A. Wenz-Temming and J. Sonnicksen, see n. 7.

instruments on the COVID-19 Recovery Program. For this, we structure our further comparative analysis along three variables in line with Intergovernmentalist approaches focusing on actors and negotiation processes,<sup>30</sup> while in addition considering discursive effects over time:<sup>31</sup> (1) We analyse positions and their ideational foundations that have been brought forward during the negotiation process by Member States. (2) We examine coalition strategies between Member States and European institutions and (3) derive insights on the power relations and influence based on the policy regime outcome.

Conceptually, we aim to explain *European integration* processes theoretically as they unfold in crisis situations. We argue that crises as “open decision-making situations”<sup>32</sup> both require and enable substantial political and institutional change. We integrate the explanatory power of discursive and communicative elements in the sense of discursive institutionalism.<sup>33</sup> Following this understanding, “ideas matter”<sup>34</sup> in terms of policies, programs and philosophies, both on the level of cognition and norms.<sup>35</sup> The response to the financial and state debt crisis serves as exemplary for a political battle of ideas<sup>36</sup> with ordoliberal preferences of austerity on the one hand (Germany/North) and pragmatic Neo-Keynesian approaches on the other side (France/South). In that reading, the crisis response policies to the COVID-19 pandemic situation displayed a continuation of the political battle of ideas in 2020 – with a surprisingly different outcome.<sup>37</sup> Following this

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30 A. Moravcsik, see n. 17; F. Schimmelfennig, see n. 4.

31 E. Jones, D. Kelemen and S. Meunier, see n. 9.; A. Crespy and L. Schramm, see n. 2.

32 F. Schimmelfennig, see n. 4, 969.

33 V. Schmidt, ‘Discursive Institutionalism: The Explanatory Power of Ideas and Discourse’ (2008) 11 *Annual Review of Political Science*; V. Schmidt, ‘Taking ideas and discourse seriously: explaining change through discursive institutionalism as the fourth “new institutionalism”’ (2010) 2 *European Political Science Review*; V. Schmidt, ‘Discursive Institutionalism: Scope, Dynamics, and Philosophical Underpinnings’ in F. Fischer and H. Gottweis (eds), *The Argumentative Turn Revisited. Public Policy as Communicative Practice* (Duke University Press, 2012); V. Schmidt, ‘Rethinking EU Governance: From “Old” to “New” Approaches to Who Steers Integration’ in R. Coman, A. Crespy and V. Schmidt (eds), *Governance and Politics in the Post-Crisis European Union* (Cambridge University Press, 2020).

34 V. Schmidt, see n. 11, 303.

35 M. Carstensen and V. Schmidt, ‘Power through, over and in ideas: conceptualizing ideational power in discursive institutionalism’ (2016) 23 *Journal of European Public Policy*, 318.

36 V. Schmidt, see n. 35, 333.

37 A. Crespy and L. Schramm, see n. 2.

approach, we study relational connections between the ideational concepts brought forward during crisis response negotiations,<sup>38</sup> their support by differing coalitions with divergent normative views on favourable instruments and finally evaluate the empirical outcome of interests, ideas, and bargaining power that merge in instruments and effectively shape European *integration induced by crisis*. We evaluate the emerging socio-economic policy design of the EU against the background of *integration through funding*.

#### 4. Empirical Results

The financial crisis concerned the Member States a number of years starting in 2008. The adopted instruments comprised short-term solutions with bilateral and multilateral credit facilities in order to prevent imminent national default and contagion effects.<sup>39</sup> The ad-hoc 2010 created credit facility European Financial Stability Facility (EFSF) coupled with the European Financial Stability Mechanism (EFSM) was superseded in 2012 by the medium- and finally long-term ESM which is still in place. The issuance of common state bonds (Eurobonds) was intensively discussed but not implemented.

##### 4.1 Results of Bargaining During the Financial Crisis

The legal framework of the Economic and Monetary Union (EMU) did not provide guidance, rules or means to deal with neither Member States nor systematically relevant banks in financial difficulty.<sup>40</sup> Therefore, both the rules and the means had to be set-up amid the crisis situation which resulted in hard bargaining negotiations between the Member States and the involved European institutions. Risks of disintegration and the worst-case scenario of a collapse of the European currency union constituted the bargaining framework.<sup>41</sup> Keeping in mind that the later NGEU fund created considerable and seemingly new community liabilities, our focus lies on two instruments with the strongest display of liabilities: the temporary EFSM and the permanent ESM.

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38 Similar approach in A. Crespy and L. Schramm, see n. 2.

