The EU's initial response to the COVID-19 pandemic: disintegration or 'failing forward'?

Accepted for publication in the Journal of European Public Policy

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Abstract

This article examines the European Union's initial response (March-July 2020) to the multifaceted crisis caused by the COVID-19 pandemic. It does so on the basis of two competing hypotheses in relation to what this response indicates about the process of integration. The first is drawn from the literature on 'disintegration' while the second is based on the recent argument (Jones, Kelemen, and Meunier 2016) that the EU has been 'failing forward' in reaction to the crises that it has been facing for more than a decade. It is argued that while the first hypothesis ought to be rejected, there is evidence indicating that the EU has responded much more in line with the 'failing forward' thesis. Indeed it is argued that there is (in the EU's initial response) more evidence of the latter (forward) than the former (failing).

Key words

COVID-19, disintegration, EMU, failing forward, MFF, theories

Introduction

Over the past couple of decades the European Union has had to face a series of crises, e.g. in relation to the constitutional treaty that eventually led to the Treaty of Lisbon, the financial crisis that morphed into the crisis in the Euro Area, the migration crisis, Brexit and now the COVID-19 pandemic. In the course of these events, two sets of competing claims emerged in the academic literature on the development of the process of integration. The first is associated with the concept of disintegration, while the second is couched in the notion of 'failing forward'. The purpose of this article is to make sense of the EU's initial reaction to the COVID-19 pandemic by deploying these two literatures. The challenges generated by the COVID-19 pandemic both for the EU and its individual member states means that both sets of claims are potentially germane to our effort to make sense of how the EU responded to the crisis but the evidence shows that, far from being a case of disintegration, the EU's initial reaction contains some of the observable points associated with the notion of 'failing forward'.

This pandemic caused an external shock with expected largely asymmetric consequences. It quickly generated a fear of disintegration (Jones 2020), leading some commentators to state that it may well signify the end of the EU (see Maçães in Maçães and Bradford 2020). Since the threat posed by the pandemic clearly crosses borders, the expectation of joint action was both understandable and compelling but whether expectations are matched by actual decisions, the timing and content of these decisions could not be taken for granted, as the crisis in the Euro Area had demonstrated. This is so, for several reasons. The EU is a

multifaceted organisation whose action is based on the powers granted to it by its member states under the treaties. This delegation of powers is uneven across policy areas and the pandemic has highlighted this fact. Prior to reaching areas of policy where the EU has exclusive powers to act, the crisis had started as a public health threat. Yet, the EU's competence, at least in a strict sense, in this field is limited (Greer 2020, 1). At the same time, the distribution of actual capacities to respond to this multifaceted crisis is uneven across the EU's member states. On the economic front, the prospect of the destruction of large swathes of Europe's productive capacity forever (Draghi 2020) quickly became obvious. To the extent that countering this threat in economic terms requires major public expenditure that a) many EU member states cannot afford and b) appeared (initially) to be politically toxic in the more affluent ones, nothing less than the disintegration of the single market (as a bare minimum) was at stake at the onset of the crisis.

On the other hand, the EU's reaction to recent crises has been associated with the novel concept of 'failing forward' (Jones, Kelemen, and Meunier 2016). This entails 'piecemeal responses forged by minimum winning coalitions in the heat of crisis [that have] consistently moved the EU in the direction of deeper integration' through 'incomplete, unsustainable solutions and rejecting more comprehensive, reform proposals' (Jones, Kelemen, and Meunier 2016, 1012). The puzzle that this article seeks to answer is this: why did a crisis that could lead to disintegration end up fostering further (albeit incomplete) steps in the integration process?

Analysis proceeds as follows: the next section presents the logics of a) disintegration and b) 'failing' forward' in greater detail. The empirical material is presented in the third section of

this article. Specifically, the decisions examined here include the decisions made by the European Commission, the European Central Bank, the European Council, the Council and the EP at the onset of the pandemic (March-July 2020). Analysis takes account of their powers under the treaty in relation to health, the four freedoms as well as economic policy matters (competition policy, Euro Area matters and the new Multiannual Financial Framework). In the fourth section the case is made that the EU's initial reaction displays features of the 'failing forward' model – indeed more of the latter (forward) than the former (failing). The implications of these lessons are discussed in the conclusion where the centrality of the implementation of these arrangements (which is beyond this article's scope) is highlighted and – as a consequence – the preliminary nature of our argument is underlined.

