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POLICY BRIEF

An Introduction: Macroeconomic Policy Coordination and Domestic Politics: Policy Coordination in the EU from the European Semester to the Covid-19 Crisis

Valerie D'Erman and Amy Verdun

The Next Generation EU (NGEU) and the Recovery and Resilience Facility (RRF) build on the European Semester (ES) – an oft-criticized European Union (EU) coordination tool, first developed to respond to the EU sovereign debt crisis. This Introductory article seeks to understand why the new NGEU plan encompassed the existing mechanism of the ES, given the shortcomings of the design and functionality of ES processes. To address questions about the implementation of the ES, the authors review the contributions of different major theoretical approaches in the field of European integration.

To begin, Neofunctionalism and Intergovernmentalism, which have provided useful theoretical lenses to scholars since the early days of European integration, are shown to continue to be effective today. Scholarly work that focused on the perceived weaknesses of the European Semester suggested that the lack of enforcement mechanisms within the Semester's toolkit was caused by an unwillingness from member state governments to yield decision-making power over fiscal policy. While this observation lends credence to Intergovernmentalism, this period has also importantly seen major EU supranational institutions, notably the European Commission and European Central Bank, make significant gains in their influence and role within the EU. This fragile relationship between EU and national interests has continued through the EU's pandemic recovery response. Next, despite its useful focus on time and institutional structures, the Historical Institutionalist (HI) approach has yet to be used by scholars to examine the European Semester in full. This Special Issue changes that, as it explicitly adopts an institutionalist lens, looking at the EU's historical use of soft modes of governance, the 'critical juncture' of COVID-19, and how the 'path dependency' of having the European Semester at the heart of the EU recovery system will unfold. Finally, a domestic politics approach to the ES is taken to show how domestic variables, including the electoral cycle and government composition, may impact the timing of implementation of ES policies.

The authors included in this Special Issue build on these theoretical foundations to provide an in-depth analysis on different facets of the relationship between EU and national actors within the ES. However, despite their differences, all articles attempt to answer one or more of the following three core questions: One, to what extent is the European Semester successfully implemented in the domestic arena? Two, to what extent do domestic institutions and stakeholders play a crucial role in the success (or lack thereof) of the European Semester? Three, what lessons can we learn from past economic policy coordination for the challenges ahead?

First, D'Erman et al. examine the domestic reception of wage policies and show that, in both 'Northern' and 'Southern' member states, trade unions and employers' associations respond more actively when recommendations run against their interests compared to when they are in alignment. Taking a broader view of ES implementation, Mariotto analyses the impact of inflationary pressures and euro area membership and reveals that the factors of inflationary

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pressure and higher costs of enforcement are significantly related to a member state's higher implementation rate of EU recommendations.

Turning to the construction and the impact of rules at both EU and national levels, Baerg & Hallerberg illustrate the potential room for member state influence in the CSR process and, at the same time, reveal whether this potential is being realized. Next, van der Veer finds that institutional changes aimed at strengthening SGP enforcement have paradoxically increased the Commission's susceptibility to reputational threats. Continuing this theme is Fabbrini, who argues that the EU's economic response to the pandemic constitutes an important moment in European integration, as the EU's pandemic rescue plan has given a new weight to the economic element of EMU.

This Special Issue then gives an in-depth look at the implementation and theoretical basis of the RRF in the ES. First, Hennis reviews the cases of France and Netherlands to trace the activity of social partners in each country in response to Commission recommendations in the ES. Second, Vanhercke & Verdun draw from the HI approach to examine how and why the European Semester ended up as the main vehicle underlying the governance of the RRF but also how domestic and institutional social actors have not all yet been fully incorporated.

In studying the legitimacy of the interaction between the EU and national level, Csehi & Schulz use the concept of throughput legitimacy to analyse whether the EU's new economic governance framework has had a positive or negative impact on the legitimacy of national budgetary decision-making in several EU member states. Continuing this theme is Bokhorst, who identifies examples of direct and indirect pressures coming from the ES and applies this analysis to legitimacy issues that arise from such externally motivated reforms, such as the RRF.

Finally, research by O'Dwyer and by Bongardt & Torres highlight critical contemporary issues that are under-analysed in the context of ES governance. First, O'Dwyer employs feminist literature on European economic governance to connect the (dis-) continuities in gendered assumptions about society and the economy in the euro area crisis. By contrast, Bongardt and Torres show that the European Green Deal, while still too new to be a powerful institutional model for sustainable economic governance, has been reinforced during the EU's response to the Covid-19 crisis.