39 F. Schimmelfennig, see n. 4, 983.

40 F. Schimmelfennig, see n. 4, 976.

41 F. Schimmelfennig, see n. 4, 976.

The EFSM was developed as temporary instrument based on Art. 122 TFEU and adopted as Regulation (EU) No 407/2010. The EFSM allowed immediate support for Greece based on EU law and facilitated by European institutions. While the Council of the EU decided with majority voting to provide credits, the loans were conducted by the Commission which refinanced itself on the credit market.<sup>42</sup> The EFSF serves as technical device to bridge the intergovernmental coordination of loans by the Council of the EU, performed under private law building on provisions of international law. Similarly, the subsequently developed ESM was established as international organisation based of the Member States of the eurozone area. Conditionality on receiving funds has been a “crucial issue”<sup>43</sup>. Art. 3 (1) Regulation (EU) No 407/2010 requires a credit-demanding Member State to develop a strategy to adjust its budget policies (i.e. cuts in social expenditures) in dialogue with the European Commission and the European Central Bank (ECB) based on Art. 3 (1) Regulation (EU) No 407/2010. The conditionality generates securities for the created liabilities despite moral hazard risks and the general bailout prohibition of Art. 125 TFEU.<sup>44</sup> This strict conditionality of the ESM has been characterised as “significant strings attached”<sup>45</sup>.

Regarding liabilities, additional payments to the EU budget or waiving funds of the EU budget would have been required as the EFSM borrowing was guaranteed by the EU budget. In contrast, liabilities for the ESM funds were only shared by the Member States of the eurozone according to the respective national economic capacity. The ESM treaty is legally grounded in Art. 136 (3) which has explicitly been introduced as treaty amendment in March 2011 for the purpose of legitimising the adoption of the ESM.

Hence, fiscal capacity-building was introduced with a limited volume of funds constituted by the EFSF and EFSM. The fiscal capacity of the EMU was extended in volume and liabilities with the ESM and although coupled to strong conditionality it effectively provided unprecedented means of fiscal support to Eurozone states and thus initiated processes of *integration through funding* that were evoked by the crisis.

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42 Council Regulation (EU) 407/2010 establishing a European financial stabilisation mechanism, OJ L 118/1 [2020], Art. 2–3.

43 D. Finke and S. Bailer, see n. 13, 124.

44 Bandilla, R. Art. 125 AEUV, in E. Grabitz, M. Hilf and M. Nettesheim (eds), *Das Recht der Europäischen Union, Kommentar* (C.H. Beck, 2011), recital 27.

45 D. Hodson, ‘The Eurozone in 2011’ (2012) 50 *Common Market Studies*, 188.

## 4.2 Conditionality vs. Confidence in Financial Crisis Resolution

Seeing crisis response policies during the financial crisis with some time lag, learning processes seem to reveal that confidence proved more important than conditionality. The statement of *Mario Draghi* in September 2012 that the European Central Bank (ECB) would do “whatever it takes” to preserve the euro calmed the international markets. The political debates circling around moral hazard inherent to the constraints of Art. 125 TFEU (no-bailout) effectively delayed the Greek rescue and increased crisis resolution costs.<sup>46</sup>

In contrast to austerity and conditionality concepts, Eurobonds were another crucial issue in negotiations. *Ramunas Vilpisauskas* rightly points to the fact that discussions “from the start revolved around the centralised pooling of financial resources”<sup>47</sup>. The idea was to alleviate the impact of speculation attacks on government bonds of Member States in extreme financial difficulty. By proponents of Eurobonds, it was expected that a pooling of government bonds would merge the differing interest rates. In contrast, especially Northern creditor Member States pursued budgetary discipline to achieve stability and anticipated that Eurobonds would be an incentive for moral hazard and further spending.<sup>48</sup>

The former president of the German Central Bank criticised in June 2012 that Eurobonds would essentially skip several important integration steps such as a substantive European fiscal capacity which effectively requires a partial waiver of national sovereignty to the European level.<sup>49</sup> In this reading, Eurobonds are not per se excluded from policy options but should be embedded in an institutional set-up of a fiscally capacitated EMU.<sup>50</sup> The introduction of Eurobonds could arguably have displayed a Hamiltonian moment as a nucleus for a European fiscal union but remained politically unthinkable hence an impossible route of *integration through funding*.

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46 F. Scharpf, see n. 15, 38.

47 R. Vilpisauskas, ‘Eurozone Crisis and European Integration: Functional Spillover, Political Spillover?’ (2013) 35 *Journal of European Integration*, 370.