Disintegration versus 'failing forward'

Disintegration

The idea of disintegration is as old as the European Communities/EU. It is also present in early theoretical work on European integration in the form of 'spillback', i.e. the withdrawal from specific obligations that are no longer regularly enforced and a reduction in the scope of Community action and institutional capacities (Lindberg and Scheingold 1970, 137). The idea of disintegration received three boosts recently from the crisis in the Euro Area and the possibility of 'Grexit', the migration crisis and then the UK's decision to withdraw from the EU (Jones 2018; Gräbner et al. 2020; Scheller and Eppler 2014) with one author going as far

as to indicate that 'the disintegration of the union is one of the most likely outcomes' (Krastev 2017, 108-9).

Definitions of disintegration involve one or more of the following elements: it is a process entailing the withdrawal of a member state; a reduction in the range of common or joint policies pursued by the EU; dismantling of formal or actual capacity of EU institutions to pursue such policies; withholding of requisite resources; decreasing compliance with EU law (Vollaard 2018, iv; Webber 2013, 2; Eppler, Anders, and Tuntschew 2016, 5; Webber 2019, 1135). It concerns the system and the actors involved therein (Webber 2019, 1135; Vollaard 2018, 253-5).

If the EU's initial reaction to the pandemic followed the logic of disintegration, we would observe at least some of these features, as indicated by, for example, known infringements that remain unpunished, the flexibility of existing frameworks would remain unused, the continuing inability to agree on the 2021-27 MFF (that had not been agreed when the pandemic started) or the adoption of a manifestly sub-optimal one (e.g. assistance to economically weaker member states would take the form of loans only) thus increasing the risk of the de facto (i.e. economic) fragmentation of the internal market.

'Failing forward'

Writing in relation to the crisis in the Euro Area, Jones, Kelemen, Meunier (2016) noted six core points. First, the initial design of the euro was incomplete because it was not created by a single political principal setting out to create an efficient set-up seeking to pursue a particular objective; rather it was couched in political compromises between several

governments with heterogeneous preferences including some who 'are unwilling, for domestic political reasons, to delegate to EU institutions the powers they would need to govern effectively' (Jones, Kelemen, and Meunier 2016, 1016). Second, the causes of the crisis resulted (at least in part) from the incomplete nature of these initial arrangements. Third, when the crisis intensified and the EMU edifice looked fragile,

> EU leaders opted to do what they thought necessary to save the euro, but nothing more. Taken together, the series of incremental reforms adopted sequentially in response to the crisis—steps including establishing bailout funds, tightening fiscal surveillance, and moving toward banking union—has led to one of the most rapid periods of deepening of integration in EU history. Yet, even as they took steps toward deeper integration to preserve the euro, EU leaders have acted much as they did at the inception of the common currency: repeatedly putting in place incomplete, unsustainable solutions and rejecting more comprehensive reform proposals. (Jones, Kelemen, and Meunier 2016, 1012)

Thus, fourth, the cause of the original design's incomplete nature remains influential as responses are couched in intergovernmental bargains between governments with heterogeneous preferences (Jones, Kelemen, and Meunier 2016, 1016-17). Fifth, in more abstract terms, these authors' argument is couched in the view that liberal intergovernmentalism captures well the dynamics of interstate bargaining in critical junctures but neofunctionalism is better at elucidating the dynamic that connects iterated intergovernmental bargains (Jones, Kelemen, and Meunier 2016, 1013). 'While negotiations between member states determine outcomes in the short term, policy outcomes over the

longer term reflect what one might expect to result from the forces of neofunctionalist spillover and supranational activism' (Jones, Kelemen, and Meunier 2016, 1015). Arguably, the latter point is due to the fact that incompleteness produces concrete results at the implementation stage. This is when gaps in previous agreements - such as the absence of a 'banking union' from EMU, or weak monitoring and sanctioning measures in asylum and migration policy (Scipioni 2018, 1362) - undermine effectiveness and are seized upon by the Commission as an opportunity for making proposals to fill these gaps.