Taken together, the contributions of this Special Issue help to clarify the role of institutions in domestic settings within the mechanism of the European Semester and serve to provide a more nuanced insight into the way in which the European Semester already has been of influence in policy coordination.

Further Reading: D'Erman, V. & Verdun, A. (2022) 'An Introduction: Macroeconomic Policy Coordination and Domestic Politics: Policy Coordination in the EU from the European Semester to the Covid-19 Crisis'. *Journal of Common Market Studies,* Vol. 60, No. 1, pp. 3-20. DOI: 10.1111/jcms.13276

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POLICY BRIEF

The European Semester in the North and in the South: Domestic Politics and the Salience of EU-Induced Wage Reform in different Growth Models

Valerie J. D'Erman, Daniel F. Schulz, Amy Verdun, and Dennis Zagermann

Macro-economic policy coordination remains a challenge in the EU, despite the development of tools such as the European Semester, which serves to coordinate European Union (EU) member state policies and try to prevent macroeconomic imbalances. This article looks at Country Specific Recommendations (CSRs), a key Semester policy, to assess how this method of soft-governance has been employed in account-surplus 'Northern' member states as compared to account-deficit 'Southern' member states. These groups have been chosen in order to explore the domestic politics of coordinated structural reform efforts in the specific context of the continually prominent North-South divide within EU economic governance. This article focuses on wage policies because of their prevalence and importance within the national- and European-level politics of both 'Northern' and 'Southern' member states.

The analysis focuses on the extent to which EU-induced reforms on wage policies led to different domestic politics and places a specific focus on the micro-foundations (trade unions, employers' associations, government agencies, and other institutional structures) underlying countries' existing growth models. It takes a historical-institutionalist perspective on the case studies of two 'Northern' member states (Germany and the Netherlands) and two 'Southern' member states (Italy and Portugal) to highlight the impact of these micro-foundations over the past two decades of EU economic governance. These comparative case studies focus on how opposing prescriptions on wage reform – as Northern members are given reforms to increase domestic demand through higher wages while Southern members given reforms to increase competitiveness by limiting wage-increases – are perceived among these different groups within member states. Each case study illustrates the roles in which the various unique micro-foundations of a member state play in the wage politics of their country and in the ways in which their country navigates EU-led wage policy reforms. While the uniqueness of the micro-foundations is shown to exist both between and within the 'Northern' and 'Southern' member states, this study finds that a common feature of all cases is the consistent picture of domestic institutional resilience to EU recommendations.

The primary finding of this study is that country-specific recommendations meet country-specific obstacles, as domestic actors are often able to mobilize against EU recommendations that are perceived to counter the interests of their constituency but are much less effective in mobilizing resources to support recommendations that align with such interests. This finding shows the importance of path-dependence for domestic institutions, as the longstanding political traditions and practices in each member state have a great effect on the ability of EU influence to be felt, and acted upon, at the national level. The insights of this study suggest the need to rekindle the debate on Europeanization to examine what kinds of micro-foundations might be likely to effect more- or less-visible changes, and whether any 'carrots and sticks' will help encourage policy change through the European Semester.

Further Reading: D'Erman, V.J., Schulz, D.F., Verdun, A., & Zagermann, D. (2022) 'The European Semester in the North and in the South: Domestic Politics and the Salience of EU-Induced Wage Reform in Different Growth Models'. *Journal of Common Market Studies*, Vol. 60, No. 1, pp. 21-39. DOI: 10.1111/jcms/13274

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POLICY BRIEF

The Implementation of Economic Rules: From the Stability and Growth Pact to the European Semester

Camilla Mariotto

Country-specific recommendations (CSRs), first introduced by the Stability and Growth Pact (SGP), offer guidance by the European Commission to member states' fiscal policies with the goal of preventing excessive debt and deficits. The initial CSRs were, however, severely limited in their scope and enforcement power, leaving member state governments with few incentives to implement their recommendations. Following the euro area financial crisis, the EU introduced the European Semester as a new coordination framework that increased the stringency and timing of CSRs, imposed more restrictions on national authorities, and gave more policy prerogatives to the Commission. Considering this shift, this article addresses the question: how can we explain differences in the implementation of policy coordination recommendations before and after the introduction of the European Semester?

