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Waiting at the grave: Explaining the continual post-COVID-19 suspension of the European
Union's Stability and Growth Pact



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“No one dies with dignity. We just try to ignore the elephant somehow.”
- Jason Isbell, *“Elephant”* (Isbell, 2013).

Abstract

This paper investigates the causes behind the continual suspension of the European Union's (EU) Stability and Growth Pact (SGP) under its general escape clause (GEC) throughout the period of 2020-2023. The GEC was triggered in March of 2020 on the recommendation of the European Commission to give member states fiscal room to cope with the COVID-19 pandemic, but has remained in place for over three years, despite the subsiding of pandemic emergency measures, restored levels of economic activity, and the repeated recommendations and predictions from numerous European institutions that the rules were to be reinstated at the end of 2022 by the very latest. With the emergence of a legislative proposal from the European Commission to reform the SGP's rules, questions have emerged from journalistic endeavours and academic literature as to the purpose of the extended suspension. This paper utilises explaining-outcome process-tracing as described by Beach and Pedersen (2013) to compare the expectations and assumptions of varying theories, particularly the “failing forward” theory of Jones et al., (2016) to investigate and explain the European Commission's decision-making in the case of the SGP's continual suspension. It concludes that the continual suspension can be minimally explained by ongoing reform efforts by the European Commission, in line with the theoretical expectations of Jones et al. and the findings of Schön-Quinlan and Sciponi (2017). It cannot rule out that the escalation of the Russo-Ukrainian War, and the economic knock-on effects, played a part in the decision for continual suspension. The findings of this paper have implications for understanding the European Commission as a fiscal actor in an economic crisis, and understanding the relevance of particular theories of European integration to the historical context of the COVID-19 pandemic.

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1. Introduction

Much ink has been spent over the past three years on how COVID-19 changed the world as we knew it. The pandemic upended politics, reordered the field of public health, divided societies, decided elections, and killed millions (Demombynes et al., 2023).

One less-discussed casualty of COVID-19 was the existing fiscal framework of the European Union (EU). The Stability and Growth Pact (SGP) was created piecemeal in 1997 and 1998 to align the fiscal policies of the European Union's member states on the principles of low deficit spending and small national debts (European Commission, 2020a, p. 2). These policies reflected the conventional economic wisdom of their time (Stiglitz, 2019), and they largely survived the series of economic and political onslaughts which often forced that conventional wisdom to be reconsidered among academics and policymakers (Stiglitz, 2019, Cohen & DeLong, 2013), remaining intact both throughout the 2008 financial crisis and the Eurozone sovereign debt crisis of the 2010s. While reforms to the pact's surveillance, corrective, and coordinative mechanisms took place in 2005, 2011, and 2013, the overall structure of the pact remained firmly in place (European Commission, 2020a).

However, faced with the impending danger that the COVID-19 pandemic posed to the European economy, the heads of government of the European Union, acting together as the European Council and following the recommendation of the European Commission, triggered the SGP's General Escape Clause (GEC) for the first time on the 23rd of March, 2020 (European Council, 2020). This suspension of the SGP's rules (although notably, not its procedures of fiscal coordination) would allow member states to commit to high spending in order to lessen the dramatic economic consequences of the deadly epidemiological circumstances plaguing their countries. The member states took great advantage of this change in the fiscal rules, vastly increasing their budget deficits in order to fund new programs, including widespread furlough schemes, expanded social safety nets, assorted direct payments to citizens and firms, and large, complex schemes to provide vaccinations, personal protective equipment (PPE), and COVID-19 testing kits across the 27 states of the Union (Giupponi et al., 2022).

At the time when this work is being written, it has been over three years since the General Escape Clause was enacted. Since the announcement, the SGP has been re-suspended several times, for the years of 2020, 2021, 2022, and now for the entirety of 2023 (European Council, 2020; Valero, 2021; Allenbach-Ammann, 2023). It is worth noting that this was not how European authorities intended the suspension of the rules to go. Already in June of 2020, the Commission published a review with the thrust that the fiscal rules should be reinstated as soon as possible (European Commission, 2020b). This was followed up by a paper by the European Parliament's in-house think tank, which stated that the rules should be reinstated by 2021, (Gern, 2020), and a formal communication from the Commission to the Council of the European Union which spelled out a series of quantitative benchmarks which would determine when the rules would be reinstated, with the expectation that this would be done by 2023 (European Commission, 2021a).

Despite these declarations, predictions, and recommendations from the relevant European institutions, the Commission announced in May of 2022 that the General Escape Clause would remain suspended throughout 2023, and perhaps for longer. These repeated missed deadlines raise the question as to why the Commission has elected to keep the rules suspended. While the Commission's explanations have remained clear, citing the economic effects of the pandemic, and more recently the Russian invasion of Ukraine (Valero, 2022), another debate about EU fiscal policy remains the proverbial elephant in the room: a proposed overhaul of the SGP. Talk of reforming the SGP has proliferated for almost as long as the Pact itself has existed: (Annett et al., 2005) nevertheless, during the current period of suspension, this talk has moved from the circles of particular politicians and academics into the mainstream of the European fiscal debate. French President Emmanuel Macron and then-Italian Prime Minister Mario Draghi made headlines when they called for sweeping reforms to the SGP in a 2021 Financial Times op-ed, and the Commission was comfortable enough with such a proposal, despite objections of certain member states, to speak openly of the prospect of significant reforms in 2022 (Draghi & Macron, 2021; Leali, 2021).

Since then, the proposals for reform have moved forward from comments made by various state governments into real legislative proposals from the Commission, and an outline for reform published in 2022 was made into such a formal proposal in early 2023. This was done under the aegis of the Swedish Presidency of the Council of the European Union, under which resolutions

regarding this particular issue have been moving swiftly (POLITICO, 2022). However, the sweeping legislative proposal which was brought forward by the European Commission in April of 2023 has raised questions among certain public policy experts as to the political feasibility of the reform (Lindner & Redeker, 2023). Furthermore, this legislative proposal naturally raises questions as to the purpose of the extended suspension of the SGP: namely, whether the Commission's suspension decision rested on the official explanations, other economic reasoning, or as a way of buying time for a backroom deal on overhauling the SGP entirely. More pressingly, it raises questions from the perspective of public administration scholars as to how these different factors affected the Commission's decision-making in this matter.

The fundamental question which this research will seek to answer is *why the European Commission chose to suspend the Stability and Growth Pact into and through 2023*. The phenomenon under investigation is the decision on the level of the Commission to continually suspend the SGP, including past self-assigned deadlines for lifting the General Escape Clause (European Commission, 2021 a).