The introduction of incomplete governance structures due to lowest common denominator bargains, statements by at least some national leaders pointing out that these incomplete structures 'are likely to prove inadequate', functional spillovers helping spark future crises, and the repetition of the cycle are the observable indicators highlighted by Jones, Kelemen and Meunier in their model (2016, 1017).

The pandemic caused a multifaceted crisis that relates to policy areas where the EU's competence varies considerably and the only institution that could come close to playing a horizontal central role (European Council), as even its President publicly noted in late March 2020, lacks EU-level crisis management capacity (RTBF 2020). As the crisis in the Euro Area demonstrated – there are national leaders who disagree on economic policy and whether EMU is complete and flexible (or counter-cyclical) or not. The unevenness of the EU's formal authority to act and the diverging capabilities of the member states also highlight the potential for failure in response to the pandemic. Taken together, these are the reasons why the 'failing forward' model is potentially applicable here.

The next section presents empirical material in the form of the formal decisions made at the onset of the pandemic (March – July 2020) by the Union's core institutions within their sphere of competence. In tracing the process that produced the EU's reaction, we draw not only on politicians' contemporaneous statements (which are central in the 'failing forward' model), but also on official documents from EU institutions (European Commission, European Council, Council, European Parliament, ECB) as primary sources, secondary literature as well as a broad range of informed media coverage, like others who have used the 'failing forward' model before (Jones, Kelemen, and Meunier 2016; Scipioni 2018). Rather than relying exclusively on those involved in the negotiations (with the associated risk of selectivity bias), our sources reflect a diversification approach aiming to produce a nuanced account. This broad range of sources is central to disintegration too given the aforementioned elements of this concept including the informal nature of some of its expressions.

The EU's reaction to the COVID-19 pandemic

This section presents the empirical evidence from the EU's initial response. It started from the field of health where the EU's competence is limited but then proceeded to unfold in the internal market, the four freedoms as well as financing the economy (including the new MFF).

Health

Under art. 168 TFEU the Union's action merely complements national health policies (inter alia) through research promotion, information and education, monitoring and – through the European Centre for Disease Prevention and Control (ECDC, an EU agency) acting in collaboration with national agencies - early warning. It also regulates a range of issues including standards for medical professions, pharmaceuticals (e.g. via the EMA's marketing authorisation), medical devices, and the free movement of patients. In cases of serious cross-border threats, the Commission issues alerts but the member states are in charge of making and implementing the decisions.

The ECDC reported, as early as 9 January 2020, 59 pneumonia cases 'possibly associated with a novel coronavirus' in Wuhan that had direct flight links to London, Paris and Rome, downplayed the risks but called for vigilance (ECDC 2020c). It subsequently noted the first reported cases within the EU in cities with direct links to Wuhan (ECDC 2020b). It also claimed that the detection of these cases 'proves that detection and confirmation of this novel virus is working in France, showing a high level of preparedness to prevent and control possible infections of 2019-nCoV' and noted that '[m]ost EU countries have plans and measures in place to contain this kind of infections and Europe has well-equipped laboratories that can confirm probable cases in addition to hospitals that are prepared to treat patients accordingly' (ECDC 2020b). The ECDC also warned about more imported cases but claimed that, despite uncertainties, 'European countries have the necessary capacities to prevent and control an outbreak as soon as cases are detected' (ECDC 2020b). Following the detection of a fourth case within the EU, the EDCD noted that '[t]he source of

infection is unknown and could still be active. Human-to-human transmission has been confirmed but more information is needed' and revised its risk assessment (ECDC 2020a).