The study of the entire history of the European recommendations provides a unique opportunity to unravel competing expectations of how economic conditions, costs of enforcement and electoral accountability shape national CSR implementation. These variables form the basis of three hypotheses tested in this article: (H1a) the likelihood to implement the European recommendations increases when the country's economy is in crisis; (H1b) the likelihood to implement the European recommendations decreases when the country's economy is in crisis; (H2) the likelihood to implement the European recommendations increases when they imply more sanctioning costs due to enforcement mechanisms; (H3) the likelihood to implement the European recommendations decreases when elections are approaching. To investigate these propositions, the article employs an original dataset of all the recommendations released between 2002-2017.

The analyses of both pre-Semester and Semester periods show that economic strain, costs of enforcement and electoral accountability all help to explain national implementation, albeit in differing ways. In the pre-Semester period, depending on their membership in the euro area, regarding implementation, countries are less likely (if outside euro area) or more likely (if inside euro area) to implement the recommendations when experiencing severe economic distress. Findings from this period indicate that closer proximity to elections correlates with governments' disregard CSRs. By contrast, in the Semester period both euro area and non-euro area countries were more likely to implement recommendations when they found themselves in severe economic distress, and when the recommendations are associated with the sanctioning and reputational costs given by the SGP and the Macroeconomic Imbalance Procedure. While the Semester period has seen an increased politicization of EU economic governance, this study finds that electoral accountability fails to drive implementation in this second period. Presently, the wide array of measures introduced by the EU during the Covid-19 pandemic crisis have significantly strengthened the role of the Semester and CSRs. Therefore, future studies should investigate how the policies of this new period will affect the issuance and implementation of the CSRs.

Further Reading: Mariotto, C. (2022) 'The Implementation of Economic Rules: From the Stability and Growth Pact to the European Semester'. *Journal of Common Market Studies,* Vol. 60, No. 1, pp. 40-57. DOI: 10.1111/jcms.13265

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POLICY BRIEF

Council Checks of the Commission under the European Semester: Does Member State Power and Euroscepticism Still Matter?

Nicole Baerg and Mark Hallerberg

One of the most important lessons learned by the European Union (EU) following the global financial crisis was that pre-crisis economic coordination and preventative measures were unable to prevent member states from running large deficits. One possible reason, explored by previous research, was whether the Council of the EU altered the annual European Commission opinions on EU member state economic plans in accordance with political and economic pressures by member states on the Council. It was shown that member states were more likely to weaken the content of the recommendations provided to member states when the member state had large voting power on the Council or if their domestic populations were eurosceptic. The introduction of the European Semester was intended to improve economic governance by removing this channel though Council edits to the Commission's annual reports continued even after the reforms.

In this paper, the authors explore whether a similar logic persisted after the introduction of the European Semester. This study examines both quantitative and qualitative changes between the Commission's draft recommendation and its final version, studying thirteen EU member states in the period 2011-2018. The authors test three hypotheses: (H1) Recommendations for countries with populations less trusting of the European Commission edit the Commission's recommendations more extensively; (H2) Countries with less support for EU membership have a higher number of textual edits; (H3) Member states with larger voting power on the Council have a higher number of textual edits than countries with smaller voting power. These three hypotheses help us better understand the relationship between post-financial crisis euroscepticism and textual editing under the European Semester.

The results of this study find little evidence for hypotheses H1 or H2. That is, the authors do not find that domestic trust in the European Commission is associated with a greater number of quantitative or substantial textual edits. Unlike for the previous period, there is no evidence that euroscepticism predicts the level of textual changes between drafts of the Commission's text and the Council's changes. The authors do, however, find support for their final hypothesis (H3) through a strong positive relationship between large countries (in terms of voting power) and the number of textual exits, though it is noteworthy that there is no association with substantive changes to the documents. Thus, the paper suggests that member states were successful in depoliticizing this particular pathway through the reforms. This finding does not mean that EU economic governance of the EU as a whole has been depoliticized, however, it does indicate a change in practice in how one part of the process operated.