Sub-questions for this point of research relate to the origins of the decision and the ways in which the historical and institutional environment of the decision influenced the continual suspension.

These include the following:

- What was the role of historical events in this decision, such as the 2022 Russian invasion of Ukraine?
- Did the Commission make this decision on its own initiative, or was it pushed to this decision by state actors or other institutional actors?
- What was the role of any plans to reform the SGP, which have moved from backroom negotiations and are now being debated among the states and the institutions?

While this is a quite interdisciplinary question, which combines a study of public policy and administration with elements of economics, International Relations, and European studies, it is chiefly a question of economics and of public governance. The fiscal rules of the European Union are directly relevant for nearly every question of public economic policy and governance which

could be asked in the European Union. The SGP regulates the total spending, deficit spending, public debt, long-term investment strategies, and economic viability of not only some of the world's largest economies, but of a combined polity which is the third-largest economy in the world (OECD 2023c). Understanding how decisions surrounding spending have been made, and why the SGP has been suspended, will be crucial for understanding how all of these questions will be answered in the coming years and decades in the European Union.

For this same reason, the relevance of this research, particularly at the time it is being written, is quite significant on an academic level: this is a decision of great importance, and not only in terms of the social and economic implications for everyday Europeans and those who find themselves reliant on the decisions of the European Union. The findings of studies of the European Commission's decision-making on this matter, even if particularised to the case, can inform future researchers as to the processes that led to this decision, and may lead to greater understanding of the process by which the European Commission reaches decisions generally, as well as how this has changed over time, by comparing this study's findings to the findings of previous, related studies. Lastly, while this question is of vital importance within its recent historical context, this context and the eventual fate of SGP reform will continue to play out over the coming months and years, and for that reason this research will establish a firm cutoff of 1 May, 2023, after which no additional information will be taken in and considered for the purpose of keeping the research both limited in scope and clearly replicable.

The analysis conducted here will examine this question by focusing on the role of the European Commission as the decision-maker which chose to extend this suspension. It will evaluate the publicly available information about the Commission's behaviour using process tracing. It will do this by creating a series of theoretical and empirical expectations based on the relevant academic literature and journalistic endeavours and comparing the implications of these expectations against the statements and publications of the relevant administrative authorities, either those of the Commission themselves or those directly relevant to the Commission's decision-making. This analysis will begin by examining the available literature on the topics which relate directly to the question. The gap in the literature which this analysis seeks to close relates to how the European Commission conducted itself as an administrative and fiscal actor during and after COVID-19.

Several studies have observed and described the Commission's behaviour in similar contexts of preceding economic crises, but understanding how the Commission behaved in this regard during the COVID-19 pandemic, when several other facets of European governance changed both significantly and rapidly, will be incredibly useful to understanding the Commission as an ever-evolving administrative actor.

2. Literature Review

To explain the potential causes of the extended suspension from a theoretical perspective, a review of the relevant academic literature is necessary. For this purpose, three topics will be considered as they relate both to the current scenario and potential explanations for the current dilemma to be found in said literature. First, a selection of theories regarding the fundamental theories of the integration of the European Union, the bases of which say much about what the EU is and how it acts more generally, including the role of the Commission. The second topic will be selected pieces of literature attempting to explain European governance during crises, with two points of emphasis: the Commission's role as a fiscal actor in economic crises and the EU's reaction to the COVID-19 pandemic. Finally, the third topic explored will be the politics of the SGP, so as to better understand the theoretical expectations and observations around the Pact. As the case under investigation is quite particular, this base of explanatory literature from which to draw a variety of certain expectations is of great importance, particularly in later establishing a single theoretical framework.

Selected theories of European integration

The fields of Public Administration, European Union Studies, and International Relations alike abound with analyses of how and why the European Union has gone about integrating its varying political and economic systems since the end of the Second World War. Within a work as narrow as this one, all of these theories cannot be examined with any serious level of depth. For that reason, certain selected theories relevant to the literature of understanding European integration *qua* the structure of European decision-making will be examined here. To keep the literature review itself brief and relevant to the topic, approximately one work from each of the considered theories will be reviewed. The debate over European integration in the past several decades has been dominated by two central theoretical frameworks, namely liberal intergovernmentalism and (neo)functionalism, with a third framework, "failing forward," emerging in recent years as an

alternative which combines elements of the two and specialises in explaining changes emerging from crisis.

Liberal intergovernmentalism, in its most basic form, holds that European decision-making, at its core, is intergovernmental in nature, rather than federal or pseudo-federal. Andrew Moravcsik's seminal 1993 paper, "Preferences and power in the European community: A liberal intergovernmentalist approach" (Moravcsik, 1993) lays out the basic framework of this theory in its best-understood, 'new intergovernmentalist' form. This work was followed up by his 1998 book, "A Choice for Europe" (Moravcsik, 1998), which lays out the same theory with a greater degree of hindsight and some slight modification. In these works, Moravcsik describes the European Union (referred to as the European Community in his 1993 work), as ultimately a "successful intergovernmental regime designed to manage economic interdependence through negotiated policy coordination" (Moravcsik, 1993, p. 474). This explanation, opposed to more federalized or top-down explanations, holds that the EU does not necessarily require special theories to understand how it works: it is fundamentally explainable through the standard theories of international relations, particularly (neo)liberalism, in which states behave as unitary, rational actors seeking a harmony of their varied national interests and the achievement of common, absolute gains, often through the construction of international organisations (Moravcsik, 1993). This conception of the EU thus transforms the Commission, the Council, and Parliament from institutions operating off of their own initiative and featuring their own workplace pathologies, a view common about international organisations in the field of Public Administration, (Barnett and Finnemore, 1999) into mere channels for the views of member states, who hold the real power in decisions to further integrate Europe, as well as to decide the Union's course overall (Moravcsik, 1993). From this perspective, any analysis which centres on the Commission as a decision-maker of its own accord will yield little explanatory power.

Another second relevant theory of European integration is Neofunctionalism. Neofunctionalism focuses on the ways in which the supranational authorities and institutions which manage the European Union utilise their own, individual power, and the way in which this exercise of power, both from these institutions and from member states assigning any new powers, duties, or responsibilities to these institutions, creates "spillovers" where those abilities lead to further

interdependence beyond what was intended, comparable to the idea of a positive externality in the economic sciences (Haas, 1958). These spillovers expand the areas where increasing European competence becomes more efficient, leading to a continual series of spillovers whereby the supranational elements of the Union gain more and more power in comparison to the states.