At the political level, ministerial teleconferences of the 27 health and interior ministers led to concrete decisions early on. On 13 February 2020, i.e. nearly a month before the World Health Organization declared a pandemic, the 27 health ministers undertook to share information, resources and equipment within a broader cross-European strategy entailing 'close and enhanced coordination between Member States to ensure effectiveness of all measures (including in relation to diagnosis and treatment), including, if necessary, measures regarding travel, while safeguarding the free movement within the EU' as well as the adoption of a common approach seeking to limit the spread of the virus vaccine becomes available (Council of the EU 2020a). This involved tests to all airline passengers entering the Union via all major airports, extensive lockdown measures, the publication of detailed information on national capabilities (such as ventilators, intensive care beds and anti-viral drugs) and a decision 'to oversee the re-allocation of equipment and the re-distribution of healthcare professionals to member states in need' (Cottakis 2020).

On April 1st, 2020 the Commission issued guidance on how member states can use the flexibility under EU public procurement rules so as to deal the exigencies of the pandemic in terms of procuring medical supplies (European Commission 2020h).

Internal market

Restrictions placed on the movement of people between the member states of the Schengen area were not introduced in a co-ordinated manner. Rather, by 24 March 2020,

acting individually (Euractiv with AFP 2020), 14 Schengen countries had reinstated border restrictions in response to the pandemic. As regards third countries, the Commission proposed temporary restrictions on non-essential travel into the EU, the European Council endorsed them politically on 17 March (European Council 2020b) and the member states subsequently put them in place. The latter, more co-ordinated approach was subsequently taken with regards to the lifting of internal and external restrictions following proposals made by the Commission.

Despite the cross-border nature of the pandemic, rhetoric and decisions that have highlighted the need for co-ordination did not conceal an individualist reflex on the part of various member states. The European Commission, in addition to promoting a co-ordinated approach, has had to react to member states' restrictions to the export of 'an increasing range of products, starting with Personal Protective Equipment and extending more recently to medicines' (European Commission 2020g). As it pointed out, these amounted to bottlenecks in the production of essential supplies, effectively re-established internal borders and 'put obstacles to the effective protection of the health and lives of all'. Restrictions such as these were subsequently lifted or modified in accordance with the Commission's observations but not before - as the Commission acknowledged (European Commission 2020g) - the situation in Italy had been 'exacerbated' by national measures, such as export bans, that 'seriously disrupt the already strained supply chain'. In the case of air passenger rights, which several European airlines violated, in some cases with the explicit support of the corresponding national government, the Commission did not succumb to pressure to suspend these rights (Morgan 2020) and launched infringement proceedings against several member states (European Commission 2020i).

On 10 March 2020 the European Council agreed to ensure that the Internal market functions properly and any unjustified obstacles are avoided, declared that the Union and the member states 'stand ready to make use of all instruments that are necessary and asked the Commission to analyse the needs in relation to the provision of medical equipment and to propose initiatives to prevent shortages (European Council 2020a). In response, the Commission launched a joint public procurement project in relation to personal protective equipment (European Commission 2020c) and (on 19 March) decided to create the first ever strategic 'rescEU' stockpile of medical equipment (e.g. ventilators, personal protective equipment) to assist EU member states during pandemic (European Commission 2020e).

The European Commission enacted rules enabling member states to support the economy by making full use of the flexibility foreseen under the EU's current state aid regime (European Commission 2020m) to offer, for example, selective tax advantages, advance payments, short-term export credit insurance. The Commission subsequently authorised several such national measures (e.g. European Commission 2020l).

The Commission has also instigated the release of the European standards that apply to crucial medical devices and personal protective equipment thus facilitating the task of companies willing to swiftly start production and place products on the internal market more easily (European Commission 2020d).

Financing the economy

The ECB launched two major programmes in March 2020, namely

a) a new Pandemic Emergency Purchase Programme (PEPP) with an envelope of €750 billion until the end of 2020 (ECB 2020), which quickly produced a direct calming effect in bond markets and

b) extra net asset purchases of €120 billion (Lagarde and Guindos 2020).