Further Reading: Baerg, N. & Hallerberg, M. (2022) 'Council Checks of the Commission under the European Semester: Does Member State Power and Euroscepticism Still Matter?'. *Journal of Common Market Studies*, Vol. 60, No. 1, pp. 58-80. DOI: 10.1111/jcms.13268

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POLICY BRIEF

Walking the Tightrope: Politicization and the Commission's Enforcement of the SGP

Reinout Arthur van der Veer

The crises faced by the EU in the past decade have led to increased politicization. Recent research has increasingly focussed on this politicization and its consequences for day-to-day EU operations, including in the European Semester. However, such research has thus far not addressed the process by which EU institutions respond to politicization. This contribution addresses this lacuna. It empirically tests for the presence of two causal mechanisms to explain the way politicization affects the enforcement of the Excessive Deficit Procedure (EDP) of the Stability and Growth Pact (SGP). Two causal mechanisms are proposed: 'Resolve', which favours visibly strict enforcement, and 'Appeasement', which favours visibly lenient enforcement. The two mechanisms portray two different ways in which EU politicization affects the Commission's decision-making on SGP enforcement.

Four case studies were conducted to demonstrate how ambiguous enforcement conditions, EU politicization and issue salience across audiences, and institutional changes have shaped SGP enforcement by a reputation-seeking Commission. The analyses of the United Kingdom (UK) in 2008, Finland in 2010 and 2015, and Italy in 2018 show that the Commission shifted from the Resolve to the Appeasement mechanism following the onset of the euro area financial crisis in 2011. For pre-2011 cases, reputational calculations within the EU bureaucracy made the Commission willing to push hard for the opening of EDPs in the face of a general politicization of the EU in the UK and Finland. For post-2011 cases, a significant increase in politicization among audiences in the target state combined with SGP reforms that increased the enforcement responsibility for the Commission made the latter increasingly wary of the adverse consequences of strict enforcement. These cases show that while Commission responsiveness to EU politicization during policy enforcement is not unique to the post-euro area financial crisis period, the degree to which EU politicization amplifies reputational threats has risen greatly since 2011.

This study draws three conclusions. First, EU politicization has greatly expanded the audiences involved in EU policy enforcement, and with it, the reputational threats posed to the responsible EU institutions. Second, EU institutions do not resort to a single type of responsiveness, but instead fine-tune responsiveness to the threats they face and employ different modes of responsiveness even within single policy domains. Third, the degree to which domestic actors can impact the workings of the European Semester is far greater than commonly assumed. The current EU response to the COVID-19 crisis, specifically the suspension of the SGP and the paradigm shift towards fiscal stimulus under the Recovery and Resilience Facility, should be regarded as a consequence of both the economic *and* political backlash that followed the years of austerity in the previous decade. Hence, any overhaul of the EU's system of fiscal and macroeconomic supervision should carefully consider how non-majoritarian EU institutions such as the Commission are tied into this supervision process.

Further Reading: van der Veer, R. A. (2022) 'Walking the Tightrope: Politicization and the Commission's Enforcement of the SGP'. *Journal of Common Market Studies*, Vol. 60, No. 1, pp. 81-100. DOI: 10.1111/jcms.13272

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POLICY BRIEF

The Influence of the European Semester: Case Study Analysis and Lessons for its Post-Pandemic Transformation

David Bokhorst

The Next Generation EU recovery fund marks a turning point for socio-economic coordination in the EU. Its key instrument, the Recovery and Resilience Facility (RRF), requires that member states submit requests for grants to the European Commission, indicating, among other things, how they intend to address the country-specific recommendations (CSR) issued through the European Semester. This process gives the Commission more leverage on national reform agendas. In order to receive these grants member states need to follow a new set of EU recovery goals in their reforms. This new dynamic is expected to create a sharper debate around CSR implementation.

This paper examines how the interaction between CSRs and domestic politics in the Semester have unfolded. It explores the ways in which the influence of the Semester has been felt thus far. To identify the various effects and channels of this influence, this paper draws on the framework of Zeitlin (2009), which analyses the effects of the Open Method of Coordination on national reforms. Zeitlin's framework is utilized in studying two member states, Belgium and Italy, where the Semester has continuously played an important role in the discourse surrounding policy reform. The paper finds that the Semester exerts influence by confronting national actors with a European way of thinking about policy issues and demands a response (policy reform) in return. This role cannot be performed in an apolitical and mechanical way, thus potentially creating a strong tension between the EU and national actors over policy implementation. This tension will only increase with the RRF, as the new power of the Commission has caused the EU increasingly to become a part of national political games.