The final framework this paper will analyse is the “Failing Forward” framework of Jones, Kelemen, and Meunier, as published in their 2016 paper, “Failing Forward? The Euro Crisis and the Incomplete Nature of European Integration” (Jones et al., 2016). This theory is somewhat syncretic in nature, combining elements of liberal intergovernmentalism with elements of neofunctionalism in explaining the process of European integration. The theory holds that European integration, incomplete by definition, creates or exacerbates crises which require collaborative European action to resolve them. Solving these problems often requires deeper integration, which member states, reluctant to give up additional sovereignty and competencies to an increasingly central European government, will agree to only insofar as they manage to keep for themselves as much power as possible. These solutions, known as “lowest common denominator” (LCD) solutions, (Jones et al., 2016, p. 1027) themselves entail a still-incomplete integration, which in a negative form of neofunctionalist spillover, creates further crises which require additional integration. This crisis-centred element in particular makes this final theory quite useful to observing the case at hand, as it explicitly deals with European action in crisis, and how this relates to larger questions which concern integration.

With the basic tenets of these three central theories in mind, this review will now move on from theoretical understandings of European integration to documenting literature which explicitly deals with European governance in crisis. As this itself is a broad field, this overview will be conducted with an eye towards works which deal with fiscal matters, the COVID-19 pandemic, and other works which involve an analysis of the role of the European Commission.

European governance in crisis: the Commission as a fiscal actor

Two central papers deal with the European Commission’s activities as an actor during fiscal crisis. The first of these two is the 2017 work of Thomas Warren, Patrick Holden, and Kerry Howell, which deals with how the European Commission conducted itself during the eurozone crisis in terms of

the debate around reform or modification of fiscal rules, particularly in relation to other actors, such as the member states. This analysis centres largely on the year 2012 and the debates around changes in fiscal policy related to the Economic and Monetary Union which were going on at the time (Warren et al., p. 1314). Warren et al. found that the behaviour of the Commission was much more restrained in terms of jostling for power or centralization than may have been expected during such a dramatic period of crisis. They go on to describe that the Commission's behaviour during the crisis, particularly in suggestions for reform or change, was much more in-line with the expectations of intergovernmentalist theories, with a great deal of strategically cautious behaviour towards the member states and a lack of desire to push aggressive reforms.

The second of these papers, "The Commission as policy entrepreneur in European economic governance," was published in the same year by Emmanuelle Schön-Quinlivan & Marco Scipioni (Schön-Quinlivan & Scipioni, 2017), and addressed the Commission's role in the 2005 and 2011 reforms of the Stability and Growth Pact. This paper uses process-tracing to analyse the ways in which the Commission navigated these crises vis-à-vis other actors to implement its own policy preferences. The authors reached two main conclusions on the power of an implementation crisis to transfer powers to supranational institutions, following the multi-stream policy framework (MSF) of Kingdon. First, the stream of politics (again, following Kingdon's MSF) creates "systemic ambiguity" (Schön-Quinlivan & Scipioni, 2017, p. 1183). With this ambiguity, the stream of policy then becomes monopolised by those advocating specific reforms. Their second conclusion is that policy entrepreneurship often came from sources other than the top, and DC ECFIN (the Directorate-General for Economic and Financial Affairs) was constantly involving itself in the process, while member states felt weak and less able to interject. The findings of Schön-Quinlivan & Scipioni are notably different from those of Warren et al., with the latter holding that the Commission behaves in a strategic, avoidant manner during interstate fiscal negotiations and the former holding that the Commission is able to dominate discussions around policy reforms, even over the member states.

European governance in crisis: COVID-19

When discussing European fiscal governance during a crisis, it is crucial to explicitly touch on the crisis in which the current case examined by this paper finds its historical context. The post

COVID-19 literature on EU governance has additionally raised several new points for how this historical event, novel for the European Union, has impacted the path of European integration, particularly with context for the Commission's ability to act on and constrain the member states.

"Failing forward: a critique in light of COVID-19," the 2021 work of Martin Rhodes (Rhodes, 2021), combines a retroactive analysis of an earlier theoretical framework, "failing forward," with a contemporary empirical critique of that framework's ability to understand European integration and the EU's response to crises more generally. Rhodes does this primarily through an overarching comparison between the United States' response to COVID-19 and that of the European Union, with positive findings for the EU's ability to avoid merely "failing forward" and instead finding itself able to flexibly and creatively generate new institutions and structures to effectively tackle the COVID-19 pandemic, with a noted exception only in matters of vaccine procurement (Rhodes, 2021, p. 1537). Rhodes posits that Jones et al.'s concept of "lowest common denominator solutions" employs circular reasoning, which will always present greater alternatives as potential outcomes which the EU chose not to opt for, even when said options were not realistic or even feasible. Any solution the EU chooses must, by the rules of the framework itself, inherently be an example of "incomplete integration." (Rhodes, 2021, p. 1538) As a result, Rhodes believes that aspect of the framework to be an unhelpful analytical tool. Looking at the European response to COVID-19, Rhodes places special emphasis on the work of the Commission and a coalition of states which created the Next Generation EU investment package (NGEU) and other assorted financial responses, which he categorises as decidedly not minimal or of a "lowest common denominator" (Rhodes, 2021, p. 1549). In fact, Rhodes holds the reaction of the EU was much greater in scale, speed, and scope than may have been expected, and the forms of integration which Jones labels as "incomplete" grant the EU as a pseudo-federation, in Rhodes' conception, greater flexibility than rigid, top-down federal structures like those of the United States (Rhodes, 2021, p. 1549).

Rhodes' description of the NGEU agreement as both unique and radical is shared by De la Porte & Jensen in their 2022 work, "The next generation EU: An analysis of the dimensions of conflict behind the deal" (De la Porte & Jensen, 2022) which studied the deal and the manner in which it was agreed by the varying member states responsible for negotiating the arrangement in the

European Council. Crucially, De la Porte and Jensen identify a balance between three different axes of debate: fiscal matters, rule of law, and policy arrangements. This balance allowed for states to strike different alignments and alliances related to these axes, both with and against each other, which varied in strength and durability. Ultimately, the compromises struck within and between these three axes allowed for the creation of the NGEU investment package, whose large-scale grant-based redistribution and usage of commonly pooled debt represented a sea change in European investment policy (De la Porte & Jensen, 2021, p. 388). In conclusion, De la Porte & Jensen concluded that the COVID-19 pandemic and Europe's response could be the EU's so-called "Hamiltonian moment" (referring to the mutualization of states' debt in the United States in the late 18th century under President George Washington and Treasury Secretary Alexander Hamilton), if these changes ultimately endure as part of the EU's policymaking arsenal (De la Porte & Jensen, 2021, p. 399).