48 A. Crespy and L. Schramm, see n. 2, 2.

49 J. Weidmann, ‘So wird der Euro stabil’ *Süddeutsche Zeitung* (27 June 2012).

50 European Commission, Green Paper on the feasibility of introducing Stability Bonds, COM(2011) 818 [2011].

### 4.3 Partners and Coalition-Building in Financial Crisis Resolution

During the financial debt crisis, we saw a strong North-South divide of the EU related to the different concepts of national budget policies, savings and investment orientation which is linked to the different underlying national economic structures. *Desmond Dinan* reminds us that France and Germany have been “far apart” in 2010 when bargaining towards financial crisis response policies started,<sup>51</sup> which was similar to the situation in 2020. It is important to emphasise that the Franco-German duo not only comprises the biggest economies in the EU, but at the same time they are the leaders of two very different coalitions within the currency union representing the cleavage of fiscal policies.<sup>52</sup>

The electorate in all European states noticed the crisis response policies which affected their lives negatively – to a degree of deferring severity.<sup>53</sup> In line with this development, the German position was hardened due to the perceived contestation by the electorate accompanied by the rapid rise of a single-issue populist right-wing party. The German preference was primarily grounded in the preservation of the single market and the currency union.<sup>54</sup> Secondary preferences concerned the shape and guiding principles of practices in the currency union and the single market. This explains why Germany consented to the creation of the EFSF and the ESM despite caveats against any forms of fiscal capacity-building and fiscal transfers.<sup>55</sup> Conditionality was the key to achieving compromises. The German position was therefore more nuanced and complex than just to contradict any forms of fiscal capacity-building. The initial reactions to potential financial rescue packages for Greece were rejected in Germany – and other frugal Northern countries such as the Netherlands, Austria and Finland – mostly with reference to the no-bailout principle of Art. 125 TFEU and an intention to minimise risk-sharing.<sup>56</sup> Given Germany’s pos-

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51 D. Dinan, ‘Governance and Institutions: Implementing the Lisbon Treaty in the Shadow of the Euro Crisis’ (2011) 49 *Journal of Common Market Studies*, 107.

52 D. Finke and S. Bailer, see n. 13, 130.

53 F. Schimmelfennig, see n. 4, ‘European Integration (Theory) in Times of Crisis. A Comparison of the Euro and Schengen Crises’, 979.

54 D. Howarth and J. Schild, see n. 27, 222.

55 D. Howarth and J. Schild, see n. 27, 222.

56 H. Degner and D. Leuffen, ‘Brake and broker: Franco-German leadership for Saving EMU’ (2020) 20 *Journal of European Public Policy*, 95.

ition as “Europe’s largest contributor to any potential EU rescue fund”<sup>57</sup>, it had a strong negotiation position. But given the pressure of German banks – significantly involved in Southern countries, France, the ECB and other Member States finally managed to adjust the German position, although coupled to strict austerity conditions.<sup>58</sup>

Another significant step were the negotiations on the permanent ESM, again pre-negotiated by Germany and France. While the German government refused permanent funds categorically in mid-2010, it accepted the establishment of the ESM in December that same year.<sup>59</sup> During the negotiations, the German delegation achieved concessions by way of limiting the capacity of the ESM to 500 billion Euro and a commitment to strict conditionality<sup>60</sup> which is in line with the conviction to keep a close connection between risks, liabilities and control. However, the German Central Bank acknowledged in legal proceedings that joint liabilities are implicit to the ESM corresponding to an imbalanced lack of control.<sup>61</sup> The key argument for the coming-into-being of those instruments despite burden-minimising intentions of creditor states was the strong interdependence between North (surplus) and South (deficit) banking relations.<sup>62</sup> Essentially, all negotiations circled around the questions on how to distribute crisis burdens and costs of reform.<sup>63</sup>

#### 4.4 Power Relations in Financial Crisis Governance

The unique combination of significant transfers on the one hand and fiscal discipline on the other hand is the result of bargaining processes

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57 D. Dinan, see n. 51, 108.

58 H. Degner and D. Leuffen, see n. 56, 95.

59 A. Crespy and V. Schmidt, ‘The clash of Titans: France, Germany and the discursive double game of EMU reform’ (2014) 21 *Journal of European Public Policy*, 1091.

60 D. Howarth and J. Schild, see n. 27, 215.

61 Bundesbank, ‘Stellungnahme gegenüber dem Bundesverfassungsgericht zu den Verfahren mit den Az. 2 BvR 1390/12, 2 BvR 1421/12, 2 BvR 1439/12, 2 BvR 1824/12, 2 BvE 6/12’, 21.12.2012, <<https://www.bundesbank.de/de/startseite/stellungnahme-gegenueber-dem-bundesverfassungsgericht-zu-den-verfahren-mit-den-az-2-bvr-1390-12-2-bvr-1421-12-2-bvr-1439-12-2-bvr-1824-12-2-bve-6-12-799684>> accessed 1 April 2025.