This paper explores important cases of CSR reforms in Belgium and Italy and finds two key lessons regarding the relationship between CSRs and the domestic politics of the Semester. First, both cases demonstrate that Commission labels of 'low-' or 'some progress' on CSR implementation does not automatically indicate a lack of domestic willingness to reform. This finding shows how actors have actively made use of the CSRs as authority devises to support their own agendas. Therefore, a lack of implementation can be hindered by genuine and legitimate disagreement between the domestic actors over these agendas. Second, when analysing the Semester's influence, CSRs should be assessed in relation to the entire policy process rather than solely on reform implementation. This paper asserts that an analysis of Semester influence should incorporate more indirect forms of influence. Such indirect influence, including domestic political party platforms and the perceived legitimacy of the EU and CSRs, played a major role in affecting whether policy reforms were implemented in both Italy and Belgium. These lessons carry significance for the post-pandemic structure of the Semester due to the increased power of the Commission to scrutinize member state reform plans. Through this new set-up, the EU will truly learn what it means to be directly invested in national reforms. This will have important implications for future research in studying the effects of the RRF on the relationship between the EU and domestic actors in the Semester.

Further Reading: Bokhorst, D. (2022) 'The Influence of the European Semester: Case Study Analysis and Lessons for its Post-Pandemic Transformation'. *Journal of Common Market Studies*, Vol. 60, No. 1, pp. 101-117. DOI: 10.1111/jcms.13266

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POLICY BRIEF

The EU's New Economic Governance Framework and Budgetary Decision-Making in the Member States: Boon or Bane for Throughput Legitimacy?

Robert Csehi and Daniel F. Schulz

The perennial debate about the alleged democratic deficit of the European Union (EU) has received renewed attention following the sovereign debt crisis. Against this backdrop, this article shifts its focus to the national level by analysing to what extent the EU's new economic governance framework (NEG) has improved or worsened the legitimacy of national budgetary decision-making.

Aiming to provide conceptual clarity and empirical nuance, this article adopts the notion of throughput legitimacy to analyse the changes in budgetary decision-making in three EU member states: Austria, Italy, and Portugal. It assesses how the throughput legitimacy of national budgetary politics has changed during and after the sovereign debt crisis. The authors provide three main findings. First, substantial improvements in the inclusiveness and accountability procedures of national budgetary decision-making are contrasted with remaining challenges to openness and transparency, mostly due to the continued excessive complexity in the EU's fiscal framework. Second, improvements have been more pronounced in member states exposed to the sovereign debt crisis, suggesting a levelling effect of the NEG on budgetary processes across EU member states. Finally, the authors do not find evidence that the overall decline in democratic quality in EU countries is due to changes brought about by the NEG. However, the article maintains that general concerns about the democratic deficit remain because EU fiscal rules tend to narrow the discursive space and limit national room for manoeuvre.

This article builds on an enhanced Varieties of Democracy (V-Dem) framework to analyse how the NEG influences procedural aspects of national budgetary decision-making. Substituting quantitative V-Dem scores with a qualitative assessment based on expert interviews, the article evaluates the three country cases along four elements of throughput legitimacy: openness, inclusiveness, transparency, and accountability. Disaggregating democratic quality into its component parts and analysing them empirically in a crucial policy domain – budgetary politics – allows the authors to identify several characteristics where democratic quality has actually improved vis-à-vis the pre-crisis practice of national budgetary policymaking.

However, the partial improvements of throughput legitimacy must ultimately be considered alongside the deeper-rooted challenges of input and output legitimacy in the EU. This consideration is important in the context of Covid-19. While the EU's response – especially the new Recovery and Resilience Facility (RRF) – provided a strong signal for strengthening the European project during a devastating crisis, the greatly upgraded powers of the European Commission to influence member state economies through also raises legitimacy concerns. Thus, building on the EU's efforts to increase the inclusiveness and domestic ownership of the NEG may prove even more important in this new era of EU fiscal politics.