This happened despite reported opposition from (among others in a small minority) the head of the German central bank (Reuters 2020e, 2020c). Since it entails no conditionality, it is more flexible and the issue/issuer limit of 33 per cent does not apply to it (Reuters 2020b; ECB 2020), the PEPP programme is not only more potent than the OMT programme, but also much more potent than many had hitherto realised. Crucially, the PEPP programme is deemed (Grund 2020) to meet the CJEU's criteria for compliance with EU law. Although its decision came under attack by traditional opponents of this type of policy (Issing 2020), the ECB subsequently increased (by €600 billion) and extended to June 2021 its programme (Reuters 2020a) aiming to increase liquidity and raise inflation in the Euro Area.

On the fiscal front, in what is a path-breaking act, the European Commission proposed (European Commission 2020a) and the finance ministers of the member states endorsed (Council of the EU 2020c) the activation of the general escape clause that exists under the Stability and Growth Pact. As a result, the member states have much more room to pursue fiscal policies commensurate with the scale of the crisis.

The Commission also instigated (European Commission 2020k) the Coronavirus Response Investment Initiative whereby 37 billion euros have been redirected from the EU's cohesion budget to the fight against the Coronavirus crisis and proposed to extend the scope of the

EU Solidarity Fund by including a public health crisis within its scope (in addition to SMEs and labour markets) (European Commission 2020f). This was subsequently enacted and entered in force on 30 March (European Parliament and Council 2020). Also, the EIB put in place a €25 billion guarantee scheme that will represent an additional €200 billion in support to small and medium-sized companies and other firms facing problems as a result of the pandemic (EIB 2020).

The European instrument for temporary support to mitigate unemployment risks in an emergency (SURE) (European Commission 2020j) entails loans intended to enable member states to support short-time work schemes and other similar measures, and thus protect jobs for employees and the self-employed facing the risk of unemployment and loss of income. The Council enacted this scheme on 19 May 2020 (Council of the EU 2020b). This is a major innovation adding to EMU some of the 'shock absorbers' it had been lacking.

Far-reaching proposals were tabled in early spring 2020. Common debt to finance the investments needed in the Euro Area was a common key point among them. Nine heads of state or government expressed their support for common debt issuance (Wilmès et al. 2020), an idea that in principle had Christine Lagarde's support (Reuters 2020d). These proposals were explicitly rejected by Dutch Prime Minister Mark Rutte (who stated that he "cannot foresee any circumstances" in which the Netherlands would accept Eurobonds since they are against the design of the EMU (Financial Times 2020)) and German Chancellor Angela Merkel with the latter explicitly stating her preference for ESM loans (Merkel 2020). As a consequence, the teleconference of the European Council on 26 March ended in failure (European Council 2020e).

The rejection was couched in the twin argument that a) the EU has a stabilisation fund, namely the European Stability Mechanism (ESM), which had significant amounts at its disposal and is meant to provide assistance in crises (Merkel 2020) and b) doing anything else is domestically unpalatable in political terms. Between March and early May the European press was full of reports of internal divisions and statements of national leaders of the 'frugal' member states objecting to the use of anything other than the ESM (Frankfurter Allgemeine Zeitung 2020a; De Meyer 2020; Stroobants, Kauffmann, and Malingre 2020). The ESM's head too supported the latter and argued for the use of ESM, possibly with additional loans being made available (Bonse 2020; Frankfurter Allgemeine Zeitung 2020b).

However, the ESM had become politically toxic for potential recipient states. The leaders of several among them (crucially including Italy's PM Giuseppe Conte) explicitly stated that they will not make use of the ESM (Bloomberg 2020) since the Italians had not forgotten how Greece was handled, as he pointedly noted (Meiler 2020). This was an important for two reasons. It was economically reasonable since the ESM issues loans that would then be added to the relevant countries' existing voluminous debt. In political terms, it raised the stakes for 'net contributors' because what they effectively were faced with was the stark choice between the economic fragmentation of the single market and the provision of real economic assistance in the form of grants for which the economically weaker member states were pleading. Moreover, perhaps for the first time since the onset of the Eurozone crisis, the 'frugal' member states were experiencing the limits of their own rhetoric since what appeared to be politically unpalatable at home (grants), could be less costly than the alternative, i.e. the potential economic fragmentation of the single market. For many more