62 F. Schimmelfennig, see n. 4, ‘European Integration (Theory) in Times of Crisis. A Comparison of the Euro and Schengen Crises’, 982.

63 F. Schimmelfennig, see n. 4, ‘Liberal Intergovernmentalism and the Crises of the European Union’, 182–183.

with differing preferences among the Member States.<sup>64</sup> It reflects ideational conceptions (i.e. ordoliberalism in fiscal discipline) and pragmatic necessities (transfers to keep the eurozone afloat and prevent contagion) without developing federal fiscal instruments that would supplement the monetary union.<sup>65</sup> This underlines that debtor Member States were in a weak(er) position since they were dependent on the approval of the creditor states, but creditor states were vulnerable too, given their involvement in the currency union.<sup>66</sup> Furthermore, the politicisation of the state debt crisis has contributed significantly to a hardening of creditor Member State positions since the attention of the electorate and the rise of populist parties in several Member States limited the scope of bargaining.<sup>67</sup>

Surprisingly, it was the veto power of Austria and Slovakia that prevented further fiscal institutionalisation of the currency union and hence set clear boundaries for fiscal capacity-building.<sup>68</sup> Despite Germany's strong emphasis on fiscal discipline, Germany did not reject institutionalisation in general, arguably because of Germany's vulnerability given the prospect of failure of the eurozone.<sup>69</sup> However, ideational conceptions favoured by Germany have strongly impacted the negotiation process during the state debt crisis. Creditor Member States have successfully demanded substantial reforms and conditions that resulted however in painful outcomes: recession, unemployment, the rise of left-wing and right-wing populist parties and critical attitudes towards the EU were side phenomena of the austerity programs.<sup>70</sup>

Given both the medial and effective dominance of Member States in the crisis response policies, European institutions acted on secondary roles, i.e. the technical design of credit facilities, monitoring processes, draft legislative packages to reform the EMU. There was no visible aim for a power shift towards European institutions or an expansion in European budgetary policy and responsibilities. Member States were unquestionable the key actors in the summit negotiation regime with a Franco-German

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64 D. Finke and S. Bailer, see n. 13, 123.

65 R. Vilpisauskas, see n. 47, 372.

66 ECB, Financial Stability Review (Frankfurt, 2011) <<https://www.ecb.europa.eu/pub/pdf/other/financialstabilityreview201106en.pdf>> accessed 1 April 2025, 47–51.

67 D. Dinan, see n. 51, 108.

68 D. Finke and S. Bailer, see n. 13, 123.

69 D. Finke and S. Bailer, see n. 13, 114.

70 F. Schimmelfennig, see n. 4, 'European Integration (Theory) in Times of Crisis. A Comparison of the Euro and Schengen Crises', 979.

partnership that dominated negotiation outcomes and failed to take along Member States in a weaker position.

#### 4.5 Results of Crisis Response Bargaining During COVID-19

The COVID-19 virus reached Europe in January 2020. Initially, national solo efforts to protect one's own population and national economy dominated. Nevertheless, during the following month, various measures were taken at the European level to deal with the crisis leading to unexpected deepening of European integration.<sup>71</sup> The centrepiece of financial crisis management was the NGEU program.

The NGEU program was designed to support Member States and their economies to recover from the COVID-19 pandemic. The biggest part of the spending is channelled through the Recovery and Resilience Facility.<sup>72</sup> To receive grants or loans, which should be disbursed (only) until 31 December 2026, national governments have to submit "national recovery and resilience plans" which should focus on six thematic areas like green transition and digital transformation.<sup>73</sup> The national plans are assessed by the Commission and have to be approved by the Council.<sup>74</sup> Next to these procedures, an intergovernmental "emergency clause"<sup>75</sup> was included: in case of concerns regarding the fulfilment of a national recovery plan a Member State can ask the President of the European Council to take the issue to the European Council.<sup>76</sup> Thus, this construction ensures to maintain a unity of risks-liabilities-control known from state debt crisis instruments. Nevertheless, its conditionality is not comparable to the state debt crisis programs not at least as it aims at national design of expenditure.<sup>77</sup>

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71 W. Schelkle, see n. 9, 44; D. Dimitrakopoulos and G. Lalis, 'The EU's initial response to the COVID-19 pandemic: disintegration or "failing forward"?' (2022) *Journal of European Public Policy*, 29, 1396.