Further Reading: Csehi, R. & Schulz, D.F. (2022) 'The EU's New Economic Governance Framework and Budgetary Decision-Making in the Member States: Boon or Bane for Throughput Legitimacy?'. *Journal of Common Market Studies*, Vol. 60, No. 1, pp. 118-135. DOI: 10.1111/jcms.13269

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POLICY BRIEF

Par le Haut Ou Par les Pays-Bas? French and Dutch Approaches to European Social Policy Coordination Compared

Marjoleine Hennis

Introduced in 2011, the European Semester (ES) offered a new method of supranational socio-economic governance to help deal with the euro area financial crisis. One of the most innovative aspects of the ES are the Country-Specific Recommendations (CSRs) – annual policy recommendations drafted by the European Commission and given to member states to provide guidance for national reforms. Whereas some academic studies assess the coordination of these policies by the speed and number of the CSRs implemented, European leaders have rather stressed the importance of national-level dialogue between governments and social partners in the drafting and implementation of CSR-driven reforms, as a way to improve socio-economic policy coordination. This article aims to provide a better understanding of the link between national-level social dialogue and the effectiveness of socio-economic policy coordination under the ES through a process-tracing analysis, carried out by comparing two country cases: France and the Netherlands, between 2011 and 2019.

France and the Netherlands are on opposite ends of a continuum of social dialogue methodology: the French model is characterized by a top-down approach ("par le haut") while the model in the Netherlands (Pays-Bas) is more bottom-up. By analysing two recurrent sets of similar CSRs for France and the Netherlands (one in the field of labour market segmentation and the other on social security), two different outcomes were found: while the French approach showed a relatively low meaningful engagement of social dialogue, the CSRs themselves were rather accurately implemented. By contrast, the situation in the Netherlands showed a relatively high meaningful engagement of social dialogue, but a less successful speed of implementation and rate of CSR completion. Thus, while the use of social dialogue may have positive outcomes in terms of stable and inclusive policies, the findings offer no evidence for the hypothesis that meaningful engagement of social dialogue in the shaping and implementation of CSRs leads to more effectiveness of the ES in terms of the speed and number of the CSRs implemented.

The article concludes with a plea for broadening the definition of effectiveness of the ES by systematically including an analysis of the role of social dialogue in the drafting and implementation of CSRs. The development of such an inclusive definition is expected to result in a better appreciation of the progress made in the ES.

Further Reading: Hennis, M. (2022) 'Par le Haut Ou Par les Pays-Bas? French and Dutch Approaches to European Social Policy Coordination Compared'. *Journal of Common Market Studies*, Vol. 60, No. 1, pp. 136-151. DOI: 10.1111/jcms.13270

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POLICY BRIEF

Gender and Crises in European Economic Governance: Is This Time Different?

Muireann O'Dwyer

The Global Financial Crisis (GFC) and the COVID-19 pandemic crisis are, despite their differences, both fundamentally gendered. The gendered consequences of EU responses to the GFC are well documented. While the COVID-19 pandemic is still ongoing, there is already growing literature showing the gendered fall out of the COVID-19 pandemic as well as of the EU's recovery plans. Taking the entrenchment of gendered inequalities as a point of departure, this study offers a feminist analysis of the current pandemic crisis by reviewing the experience of the GFC in the EU. Scholarly observations regarding earlier economic crises suggest that crises are gendered but also that crises are moments of intense legitimacy work. The comparison between the GFC and the pandemic crisis provides us three core lessons: (1) the importance of framing in constructing crises; (2) that also the legitimation of policy-making is a gendered process; (3) that crises have gendered consequences.

The first lesson to be drawn from feminist analysis of the GFC is that framing shapes policy responses. Crises play an important role, as they offer opportunities for contestation over such frames. However, the political conception of what counts as a crisis can lead to gendered consequences. This finding has significant implications for normalizing the EU economic response to the pandemic crisis, as this article shows that it has not been framed in a way that accounts for long-standing economic inequalities that exist outside of crisis times. Thus, the EU's pandemic response contains many challenges of framing that were already present during the GFC.

The second lesson is that the legitimation processes of policy-making are gendered. This is the case for both questions of representation as well as in the legitimation processes of economic policy, specifically that of so-called output legitimacy. In comparing the GFC and the pandemic response, this article shows some signs of policy learning in the EU through its increased focus on gender dimensions of the EU economic recovery plan, though it concludes that it is too soon to cast a full judgement on this comparison.

The third and final lesson discussed in this article is the need for – and the challenges to – gender mainstreaming. Gender mainstreaming was supposed to bring gender sensitive analysis into all the policy making processes at the EU level. However, there have been clear limitations in this initiative throughout its twenty-year existence. While gender mainstreaming has been discussed in an increased fashion during the pandemic response, new issues are highlighted regarding *where* and *how* this discussion of gender mainstreaming is taking place. These nuanced conceptions of gender mainstreaming have important implications for the salience and focus given to gender mainstreaming initiatives by the EU.