member states, ESM loans were politically unpalatable because of the conditionality that was associated with them and the attendant image of subservience. This had become even more potent since – unlike Greece in the run-up to the public debt crisis - nobody could blame, for example, Italy for having become the most severely affected victim of the pandemic. In the economic sphere, Italy had also been consistently producing primary budget surpluses since 1992 but its debt (largely a legacy of the 1980s) had not gone down.

As the impact of the crisis began to unfold, awareness of its magnitude grew and positions started shifting. At the end of yet another videoconference of the European Council in late April 2020, its President announced his own conclusions (a sign of acrimony in meeting) that its members

> agreed to work towards establishing a recovery fund, which is needed and urgent […] of a sufficient magnitude, targeted towards the sectors and geographical parts of Europe most affected, and […] dedicated to dealing with this unprecedented crisis

and tasked the Commission – rather than an ad hoc body as had been done in the recent past - to urgently produce proposals commensurate with that effect (European Council 2020c).

The European Commission's proposal (27 May 2020) regarding the EU's broader (i.e. system-wide) economic response to the crisis was nothing less than pathbreaking (European Commission 2020b). It closely mirrored the Franco-German proposals of 18 May 2020 (Présidence de la République 2020). Most of the proposed measures were based on Next

Generation EU, a new temporary recovery instrument. Five aspects of this proposal stand out:

a) most of the funds would take the form of grants (approx. €500bn), while loans would play a complementary role (approx. €250bn);
b) these would be added to funding from the ECB, EIB and the ESM;
c) the allocation of the grants under the Recovery and Resilience Facility (the core element of Next Generation EU) would, under the Commission's proposal, take account of (inter alia) the total size of a member state's economy and, crucially, its unemployment rate;
d) Next Generation EU funds would be raised directly by the Commission from the financial markets thus benefitting from the EU's triple-A credit rating;
e) importantly, the EU's budget (rather than a special arrangement) would provide the framework for funding the economic response to the crisis – strengthened through new own resources so as to facilitate the repayment of the common debt and reduce the EU's reliance on national contributions.

This proposal received the explicit support of most leaders of the member states (totalling more than 90 per cent of the EU's collective GDP) but was met with vocal opposition from the leaders of a small group of member states (the Netherlands, Austria, Sweden and Finland) who managed to dilute parts of the original proposal in the negotiations that followed (June-July 2020).

The final agreement was reached after a marathon session of the European Council (17-21 July 2020). Under this agreement (European Council 2020d, passim), the EU budget will be

the framework for the funding of the EU's response to the economic crisis and the total amount earmarked for the 2021-2027 Multiannual Financial Framework (MFF) will be €1.074 trillion in addition to the €750 billion that will be devoted to the EU recovery fund. For that purpose, the Commission will be authorised to borrow funds on behalf of the Union on the capital markets (European Council 2020d, para. A3). These funds can be used for loans and grants (up to €360 billion and €390 billion respectively). The distribution of grants under the Recovery and Resilience Facility (RRF, the core element of Next Generation EU) will reflect the impact of the crisis in terms of loss in real GDP. Seventy per cent of the RRF's grants will be committed in 2021 and 2022 while the rest will be committed by the end of 2023 thus partially addressing one of the criticisms (Darvas 2020) voiced against the original proposal. National recovery and resilience plans will be assessed by the Commission within two months of submission. These plans must be consistent with the country-specific recommendations, enhance 'the growth potential, job creation and economic and social resilience' of the corresponding member state and effectively contribute to the EU's green and digital transition shall also be a prerequisite for a positive assessment. In procedural terms, an element of intergovernmentalism has been injected in the process, though not to extent that the 'frugal four' wanted. The Commission's assessment of the recovery plans needs the Council's approval, though not by unanimity but by QMV, which the Council shall endeavour to provide within four weeks of the proposal. As regards implementation, individual member states may 'exceptionally' ask the European Council's President to refer the matter to the next meeting of the European Council and the Commission would not make any decision regarding the satisfactory fulfilment of milestones or the approval of payments 'until the next European Council has exhaustively discussed the matter'. This process is not meant to take more than three months after the Commission has asked the

Economic and Financial Committee for its opinion and 'will be in line with Article 17 TEU and Article 317 TFEU.' (European Council 2020d, para. A19).