72 Regulation (EU) 2021/241 establishing the Recovery and Resilience Facility [2021] OJ L57/17.

73 Regulation (EU) 2021/241, see n. 72, Art 3 and 17 (1).

74 Regulation (EU) 2021/241, see n. 72, Art 19 and 20 (1).

75 L. Schramm, U. Krotz and B. de Witte, 'Building "Next Generation" after the pandemic: The implementation and implications of the EU COVID Recovery Plan' (2022) 60 *Journal of Common Market Studies*, 117.

76 Regulation (EU) 2021/241, see n. 72, recital 52.

77 L. Schramm, U. Krotz and B. de Witte, see n. 75, 116–117.

To finance the NGEU program, the European Commission borrows money in the name of the EU at the capital markets based on Art. 122 TFEU comparable to the EFSM.<sup>78</sup> However, the size of the NGEU program went far beyond previously known dimensions. At the end of 2019, the EU budget covered debts of 80 billion Euro outstanding, with the EFSM as the highest maximum volume of 60 billion Euro.<sup>79</sup> The Recovery instrument comprises 750 billion Euro. The borrowing should be completely repaid by 31 December 2058.<sup>80</sup> As the EU budget serves as a guarantee, liabilities were effectively lifted. Correspondingly, Member States agreed to pay higher budget contributions to service the debt repayment if necessary.<sup>81</sup> Even more striking, 390 billion Euro of these NGEU funds are foreseen to finance grants to Member States. This is in contrast to preceding programs, which were limited to loans and conditioned to repayment.<sup>82</sup> In addition, the repayment of these NGEU grants was left open for future discussions. Options are to introduce new European resources, increase national payments to the EU budget, to cut down on European spending programs or to further extend European borrowing.<sup>83</sup>

In a wider context, the establishment of NGEU is already interpreted by scholars as a *rebalancing* of EMU by providing financial power for a European economic policy as counterpart to the EU's monetary competences.<sup>84</sup> The recovery program should not only help the economy to recuperate, but also to push European political and economic goals. Inter alia 20 percent of the nationally planned spending has to foster digitalisation and 37 percent climate change prevention.<sup>85</sup> Thus, the European Commission was

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78 Council Regulation (EU) 2020/2094 establishing a European Union Recovery Instrument to support the recovery in the aftermath of the COVID-19 crisis [2020] OJ L433/23.

79 Report from the Commission to the European Parliament and the Council on Guarantees Covered by the General Budget Situation at 31 December 2019, COM(2020) 677 final, 28.10.2020.

80 Council Decision (EU, Euratom) 2020/2053 on the system of own resources of the European Union and repealing Decision 2014/335/EU, Euratom [2020] OJ L/1, Art 5 (2).

81 Council Decision (EU, Euratom) 2020/2053, see n. 80, Preliminary Note No. 16.

82 B. de Witte, 'The European Union's COVID-19 Recovery Plan: The Legal Engineering of an Economic Policy Shift' (2021) 58 *Common Market Law Review*, 648.

83 L. Schramm, U. Krotz and B. de Witte, see n. 75, 115–116; 121.

84 F. Fabbrini, 'The Legal Architecture of the Economic Responses to COVID-19: EMU beyond the Pandemic' (2022) 60 *Journal of Common Market Studies*, 186.

85 Regulation (EU) 2021/241, see n. 72, Art. 18 IV e, f.

successful by joining the European crisis support with its wider, ideational approach of *greening* the European economy.<sup>86</sup> This corresponds with former analysis on EU budget reform and its conclusion: It is easier to invent future-oriented spending through new, additional funds than to reform the existing budget structure.<sup>87</sup>

Summing up, in contrast to state debt crisis instruments, NGEU was equipped with conditionality but in a less rigorous form.<sup>88</sup> It effectively establishes considerable liabilities for Member States and fiscal capacity-building at the European level and indicates deeper integration by way of extended European funding strategies.

#### 4.6 Solidarity and Conditionality in COVID-19 Pandemic Crisis Resolution

In the COVID-19 pandemic crisis we observed a profoundly different conceptual framing – especially in Germany.<sup>89</sup> Political leaders immediately emphasised the European dimension of the crisis.<sup>90</sup> The “problem construction”<sup>91</sup> included the attribution of an exogenous shock and the division into ‘good and bad states’ was eliminated in comparison to the financial crisis.<sup>92</sup> As a result, calls for solidarity fell on more fertile ground.<sup>93</sup> In order to prevent burden-minimising strategies and populist exploitation,<sup>94</sup> political leaders accepted almost with the occurrence of the COVID-19 crisis in March 2020 that the latter comes with costs. At the same time, Germany and France – just like during the state debt crisis – entered

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86 S. Saurugger, see n. 3.