With the new spending capacities gained by the EU through its pandemic response programs, the importance of considering gendered consequences has perhaps never been greater. The lessons offered in this article represent a starting point for considering such consequences.

Further Reading: O'Dwyer, M. (2022) 'Gender and Crises in European Economic Governance: Is This Time Different?'. *Journal of Common Market Studies*, Vol. 60, No. 1, pp. 152-169. DOI: 10.1111/jcms.13273

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POLICY BRIEF

The European Green Deal: More than an Exit Strategy to the Pandemic Crisis, a Building Block of a Sustainable European Economic Model

Annette Bongardt and Francisco Torres

The European Green Deal (EGD), the European Union's (EU) broad roadmap to make the EU economy and society carbon neutral by 2050, is more than just another initiative for green growth. Instead, as this article argues, the EGD is a building block of the European economic model – alongside the Single Market and Economic and Monetary Union (EMU) – and represents a substantial qualitative change to European integration. However, the EU faced a critical juncture point early into the launch of the EGD with the onset of the Covid-19 pandemic crisis, thus leading to a situation in which the Union needed to address the pandemic crisis through the EGD framework for this programme to be successful. Adopting the perspective that the EGD is a building block of the EU economic model, this article considers whether the pandemic crisis has, so far, been addressed in this way. Drawing on an extensive analysis of existing literature and official documents, this article finds that the Covid-19 pandemic crisis, in fact, provided a missing link between the EGD's long-term objectives and conducive short-term policies, thus allowing the EU to capitalize on the opportunity and consolidate the role of the EGD as a new pillar of the EU economic model.

The EGD, while following up on previous EU climate change agendas, differs from past programmes with the sustainability lens that it applies to all polices, as well as to the economy and society at large. This lens represents a paradigm shift as it makes the EGD an overarching programme that aims at transformational change to the EU economic model, encompassing all previous economic coordination efforts in a structured and coherent way. Environmental protection is now considered in the context of economic development and, thereby, the EGD broadly reorients the EU macroeconomic coordination process from growth to sustainability.

The Covid-19 pandemic crisis caught the EU at a time when the EGD's long-term sustainability and climate neutrality objectives had just been launched. Despite this immense public health and economic crisis, the EU was able to incorporate the lessons it had learned from the sovereign debt crisis and provided an immediate and impactful EU-level response against the pandemic. It was the European Commission, acting as an agenda-setter, that recognised the opportunity provided by the pandemic to correct market failures (climate change being the largest) and promote the shift to a sustainable model for development. The Commission framed the EGD as an exit strategy for the pandemic crisis and, through new economic governance tools such as Next Generation EU and the Recovery and Resilience Facility, seized this opportunity by equipping itself with the funding and governing authority needed to accelerate this 'green' transition.

While it is still a young programme, the EGD seems to have so far developed into an important pillar of the EU's economic model. This development represents a significant advancement in EU climate change policy and signifies a qualitative paradigm shift in EU integration.

__Further Reading:__ Bongardt, A. & Torres, F. (2022) 'The European Green Deal: More than an Exit Strategy to the Pandemic Crisis, a Building Block of a Sustainable European Economic Model'. *Journal of Common Market Studies,* Vol. 60, No. 1, pp. 170-185. DOI: [10.1111/jcms.13264](https://doi.org/10.1111/jcms.13264)

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POLICY BRIEF

The Legal Architecture of the Economic Responses to COVID-19: EMU Beyond the Pandemic

Federico Fabbrini

Since the explosion of the Covid-19 pandemic crisis in Spring 2020, the institutions and member states of the European Union (EU) have taken unprecedented steps to tackle the dramatic health and socio-economic effects caused by the crisis. The purpose of this paper is to analyse, from an EU law and policy perspective, the consequences of the economic policy responses to Covid-19 on Europe's economic and monetary union (EMU). In doing so, this paper outlines the historical development of EMU, focussing on the asymmetry that exists between a centralized monetary policy and a decentralized fiscal policy, and explored how the new measures by the EU in response to the pandemic crisis have caused a shift in this organisation of EMU. The paper argues that the policy measures taken in response to the pandemic -- and in particular the Next Generation EU (NGEU) Recovery Fund -- have led to a major rebalancing of the EMU's economic and monetary pillars. This constitutes a paradigm shift in the functioning of EMU, as for the first time it endows the EU with relevant borrowing, spending and taxing powers. This paper then takes on a lens of Historical Institutionalism (HI) to analyse how these temporary programs could lead to permanent changes in the EU, and considers how NGEU has increased the need to strengthen the democratic legitimacy of the EU through treaty reform.