As regards the MFF, the European Council decided to introduce new own resources as part of the reform the EU's own resources system, entailing a new own resource (as of January 2021) based on non-recycled plastic waste, a digital levy and a carbon border adjustment mechanism (to be introduced by January 2023), a revised emission trading scheme 'possibly' including the aviation and maritime sectors, and 'other own resources which may include a Financial Transaction Tax', while the proceeds of the post-2021 new own resources will be used to repay Next Generation EU loans (European Council 2020d, para. A29).

In addition, 'light touch' conditionality will apply to these ESM loans. While ESM funding normally entails enhanced surveillance involving monitoring and reporting requirements that are added to the usual European Semester surveillance cycle, in this case

> '[t]he only requirement to access the credit line will be that the requesting ESM Member States would commit to use ESM Pandemic Crisis Support to support domestic financing of direct and indirect healthcare, cure and prevention related costs due to the COVID 19 crisis.' (Eurogroup 2020)

ESM officials calculated that a borrower would 'pay' a negative rate for these loans (Anev Janse and Ruhl 2020).

Overall then, to what do these initial decisions amount? This is discussed in the next section.

Disintegration or 'failing forward'?

Arguably this is not a case of disintegration because we did not witness any of the key elements of the definition of this concept (relating to level, scope, geographical coverage) in the EU's reaction to the pandemic. The withdrawal of a member state, the reduction in the range of common and joint policies pursued by the EU, the dismantling of capacity to pursue such policies, the withholding of requisite resources did not materialise. However, three instances of decreasing compliance with EU law did occur as noted above. They do not indicate disintegration because the EU's institutional framework appears to have worked and the Commission played its role as guardian of the treaty. If these cases were taken as evidence of disintegration although the system did work, the distinction between a functioning and a non-functioning system would disappear as would the difference between functioning integration and disintegration.

There is prima facie evidence that supports the 'failing forward' thesis. In fact, it is argued that there is more evidence of the latter (forward) than there is of the former (failing). In particular, when compared to the status quo ante, progress made in relation to financing the economy, a breakthrough in the direction of deeper and more integration was made although procedurally and in terms of the balance between loans and grants, the final decision also bears the hallmarks of intergovernmentalism and may well end up amounting to less than what the crisis actually requires.

Several of the arrangements that the EU has put in place in response to the pandemic deepen integration after having hitherto been vehemently opposed by the leaders of several member states, including the hegemonic power that is Germany. Most of them are entirely new and include, in particular

- an EU counter-cyclical policy that – in addition to measures adopted at the national level – complements on the macro-economic front the ECB's monetary policy;
- the deployment primarily of grants, more than loans, for the EU Recovery Fund;
- the design of the ECB's (large) PEPP programme;
- the SURE scheme;
- raising via the Commission (rather than individual member states) funds directly from the financial markets;
- the use of the EU budget instead of the ad hoc logic of the recent past or, indeed, the intergovernmentalism of the ESM;
- finally, new own resources that have been agreed and, coupled with Next Generation EU, stand to lead to a dramatic increase of EU funds from just over €1 trillion to €1.8 trillion.

These are significant advancements because they address some of the key lacunas in EMU's design by providing stabilisers, transfers as well as an element of counter-cyclical policy in the face of a shock with asymmetric consequences in an already economically uneven Euro Area. Crucial here is the fact that these arrangements reflect the logic of handling the Euro Area as a single economy, not as an assortment of national economies. Moreover, the new own resources will increase the autonomy of the Union and will, as a consequence, reduce

the ability of individual member states to block or undermine appropriate responses to collective problems.