However, this necessarily positive view of European governance during the COVID-19 crisis was not necessarily universal. Other authors focused on varying aspects of the recovery strategy, as well as identifying points where the EU showed either alternative strengths or weaknesses in its ability to respond to COVID-19. In particular, Lukas Schramm's 2022 review of various works on the COVID-19 pandemic identifies varying ways in which the pandemic has changed Europe, both for the better and for worse. Schramm summarises the "academic consensus," including some of the works listed above, by describing COVID-19 as a symmetric and exogenous shock, one which induces particular integratory pressures (as opposed, for example, to the migrant crisis) (Schramm, 2022, p. 200). But pressure for increased integration, highlighted in much of the previous literature, was far from alone as an impact that the pandemic had on the EU.

Maior & Camisão's "The Pandemic Crisis and the European Union" offers some more upfront criticism of the EU's action during the crisis, with less emphasis put on the novelty of the NGEU package and more on the fact that predominantly national measures were used to handle the COVID-19 crisis for much of its duration, with emphasis put on the delay in developing supranational, EU-wide measures to effectively tackle the pandemic. The suspension of the SGP serves as an example of this. While it was quite clearly warranted from an objective economic perspective, which would suggest that urgency in spending to avoid further economic turmoil was

crucial, it was a clear example of (perhaps temporary) dis-integration, where powers were suspended at the European level and returned to the national level. This relates to much of Maior & Camisão's description of the EU's behaviour during the pandemic, which, similar to Rhodes (2021) before them, they trace to the EU's inherently multi-level governance structure. While Rhodes sees this as a net benefit in crisis management when compared to more unified federal structures such as the United States, Maior & Camisão identify this as part of the reason for such a delayed, disjointed, and insufficiently federalized response to the crisis on the part of the EU (Maior & Camisão, 2022).

Given the Commission's ability to act as a fiscal actor in crisis, both strategically to dodge the pressure of member states and with the ability to roll over member states when needed, and the expectation-defying drastic actions of the European Union during the crisis to complete large scale reform procedures, the elongated suspension of the SGP stands out as an unexpected outcome even beyond a missed deadline, and as such an unexplained outcome without an obvious theoretical framework with which to explain it, necessitates a more careful and individualised explanation. For this reason, this analysis will now move on to a review of the Pact itself.

The Politics of the Stability and Growth Pact

Lastly, it is also crucial to review the literature touching upon the recent politics of the Stability and Growth Pact, as to ascertain the role of the Commission, the role that member states play in the work or decision-making of the Commission, and the ways in which reform prospects have been drawn up or worked their way through the decision-making process.

Mileusnic's 2021 paper, "Steps Towards a European Fiscal Union. Has the Revised Stability and Growth Pact Delivered So Far" (Mileusnic, 2021) analyses the SGP explicitly through its status as a building block for a future fiscal union, which would be a more "complete," in the terminology of Jones et al., form of fiscal integration. Mileusenic seeks to understand whether the revised SGP has a positive effect on states' fiscal prudence, and finds that it has done so. He compares adherence to the supranational rules and the additional fiscal recommendations and their effect on specific budgetary practices, and finds a positive effect of adherence on said practices.

Van der Veer's 2022 work, "Walking the Tightrope: Politicisation and the Commission's Enforcement of the SGP" (Van der Veer, 2022), analyses how the Commission's enforcement strategy is shaped not only by the mandate it carries, but also the politics (within and without) which surround how enforcement is viewed inter-institutionally and how it can be carried out from a top-down perspective. Van der Veer argues that up until the suspension of the rules in 2020, increased politicisation has by default increased the flexibility that the Commission tends to show in enforcement. Crucially, the suspension itself is viewed by Van der Veer as a part of, not necessarily independent from, the changes in the SGP leading up to the COVID-19 crisis. The anger at the Pact's enforcement of strict debt and deficit rules, particularly from less frugal states, largely forced the hand of the suspension, and will necessitate that any potential reform "take especially seriously questions of political mandate" if it is to ultimately succeed. As we will see, this view is not shared universally among scholars of European policymaking.

This element of a political mandate is further discussed by Johannes Lindner and Nils Redeker of the Jacques Delors Centre, which engage with the most recent attempts to comprehensively reform the SGP. Their 2023 paper, "It's the politics, stupid" strikes a comparatively pessimistic tone on the reform proposal made by the Commission in the spring of 2023 in no uncertain terms, writing that "the EU risks letting a once-in-a-decade opportunity slip" (Lindner & Redeker, p. 1) in its latest attempt to reform the fiscal rules. Lindner and Redeker's analysis of the proposal reaches a series of conclusions about the current state of reform prospects, as well as a series of recommendations for the upcoming negotiations and amendments to the given proposal. Primarily, Lindner and Redeker describe the aims of the Commission as "economically sound, but politically overconfident" (Lindner & Redeker, p. 1). The gaps between the positions of the member states and the ambitious aims of the Commission, from the perspective of the authors, appear too large to bridge with conventional negotiation without a fundamental change in tact. This is emphasised by the difficulties which come with attempting to implement the individualised procedures imagined by the reform in the face of opposition from fiscal economic actors.

3. Theoretical Framework

Given these findings and the state of the academic literature, this analysis will now move forward with laying out a theoretical framework from which the current case can be reviewed to draw conclusions as to both the academic and social relevance of the case.

Beginning from the literature review's first topic, that of European integration, the primary framework within which this analysis will be conducted will be that of *failing forward* (Jones et al., 2016). This framework utilises both the findings of previous significant theories of European integration (liberal intergovernmentalism and neofunctionalism) and offers its own contributions. This theory is also situated specifically within the literature in analysing European reaction to crises, with implications for European integration in the aftermath of said crises. Finally, this theory has also been the recipient of critical re-evaluations, notably that of Rhodes (2021), in light of the COVID-19 pandemic, which serves as the historical backdrop for this investigation. This provides for a framework with multiple alternative sets of expectations. As briefly described in the literature review, the core of the "failing forward" theory consists of the following three stages:

- 1) Incomplete European integration makes the Union less resilient, creating or amplifying a crisis through neofunctionalist-esque negative spillovers.
 - In this context, with reference to previous analyses of the SGP and European fiscal architecture, (Mileusnic, 2021) this is the incompleteness of a European Fiscal Union, of which the SGP is a part. This incompleteness hampered states' ability to spend to counteract the economic effects of the pandemic, exacerbating the crisis and necessitating its suspension.