This paper highlights that, despite important reforms to the governance of EMU following the euro-area crisis, the original asymmetry of EMU architecture has remained largely unchanged. However, the Covid-19 pandemic constituted a game-changer, and in few months member states managed to adopt measures which had been until then regarded as unthinkable. These innovative initiatives, particularly NGEU, have given new fiscal powers to the EU and have profoundly influenced in the constitutional outlook of EMU. This transformation includes a new leadership role for the European Commission to spearhead EU economic recovery through the funding of member state grants that support a realigned EU economic growth program.

The growing economic integration and new EU-level fiscal powers brought on by the response to the Covid-19 pandemic crisis have raised challenges to the legitimacy and democracy of the EU which can only be addressed through reforms to the EU treaties. Thus, the need to back up this paradigm change of EMU governance with institutional and substantive amendments to the EU treaties raises a number of important new challenges and places a new level of significance to the upcoming Conference on the Future of Europe.

Further Reading: Fabbrini, F. (2022) 'The Legal Architecture of the Economic Responses to COVID-19: EMU Beyond the Pandemic'. *Journal of Common Market Studies*, Vol. 60, No. 1, pp. 186-203. DOI: [10.1111/jcms.13271](https://doi.org/10.1111/jcms.13271)
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POLICY BRIEF

The European Semester as Goldilocks: Macroeconomic Policy Coordination and the Recovery and Resilience Facility

Bart Vanhercke and Amy Verdun

The European Union (EU), in its need to quickly respond to the Covid-19 pandemic, created the Recovery and Resilience Facility (RRF) as a temporary institutional structure to provide financial support to member states through a combination of grants and loans. The RRF relies heavily on governance infrastructures originally established in the European Semester – an EU macroeconomic governance institution that is often criticized for its inability to generate policy reforms. Drawing on historical institutionalism (HI), this article examines two main research questions: one, how and why has the Semester become the main underpinning of RRF governance; two, has this new set-up changed the power balance among key financial, economic, and social actors in the EU. In its response, this article argues that the link between the RRF and Semester was made because of the Semester's 'goldilocks' features, being neither 'too soft' nor 'too hard' on member states in demanding policy reform. This article also finds that institutional social actors, while initially side-lined, have been successful in regaining their role within this new governance structure.

From an HI perspective, the placement of the RRF within the Semester is understood as a choice by the EU to follow a similar method of institution-building taken during the sovereign debt crisis. In this method, the EU creates new institutions during crisis periods through incremental steps, first establishing temporary initiatives to provide a quick solution and then, upon success, making such institutions more permanent over time. This article shows that the RRF has, so far, followed this 'path dependent' method of institution building. The Semester is argued to have been chosen as the framework for RRF governance due to its 'goldilocks' mode of soft governance, providing an inclusive structure and direction for member state macroeconomic policy reforms while not being overly intrusive. This linkage creates significant changes to the governance of the Semester, as the RRF gives the Semester more 'carrots' and 'sticks,' and creates an increased leadership role for the European Commission.

The changes to the Semester led to strong outcry from EU social actors, who felt that their role had been limited compared to the previous Semester operation. This article has found that there was, indeed, a serious risk that institutional social actors could lose the prominence they had previously in the Semester. However, such actors were also found to be successful in reclaiming their prominence in the Semester process, as the immediate urgency of responding to the crisis subsided and more traditional processes of the Semester resurfaced.

The overall findings from this article suggest that the change to the Semester, in becoming a 'harder mode of soft governance,' could make it more effective in its ability to guide member state policy reform. In addition, significant policy learning has occurred within the EU from this experience. This learning could create further changes to the Semester and to economic and monetary union governance even if the RRF does not become a permanent institution.

Further Reading: Vanhercke, B. & Verdun, A. (2022) 'The European Semester as Goldilocks: Macroeconomic Policy Coordination and the Recovery and Resilience Facility'. *Journal of Common Market Studies*, Vol. 60, No. 1, pp. 204-223. DOI: 10.1111/jcms.13267

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