87 C. Blankart and G. Koester, ‘The Lisbon Treaty, the Financial Crisis and Exit from Budget Gridlock’ in G. Benedetto and S. Milio (eds), *European Union Budget Reform. Institutions, Policy and Economic Crisis* (Palgrave Macmillan London, 2012), 79–102, 79; R. Ackrill and A. Kay, ‘Historical-institutionalist perspectives on the development of the EU budget system’ (2006) 13 *Journal of European Public Policy*, 113.

88 L. Schramm, U. Krotz and B. de Witte, see n. 75, 116–117.

89 S. Saurugger, see n. 3, 267.

90 A. Crespy and L. Schramm, see n. 2, 3; W. Schelkle, see n. 9.

91 A. Crespy and L. Schramm, see n. 2, 3.

92 W. Schelkle, see n. 9, 46; L. Quaglia and A. Verdun, ‘Explaining the response of the ECB to the COVID-19 related economic crisis: inter-crisis and intra-crisis learning’ (2023) 30 *Journal of European Public Policy*, 635, 639–640.

93 T. Tesche, see n. 14, 481.

94 F. Schimmelfennig, see n. 4, ‘European Integration (Theory) in Times of Crisis. A Comparison of the Euro and Schengen Crises’, 978.

the discussions with different starting positions, while their coordination became later decisive for the negotiation process.

During the first weeks of the pandemic and the early exchanges about possible European measures, France was in favour of joint European bonds, while Germany aligned with the so-called ‘Frugal Four’s’ opposition to substantial, redistributive support programs.<sup>95</sup> Just like during the state debt crisis, financially more stable countries like Austria and the Netherlands rejected both grants and Coronabonds since they were alarmed that such instruments could pave a path for fiscal capacity-building to the extent of a European fiscal union.<sup>96</sup> The French position should be seen against the background of the French president *Emmanuel Macron’s* initiative to deepen European integration including further fiscal capacities and also regarding its own limited fiscal flexibility and strong affectedness by the COVID-19 crisis.<sup>97</sup> Already on 25 March 2020, a letter demanding “a common debt instrument” to finance joint crisis management was published and signed by nine Member States including France. This demand was rejected *inter alia* by Germany, which preferred support lines through ESM loans.<sup>98</sup> The compromise found during the Eurogroup meeting in April 2020 was to look for a new solution – averting ESM funding as well as Coronabonds. While strict conditionality – and also the ESM as a whole<sup>99</sup> – was especially rejected by southern states as a symbol for being dominated by the troika,<sup>100</sup> Coronabonds in analogy to Eurobonds were not an option for Northern States, given the vague connection between risks and liabilities.

In the following, it was a Franco-German initiative in May 2020, which put forward the proposal for a new support mechanism linked to the MFF 2021–2027 that included the option of loans as well as grants.<sup>101</sup> Shortly thereafter, the Commission presented a revised proposal for the new MFF accompanied by a proposal for the NGEU program, picking and extending the Franco-German initiative: Grants received a prominent place in the

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95 A. Crespy and L. Schramm, see n. 2, 2; U. Krotz and L. Schramm, see n. 27, 527.

96 U. Krotz and L. Schramm, see n. 27, 533.

97 C. de la Porte and M. D. Jensen, see n. 13, 392.

98 A. Crespy and L. Schramm, see n. 2, 11.

99 T. Tesche, see n. 14.

100 W. Schelkle, see n. 9, 47.

101 W. Schelkle, see n. 9, 48.

proposal and were accompanied by an outlook on new own resources enabling the repayment of NGEU borrowing.<sup>102</sup>

In addition, following Tobias Tesche<sup>103</sup> and Waltraud Schelkle,<sup>104</sup> the approval of NGEU was facilitated for the Northern States (including for Germany) by a reappraisal of considerable discounts for net payers.<sup>105</sup> While the ‘Frugal Four’ recalled their position to establish only back-to-back loans accompanied by conditionality (while accepting a link to the MFF), the retention of rebates to their own resources payments to the EU budget represent an effective compensation.<sup>106</sup> Furthermore, the temporal limitation of the crisis support mechanism – resembling the discussions around the establishment of the European Stability Mechanism back in 2012 – corresponded to this group’s position. In sum though, the chosen legal instruments to endure the pandemic crisis extend European financial capacities and foster *integration through funding*.

#### 4.7 Partners and Coalition-Building in Pandemic Crisis Resolution

Germany surprises in this coalition-building process by departing from the coalition of Northern countries. While Germany used to be a persistent advocate of ordoliberal saving and austerity principles during the state debt crisis and remains a key opponent of common state bonds, Germany admitted to compromise on a generous granting scheme. This move has been widely discussed in the literature.<sup>107</sup> It is considered to be “exceptional”.<sup>108</sup> Particularly surprising is the fact that Germany let go of a longstanding stance to favour intergovernmental solutions and to empower the European Commission.<sup>109</sup> At the same time, the shift relates to key rational economic

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102 Communication COM(2020) 442 from the Commission to the European Parliament, the European Council, the Council, the European Economic and Social Committee and the Committee of the Regions: The EU budget powering the recovery plan for Europe [2020].