- 2) The need to resolve this crisis forces the Member States to engage with one another in a liberal intergovernmentalist fashion and strike a bargain which further integrates the Union - however, as states seeking to preserve their sovereignty, this agreement will be very basic, a "lowest common denominator" agreement, which commits to integration in as limited of a form as possible.

- In this context, this would be an agreement to *reform* the SGP to make it more suitable for crises such as COVID-19. The role of the Commission will be discussed later.

3) This incomplete agreement itself reflects another case of incomplete integration, which will in turn cause crises of its own and force a new round of negotiations and integration (Jones et al., 2016).

This thesis will concern itself with operating within the first and second stages of this framework. However, rather than testing the validity of the theory itself, what is being tested here is a singular curious outcome within a particular historical context, requiring additional theories to effectively answer for the outcome. Thus, the critical view on this theory provided by Rhodes will also be considered within this framework, giving this analysis the opportunity to present multiple hypotheses based on the literature.

This paper is situated in the literature as part of the various qualitative works assessing the Commission's role during a fiscal crisis. Other relevant works within this area include the previously-discussed Schön-Quinlivan & Scipioni (2017,) and Warren et al., (2017). Due to research constraints, the focus of this paper will be on analysing the Commission's actions and public statements as opposed to conducting in-depth interviews with relevant officials. A precise research design and methodology for data collection will be selected in the subsequent portion of this analysis.

4. Research Design & Data Collection

As mentioned in the above review of the literature, the specificity and uniqueness of the case means that while the case exists embedded in a particular section of academic literature, namely, literature discussing the Commission's behaviour during fiscal crisis and its relation to the SGP. Given that this analysis is embedded in that particular context within the literature, opting for a *within-case research design*, similarly to Warren et al (2017) and Schön-Quinlan & Sciponi (2017) would appear to be an ideal strategy. Aside from the unique insight this focus will grant into the actor in question, this also avoids an excessively sprawling analysis. Focusing on second-order

relevant actors, such as the relevant member states or the Economic and Social Committee (ESC), or the dynamics within the Council, including COREPER and working groups, would require much more research than could be executed within a reasonable time frame.

This is reinforced by the fact that this question is being examined specifically from a Public Administration perspective, rendering the administrative body of the European Commission an ideal point of examination, especially considering that the Commission is the key player in this question, being the body which made the key decisions to extend the suspension of the SGP through 2021, 2022, 2023, and into 2024 (Valero, 2022). On the matter of research design, the comprehensive work of Dimiter Toshkov (2016) lays out further benefits and drawbacks of opting for a within-case analysis.

In terms of limitations, there is a danger that the findings could be generalised when they should not be: single-case designs, as a matter of course, have limited external validity (Toshkov, 2016). In this particular case, this is less of a concern, as the subject matter at hand is not intended to apply in investigations across multiple regional blocs or other semi-federalized bodies, but specifically to the European Commission itself. There are also further benefits to such an analysis. As mentioned before, single-case studies often allow for a more in-depth explanation of the work of specific actors, which this analysis will attempt to achieve. For this in-depth explanation to be put to better use, its findings can be tested again within a wider context through the employment of small-N analysis to review the same question (Toshkov, 2016). However, this task will be left to later researchers, a point elaborated on in this work's conclusion. For these reasons, as an analysis of a single case, the motives and actions of other actors, such as the other European institutions or the various states of the Union, will only be considered in their capacity of affecting the decision-making of the European Commission, and these actors themselves will not be analysed as to why they came to any positions they hold.

In terms of methodology, one framework in particular stands out as uniquely suited to this analysis: outcome-explaining process tracing. Process tracing was used in a previously described piece of literature which sought to explain the behaviour of the Commission (Schön-Quinlivan & Scipioni, 2017), and it is well-suited to the case. First, it is a within-case methodology, which fits a study of

the Commission, matching previous analyses of crisis-situated fiscal decision-making. Secondly, variations of process-tracing, (specifically explaining-outcome process tracing) allow for multiple alternative hypotheses to be considered, evaluated, and even syncretically combined into new explanations, rather than just testing a singular theory. Given the different theoretical expectations within the selected framework among varying branches of the “failing forward” hypothesis, as well as the different potential explanations which do not entirely rely on that theoretical framework, this is optimal. Finally, process-tracing allows for consideration and serious analysis of a variety of journalistic sources (Schön-Quinlan & Sciponi, 2017), which is crucial for a piece of research which is being conducted so close to the event being analysed.

For these reasons, this analysis will operate within the framework of explaining-outcome process-tracing as described by Beach & Pedersen (2013). Thus, drawing from Beach and Pedersen, the goal of this paper can be said to generate a “minimally sufficient explanatory outcome:” Beach & Pedersen (2013, p. 21) i.e. to utilise the expectations and the causal mechanisms of the theories described and the empirical reality observed to explore this case, test the facts of the case against the expectations of the theories, and, if feasible, construct an explanation (possibly using multiple causal mechanisms or explanations) to explain why the Commission has continued to suspend the SGP rather than reinstate it in 2023.

In conducting an outcome-explaining process tracing study, it is essential to use the theory and empirical evidence examined to create a series of theoretical explanations (also referred to in process-tracing as “hypotheses,” although it is important to clarify these expectations sometimes lack the clear and rigid causal mechanisms necessary for a scientific hypothesis.) These expectations often either slightly overlap or directly contradict one another, but the purpose of these expectations is to repeatedly test them against available evidence to generate the aforementioned minimally sufficient causal explanation (Beach & Pedersen, 2013). Typically within multi-stage process-tracing analyses, hypotheses which pass their tests will be reincorporated into a new composite analysis, which incorporates the findings of the previous stage into a newly developed causal mechanism, which draws from varying theories and empirical findings to create a syncretic explanation for the outcome under investigation (Beach & Pedersen, 2013). Reviewing this syncretic explanation then allows for appropriate conclusions to be drawn.