In light of this deepening ('forward'), why refer to 'failing'? The volume of EU-level expenditure has led some economists to argue that the grants will not suffice since, in fact, their volume is much smaller than the headline figure suggests (Münchau 2020). The Council's important role in the assessment of national recovery plans and their implementation may well create unnecessary delays at a time when speed remains of the essence. Reliance on intergovernmentalism entails the risk of repeating instead of avoiding one of the mistakes made during the financial crisis. Indeed, they did not even re-use the recent EMU reform whereby the Commission's view holds if it is not opposed in the Council by QMV (reverse QMV). The other indication of lowest common denominator bargaining leading to an incomplete arrangement is the fact that several member states could be expected to shy away from using the loan element at the implementation stage due to the implications of the rise of their public debt (as Italy's PM Conte explicitly noted at the time). This is likely to undermine the effectiveness of the overall spending package. Even if these loans are used, the corresponding rise of these countries' public debt, coupled with the future deactivation of the SGP's general escape clause, are likely to spill over into a new crisis along old faultlines. Both were highly foreseeable at the time of the European Council's decision in July 2020. Both would be fully in line with the 'failing forward' model that highlights the endogenous origin of crises resulting from incomplete arrangements (Jones, Kelemen, and Meunier 2016, 1028). The grant element is important but also temporary (yet another sign of incompleteness). Taken together, one cannot say that, as things stand, these are the systematic, long-term transfers that a still incomplete EMU

needs. Finally, the continuing use of rebates means that member states that have been severely hit by the pandemic's economic consequences will fund five of the Union's wealthiest members (Denmark, Germany, the Netherlands, Austria and Sweden) (European Council 2020d, para. A30). Overall, the temporary nature of some of these potentially far-reaching reforms, the intergovernmental nature of parts thereof, coupled with the watering down of the original proposals that occurred during the negotiations due to the unanimity rule and divergent national preferences (i.e. the logic of the lowest common denominator) help paint a picture of incompleteness that is a hallmark of the 'failing forward' model. As indicated above, the implementation stage will be, as always, decisive, as it was in another case where the 'failing forward' model has been found to operate: asylum and migration (Scipioni 2018).

Conclusion: more 'forward' than 'failing'

The individualist tendencies of several member states were initially quite prominent but without amounting to disintegration. Having subsequently realised the value of cooperation, they have put together a 'timely economic stimulus' (FT Editorial Board 2020) in response to a crisis whose economic impact proved far worse than that of the Eurozone crisis (ECB 2021, chart 4). Moreover, they have agreed major reforms that were long overdue in EMU but the temporary nature of some of these reforms and the fact that some were introduced at a price gives the impression of a glass that is half full.

These reforms may well end up amounting to systemic change and, as a consequence, may prove to be far-reaching and followed by others such as the calls for a 'European Health Union' involving new EU-level competences, new EU-level agencies, the strengthening of the ECDC and the proposal regarding the involvement of the European Parliament in decision making (Guttenberg and Nguyen 2020). Much of this will depend on the extent to which the members of the European Council will realise how incomplete these reforms are. Until then, the preliminary conclusion is that in its initial reaction to the pandemic the EU has been 'failing forward' – indeed, there is more evidence of the latter, than of the former. A more definitive one will need to take account of the implementation of these reforms for it is at that stage that the forces of neofunctionalism may be unleashed thus leading, in turn, to crisis and further deepening.

Biographical notes

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Acknowledgements

The authors are grateful to Jeremy Richardson and the journal's referees, as well as Matt Bevington, Pierre Bocquillon, Dimitris Chryssochoou, Erik Jones, Hussein Kassim, Argyris Passas, Marco Scipioni, Rob Singh and Yolanda Valassopoulou for useful comments on earlier versions of this article. Dionyssis G. Dimitrakopoulos also gratefully acknowledges the comments received during research seminar presentations at the University of East Anglia and Birkbeck. The usual disclaimer applies.

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