103 T. Tesche, see n. 14, 483.

104 W. Schelkle, see n. 9, 49.

105 Council Decision (EU, Euratom) 2020/2053, see n. 80, Art 2 (4).

106 Council Decision (EU, Euratom) 2020/2053, see n. 80, Art 2 (4); W. Schelkle, see n. 9, 49; T. Tesche, see n. 14, 483.

107 A. Crespy and L. Schramm, see n. 2, 13–17; W. Schelkle, see n. 9, 49; D. Howarth and J. Schild, see n. 27, 220, 222.

108 S. Saurugger, see n. 3, 264.

109 D. Howarth and J. Schild, see n. 27, 220.

interests: Given Germany's export-oriented structure that strongly depends on the functioning of the internal market.<sup>110</sup> Domestic audience costs feed into this line of reasoning since the chosen mechanism was much less visible than other forms of fiscal capacity-building such as common state bonds.<sup>111</sup> Moreover, scholars argue that the policy shift might be the result of policy-learning regarding growing populism and anti-European resentments in response to the state debt crisis.<sup>112</sup> Thereby, a different framing of the crisis substantially contributed to the different perspective on institutional development.<sup>113</sup> While the French government gave up its early demand for Eurobonds, the German side has moved towards approval of grants and fiscal capacity-building. By referring to a "clearly defined scope and time limit"<sup>114</sup>, Germany kept its red lines with the rejection of a fiscal union. This mutual approach paved the way for the compromise of the different coalitions under the EU Member States.<sup>115</sup>

#### 4.8 Power Relations in COVID-19 Crisis Governance

Obviously, the decisions of 2020 did not result in an European fiscal union. However, the agreement on the recovery fund coupled to the MFF established new path dependencies for European financial structures.<sup>116</sup> Although it is hardly possible to label this change a Hamiltonian moment, we want to raise awareness that this move requires the Member States to define new revenues for the EU, if they do not want to increase their national contributions. Given the need for additional own resources to repay the funds of NGEU, there is a realistic chance for a supranationalisation of EU funds. Establishing further resources, which are independent from national budgets, should ease net-payer-debates and facilitate the allocation of EU

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110 U. Krotz and L. Schramm, see n. 27, 534.

111 D. Howarth and J. Schild, see n. 27, 216.

112 C. de la Porte and M. D. Jensen, see n. 13, 392; B. de Witte, see n. 1, 636; A. Crespy and L. Schramm, see n. 2, 14.

113 A. Crespy and L. Schramm, see n. 2, 14–16.

114 Bundesregierung, 'Deutsch-französische Initiative zur wirtschaftlichen Erholung Europas nach der Coronakrise', (2020) Press release 173 of 18 May 2020 <<https://www.bundesregierung.de/breg-de/service/archiv/deutsch-franzoesische-initiative-zur-wirtschaftlichen-erholung-europas-nach-der-coronakrise-1753760>> accessed 1 April 2025.

115 U. Krotz and L. Schramm, see n. 27, 533.

116 P. Becker, see n. 12.

funds oriented on real European common good. This hypothesis is reinforced by the fact that the Commission was not only equipped with further responsibilities of borrowing and the disbursement of NGEU funds, but it was actually successful in coupling the recovery program to its wider – ideationally based – policy goals for a green and more sustainable Europe.<sup>117</sup>

In parallel, we observe that the preservation of national capacity is inherent to European empowerment. For example, Germany's economic strength is to an important part dependent on the functioning of the internal market, which should be sustained by the new institutional arrangements. Through the whole process of 2020, Member States have been at the steering wheel<sup>118</sup> and again the Franco-German partnership dominated negotiation outcomes.<sup>119</sup> In contrast to the financial crisis though, the duo acted more inclusively towards its fellow Member States. Thereby, national positions and coalitions were based again on economic as well as ideational aspects, which included the preservation of the crisis-torn European integration project. Against this background, the Franco-German proposal searched for a balance of interests of its fellow Member States. Both the concerns of Southern Member States regarding conditionality and the 'red line' of unlimited joint liability merging into Coronabonds brought forward by Northern Member States, which would have been a qualitatively more far-reaching move towards a fiscal union, were considered.