To this end, I have developed a series of theoretical expectations, derived from either the theoretical framework being utilised by this analysis or from empirical bases published by European institutions or described in journalistic endeavours covering the ongoing suspension (and more recently, debates surrounding reform of the rules entirely). This analysis will begin by examining two hypotheses which are derived from empirical explanations, (the benchmarks set by the Commission as well as the economic disruption caused by the Russian invasion of Ukraine,) while the third hypothesis and its sub-hypotheses delve into varying expectations which emerge from different interpretations of the central theoretical framework underlying this analysis.

*H1: “**Slow growing.**” Economic growth and activity in the Eurozone, the Commission’s main indicator for when to unsuspend the SGP, remained too low to end the general escape clause.*

The empirical basis of this hypothesis stems from the 2021 white paper published by the European Commission. *“The level of economic activity in the EU or euro area compared to pre-crisis levels (end-2019) would therefore be the key quantitative criterion for the Commission in making its overall assessment of the deactivation or continued application of the general escape clause”* (European Commission 2021a, p. 8).

The terms the Commission uses in this paper are often quite vague, although this statement (and others made within the relevant communication) is definitively concrete and serves as an excellent starting point for the analysis. If economic activity in the EU and the Eurozone remained below pre-crisis levels throughout 2021 and especially 2022, then this explanation would seem to be perfectly suited to the continued suspension. The tests to be conducted would also be relatively straightforward: namely, comparing key components of economic activity from 2019 with the subsequent years.

*H2: “**Endless crisis.**” The invasion of Ukraine and its direct economic effects forced the hand of the Commission to support continued suspension.*

The empirical basis of this theoretical expectation is the formal explanation of the Commission for the continued suspension, which touched on the Russian invasion of Ukraine and its knock-on economic effects as a key factor in maintaining the GEC (Allenbach-Ammann, 2023).

H3: “Failing forward.” The Commission is utilising the suspension to push for reforming the SGP in order to avoid reinstating it as-is.

The basis of this theoretical expectation stems from the seminal work of Jones et al., which describes how “incomplete integration,” (here being the SGP, which forms an incomplete basis for a future European Fiscal Union, as described by Mileusnic) leads to crisis, (here being the inability to dramatically increase spending to address the COVID-19 pandemic, resulting in the need for suspension,) which itself leads to some form of “lowest common denominator” progress in integration, (here being a reform of the rules.) The suspension here represents an intervening stage between the crisis and the reform, extended due to the need to complete the reform without reverting back to the given rules (Jones et al., 2016). Rather than coinciding with the suspension period, this expectation holds that reform efforts are part of, if not entirely responsible for, the continued suspension.

There are three sub-hypotheses which further clarify how the reform and “failing forward” process (or an explicit lack thereof) may have led to an extended suspension period.

H3.1 “Never waste a crisis.” Reform was part of the intent when discussing how the General Escape Clause could be lifted during the early stages of the COVID-19 pandemic.

This hypothesis emerges from the theoretical expectations of one of the most ardent critics of “failing forward,” namely Martin Rhodes, whose 2021 paper compares the respective COVID-19 responses of the European Union and the United States, with favourable findings for the former in terms of flexibility and reform-minded ambition during a crisis. This hypothesis takes a more optimistic view of the power of the European Commission, assuming that the reform, rather than a “lowest common denominator,” was a factor from

the beginning of the suspension period in using a crisis to redesign crucial European institutions.

H3.2 “Plan B.” The impetus to concretely reform the SGP came about during the crisis related to conversations about lifting the GEC.

This more classical version of “failing forward” takes as its starting point that reform was not considered from the beginning, but emerged from failed agreements as to how to go about reinstating the SGP’s spending rules. In this scenario, the reform represents a “lowest common denominator,” as in Jones et al.’s framework, rather than a bold attempt to utilise the crisis to change the EU’s fiscal framework.

H3.3 “Failing to fail forward.” The disagreements underlying the reform attempts are much deeper than may have been expected, and the resulting reform proposal will need to be significantly modified.

This most pessimistic of the relevant hypotheses holds that the existing disagreements between reform-minded and frugal forces are more severe than the Commission hoped for: the Commission’s reform plan is too politically ambitious and will need to be reworked completely, and the resulting deadlock is the fundamental reason behind the pact’s continued suspension (Lindner & Redeker, 2023).

Following the setting-out of these theoretical expectations, this analysis proceeds by testing these expectations and examining them against the available information, academic, institutional, journalistic, interview-based, or otherwise, using particular forms of evidence, (pattern, sequence, trace, or account,) to provide answers to tests which will bolster or disprove the aforementioned hypotheses (Beach & Pedersen, 2013).

Following the example of Schön-Quinlivan & Scipioni (2017), described in the literature review and similar both in subject matter and in methodology, the evidence considered in this analysis will include journalistic publications, public statements of relevant officials of the European

Commission, interview data when available, and additional academic findings uncovered related to the tests conducted. Searching through these points of data, four types of evidence will be considered, again following the specifications of Beach & Pedersen (2013).

The first type of evidence under consideration is *pattern evidence*: this pertains to statistical patterns or truths in a numerical sense, such as income, GDP, or life expectancy. The second type of evidence is *sequence evidence*: this is evidence which reveals the sequence of events, such as whether a change in policy preceded its alleged cause, which has the potential to bolster or disprove related causal statements. The third type of evidence is *trace evidence*, whose mere existence is sufficient to prove a given fact or portion of a hypothesis: for example, if there are questions as to whether a certain meeting took place, the publication of the meeting's minutes would confirm this. Finally, there is *account evidence*, which relates to the content of empirical material. An example of this type of evidence could be the subject matter of an interview on a relevant topic (Beach & Pedersen, 2013).

These types of evidence will then be applied to process-tracing tests created for the aforementioned hypotheses, specified as according to Collier (2011). There are four types of tests in Collier's framework: *straw-in-the-wind tests*, which are low in uniqueness or in certitude, "the likelihood that the evidence will be there if the hypothesis is true," (Toshkov, p. 295), but may provide an indication as to a hypothesis' validity one way or another; *hoop tests*, the passing of which is necessary but not sufficient in isolation for a hypothesis to be true (so thus high in certitude but low in terms of uniqueness); *smoking gun tests*, which are not necessary to prove a hypothesis but are themselves sufficient, (highly unique but low in certitude,); and finally, the rare *doubly-decisive test*, which, if passed, both proves that a hypothesis is true and disconfirms all other explanations (Collier, 2011; Toshkov, 2016). Following the hypotheses constructed, the sorts of evidence described, and the varieties of test put forward, a series of tests, conditions, and required evidence will be constructed, operationalizing the implications of these explanations into clear, testable criteria. These specifications will be explained and justified in their relevant analysis portion, but a summary table has been provided below for ease of reading and for later reference:

Figure 1: Process-Tracing Tests

Matching Hypothesis	Test	Form of test	Passing condition	Required evidence	Theoretical or empirical justification
H1	Measuring economic growth (real GDP and overall output)	Hoop	Was GDP growth (real and nominal) in the Eurozone and the European Union in 2022 below pre-crisis levels?	Pattern	(European Commission, 2021)
H1	Measuring economic activity (household consumption)	Straw-in-the-wind	Was household consumption in the Eurozone and the European Union in 2022 below pre-crisis levels?	Pattern	(European Commission, 2021)
H2	Evidenced statements from the Commission	Straw-in-the-wind	Direct statements from Commission representatives affirming the war's impact on suspension.	Account	(European Commission, 2022)
H2	Supporting evidence for the claim made by Commission representatives	Hoop	Substantive backing for any evidenced claims by the relevant Commission representatives	Trace	(European Commission, 2022)
H3.1	Early Commission discussions of reform	Hoop	Discussions of reform before the outbreak of the pandemic.	Sequence	(Jones et al., 2016)
H3.1	Early Commission discussions of reform	Smoking gun	Commission discussing potential reform following the outbreak of the pandemic and before the March 2021 communication to the Council	Trace	(Jones et al., 2016)

H3.2	Disagreements between states over reform	Smoking gun	Explicit discussion of reform from a Commission representative in the context of fiscal disagreements during the suspension period.	Account	(Jones et al., 2016)
H3.2	Whether the Commission's published reform outline does or does not reflect stated goals of states.	Hoop	Commission's reform outline overlaps broadly with public statements from heads of state, finance ministers, or other relevant national officials	Trace, Account	(Rhodes, 2016)
H3.3	More fundamental deadlock on the purpose of any reform	Hoop	Conflicting statements or publications from European or national officials on member states' intentions vis-à-vis fundamental reform principles	Account	(Lindner & Redeker, 2023; Tordoir & Van Dijk, 2023)

This table of tests lays out in a straightforward fashion the way that the test's "passing conditions" have been operationalized: these are derived by determining given factors from the statement of the theoretical expectation or hypothesis which are either necessary or sufficient (or in the case of straw-in-the-wind tests, merely relevant) for the statement to be true, and using those factors as the respective variables which either affect or do not affect the Commission's decision to further suspend the SGP. The purpose of this strategy is to maintain a clear degree of both reliability and validity in examining the results, with an eye towards future research. Clearly defined criteria which, following Collier (2011) and Beach & Pedersen, (2013), directly affirm, confirm, or disconfirm relevant hypotheses, will allow the same tests to be conducted with any new evidence, (or re-examined with a more cautious eye towards older evidence, given the cutoff date established)

and will allow future researchers to apply similar specific expectations to related cases in a more cautious and refined manner, with an eye towards avoiding the generalisations which can be made in within-case analyses.

5. Analysis

The main body of this thesis will consist of conducting a series of process-tracing tests to analyse the provided hypothesis to explain the actions of the Commission. Although this paper seeks to explain the actions of the Commission in issuing its formal recommendations vis-à-vis suspension, other actors, (such as the member states) will be considered *qua* barriers or supporters of Commission action, although the reasoning behind their own actions will not be investigated as part of this research to preserve the within-case analysis required for process-tracing.

H1: “Slow growing.”

This hypothesis, based directly on the Commission’s predictions and statements regarding real GDP growth and overall economic output in their 2021 communication to the Council, (European Commission, 2021a) is one of the easiest to test, given the explicit nature of the quantitative expectations as well as the clear deadline given. A short series of tests arise naturally and directly from these statements:

- An examination of 2022 real GDP growth and real GDP compared with 2019 real GDP growth and real GDP in the Eurozone and the entire European Union.
- An examination of GDP (using the output approach) in 2021 and 2022 compared with the GDP of 2019.

Interpretation of any results is also simple in nature: the Commission’s benchmarks and predictions are very straightforward: *“Real GDP is now expected to reach pre-crisis levels in the second quarter of 2022 on average in the EU and the euro area. However, output is not projected to return to its pre-crisis trend by the end of 2022. [...] The level of output in the EU or euro area compared to pre-crisis levels would be the key quantitative criterion. Current preliminary indications would suggest to continue applying the general escape clause in 2022 and to deactivate it as of 2023”* (European Commission, 2021a, pp. 2-14). This indicates that real GDP and economic output

remaining under or at pre-crisis levels by late May of 2022, when the decision to continue the most recent suspension was enacted will mean that the test has been passed and that slow growth can explain, in whole or in part, the continued suspension.

However, given the emphasis the report places on “economic activity” without explicitly mentioning growth each time, alternative measures to GDP are also worth considering. Employment, while a key criterion in fiscal policy making, is explicitly ruled out by the same white paper, where the Commission describes the measurement as inappropriate for decisions surrounding the GEC due to possibly “*misrepresent[ing] economic conditions due to the massive use of short-time work schemes, involuntary part-time work and the fact that labour market indicators react with a lag to economic developments*” (European Commission, 2021a, p. 7).

For this alternative measurement, I will also consider levels of *household consumption* compared to pre-crisis levels, both the EU and the Eurozone. Chiefly, this is because this measurement is taken state-by-state by Eurostat, which makes the data accessible both to the Commission for decision-making purposes and to hypothetical future researchers seeking to replicate this research or to conduct similar research. Furthermore, household consumption, although a component of GDP, carries unique properties independent of GDP, including being an indication of consumer confidence (OECD, 2023).

Before discussing the tests’ results, a short word on the data used and the consistency of the relevant datasets is in order. The predictions made by the Commission in March of 2021 use the index method of measuring real GDP over time, whereby a given value (here Q4 of 2019 real GDP values) is assigned a secondary value of 100, and all other values are measured in percentage where that value is equal to 100%. (85% or 105% of the EU’s real GDP in Q4 of 2019 would be listed as ‘85’ or ‘105,’ et cetera) This analysis will use currency values rather than the index method. As the index method is done for simplifying purposes, this is not expected to significantly change the results produced, but clarification on the difference in method is important for purposes of reliability and validity. If it is believed that any discrepancies are caused by a change in method, the relevant analysis will be performed again using different methods of measurement.