Conceptually though, the pandemic displayed yet again a case of distributional conflict and the agreed solutions display a classic redistributive character.<sup>120</sup> It is due to the early framing of the COVID-19 pandemic as exogenous shock and challenge to the whole community, that "burden-minimising"<sup>121</sup> strategies have been prevented, which would have made it difficult to reach European solidary solutions.<sup>122</sup> Thereby, even if the finally taken institutional path deviates from former crisis management, the underlying interests and ideas relate back to issues of the financial and state debt crisis.

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117 S. Saurugger, see n. 3, 262.

118 H. Kassim, 'The European Commission and the COVID-19 pandemic: a pluri-institutional approach' (2023) 30 *Journal of European Public Policy*.

119 U. Krotz and L. Schramm, see n. 27, 535.

120 C. de la Porte and M. D. Jensen, see n. 13; L. Schramm, U. Krotz and B. de Witte, see n. 75, 116.

121 F. Schimmelfennig, see n. 4, 'European Integration (Theory) in Times of Crisis. A Comparison of the Euro and Schengen Crises', 978.

122 S. Saurugger, see n. 3, 267.

## 5. Conclusion

The NGEU instrument and its coupling to the MFF is arguably a paradigm shift compared to a pre-crisis situation which qualifies being labelled as *integration through funding*. But the paradigm shift relates back to the state debt crisis. Hence the critical juncture must be attributed to the crisis response policies as of 2011, which induced several reforms on European level that substantially enhanced European integration in the monetary union and hence qualifies as *integration induced by crisis*. And although they seemed incomplete and imperfect at the time, we see a continuous path dependency towards fostering and extending the introduced mechanisms and liabilities in line with the “failing forward”<sup>123</sup> argument that identifies a tandem of intergovernmental processes in urgency and long-term neofunctional developments. This resulted in a situation, where Member States effectively agreed on financial liabilities created through the ESM.<sup>124</sup> In 2020, there is no way back but only forward. Similarly, the agreement on joint liabilities by the Heads of State and Government reaches further than ever before.

Obviously, the point of comparison matters. We look at the COVID-19 pandemic crisis and see surprising developments compared to discourses during the state debt crisis a decade earlier. While it astonishes at a first glance that Germany supported fiscal capacity-building on European level by establishing the NGEU programme,<sup>125</sup> some key criteria have been met that were already key issues during the financial crisis.<sup>126</sup> The new set-up still meets essential ordoliberal principles: the NGEU program is temporary (until 2058), its scope is limited and there are control mechanisms by the Commission and an intergovernmental security break. Most importantly: liabilities mainly remain with the individual Member States – and their contribution to the EU budget. Yes, we are dealing with new forms of risk-sharing, but they continue to remain limited in comparison to the fiscal needs of the visions for a fiscal union.<sup>127</sup>

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123 E. Jones, D. Kelemen and S. Meunier, see n. 9, 1027.

124 F. Schimmelfennig, see n. 4, ‘European Integration (Theory) in Times of Crisis. A Comparison of the Euro and Schengen Crises’, 980.

125 S. Saurugger, see n. 3, 267.

126 D. Howarth and J. Schild, see n. 27, 220.

127 E. Macron, ‘Initiative pour l’Europe – Discours d’Emmanuel Macron pour une Europe souveraine, unie, démocratique’, (2017) <<https://www.elysee.fr/emmanuel>

Following our analysis, there is (1) a continuity in intergovernmental control on negotiation processes.<sup>128</sup> However, (2) we see substantial change regarding coalition-building which departs from traditional positions but still relates strongly back to national interests and policy ideas. The fact that Germany changed its position from a classic frugal Northern country, towards a promoter of fiscal capacity-building on European level is a novelty. Germany decided proactively to accept early crisis response costs in order to act more promptly, European and solidary but with a design that still meets some of the key principles of German fiscal ideals.

And again, similar to the situation during the state debt crisis, the European Commission's main job was to develop the technical design of credit facilities. Obviously, the European Commission benefits from the adopted instruments, but all its activities are closely linked to and observed by the Council of the European Union. Finally, we see (3) new forms of EU budget financial instruments with an unprecedented level of risk-sharing and liabilities which were clearly processes of *integration induced by crisis* and have effectively enhanced European *integration through funding*. But we are still far from substantiating the fiscal capacity of the existing monetary union in a constitutional Hamiltonian dimension. Time will tell whether further own resources will be implemented and whether they will make a difference to the budgetary constitution of the European Union, but neither negotiations since the MFF agreement nor during the energy crisis have indicated that the EU is breaking new ground.

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-macron/2017/09/26/initiative-pour-l-europe-discours-d-emmanuel-macron-pour-une-europe-souveraine-unie-democratique> accessed 1 April 2025.

128 U. Krotz and L. Schramm, see n. 27, 535.