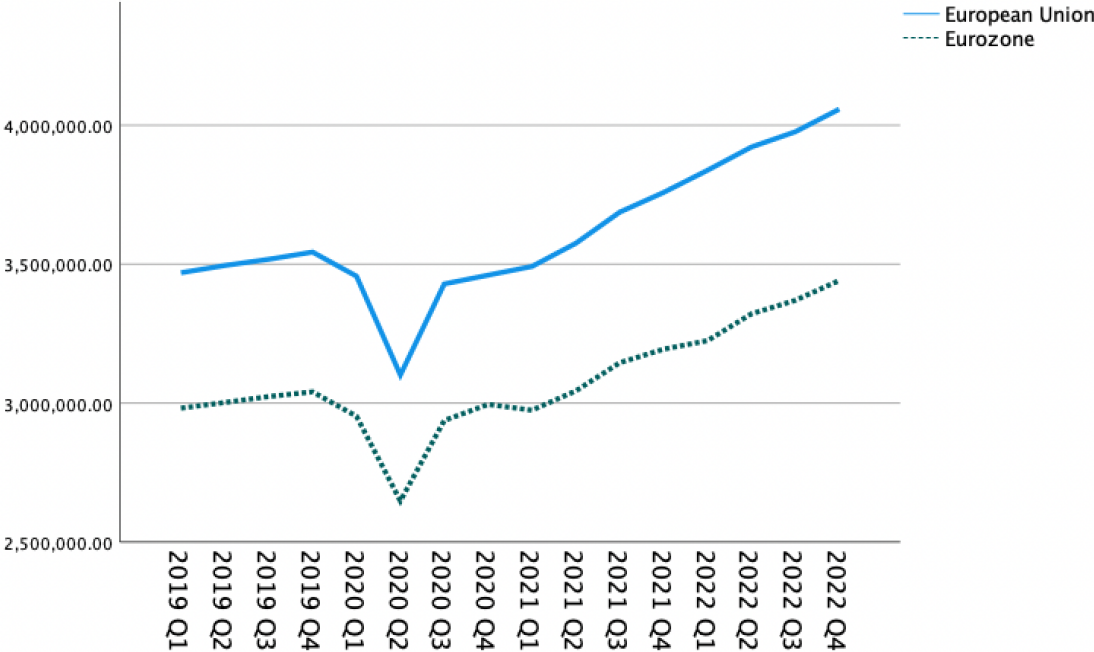
Two sources were used for data on the EU and Eurozone's GDP figures and household consumption statistics, namely Eurostat (Eurostat, 2022) and the OECD's statistics database, which sources its figures from Eurostat (OECD 2023a; OECD 2023b; OECD 2023c). The GDP figures are presented by the OECD with options for procuring datasets specifically for the European Union (without the United Kingdom) and the Eurozone (EZ). Eurostat's database on household consumption, on the other hand, gathers statistics from much of the European continent without clearly distinguishing between EU/EZ states and non-EU/EZ states. As a result, measurement of household consumption from the available data requires the creation of a custom dataset for separate analysis (Eurostat, 2023). For this dataset, I simply excluded non-EU countries for the EU analysis, (once again including the United Kingdom, whose departure from the European Union in early 2020 rendered it outside the scope of this investigation) and non-EZ countries for the EZ analysis, with one exception.

The available data on the Eurozone's output and growth is complicated by the inclusion or exclusion of Croatia, the newest member of the Eurozone. Ideally, Croatia could be excluded in all cases, having not adopted the Euro until the first of January 2023, and thus not being relevant for any of the economic analyses in this portion of the paper, which do not account for any data after the end of 2022. (The last of the three suspension decisions was made in May of 2022.) However, the available data from Eurostat and the OECD with regards to GDP vary as to whether they use the EZ-19, (Eurozone excluding Croatia) or the EZ-20 (including Croatia.) Furthermore, whether EZ-20-based data is disaggregated by member state varies, so manually excluding Croatia is not possible in all cases. For the sake of accuracy and consistency, I will not compare Eurozone GDP analyses which feature Croatia against those without the member state, and will further specify which analyses include or exclude Croatia if need be. As Croatia's GDP alone is not enough of an outlier to substantially alter the growth rates of the whole Eurozone (OECD 2023a), this is not anticipated to be a problem, but if it leads to inconsistent results it will be analysed in greater detail.

First, to the nominal GDP figures, as described in figure 2. GDP can be calculated in multiple ways: one of the foremost methods is the output or production method, also known as GDP (P) (Lee, 2011). This method focuses on calculating the value of goods and services produced within the economy. This method was highlighted by the Commission in their 2021 communication to the

Council as the “key quantitative criterion” for lifting suspension for this reason, (European Commission, 2021b, p. 14) as production is a highly valuable piece of quantitative information for policy making, informing policymakers as to the value of all the goods and services produced domestically within a given economy, without being conflated with expenditure (Lee, 2011).

Figure 2: Quarterly nominal GDP (output approach) in the European Union and in the Eurozone, 2019-2022 (in millions of euro)



In the figure, it is clear that while production takes a dramatic dip in 2020 as a reaction to the onset of the pandemic, it managed to recover quite quickly, reaching pre-crisis levels by the end of the second quarter of 2021, shortly following the publication of the March communication, and continuing to grow sharply from that point onwards. This was in sharp contrast to the pessimistic predictions of the Commission in early 2021, which stated that it was not believed that output would reach pre-crisis levels until 2023.

Now this paper will move on to analysing real GDP and real GDP growth. Both the overall levels and the growth rate of real GDP within the EU, defined as the quarterly increase in the value of an economy’s gross domestic product when accounting for changes in price, (OECD, 2023) was also

mentioned by the Commission as key quantitative criteria for deciding when to lift the General Escape Clause within the same communication to the Council. Similarly to nominal GDP, however, both real GDP and real GDP growth recovered surprisingly well following the large decrease of the second quarter of 2020. By the end of 2021, real GDP had grown 2% from its initial position at the final quarter of 2019, and it continued to grow onwards up until the end of 2022, despite the Russian invasion of Ukraine and the subsequent economic toll taken on the European continent.

Figure 3: Quarterly real GDP growth in the European Union and in the Eurozone, 2019-2022 (in percentage, 2015 prices) (OECD, 2023)

	2019 Q1	2019 Q2	2019 Q3	2019 Q4	2020 Q1	2020 Q2	2020 Q3	2020 Q4	2021 Q1	2021 Q2	2021 Q3	2021 Q4	2022 Q1	2022 Q2	2022 Q3	2022 Q4
EU27	0.7	0.4	0.3	0.1	-2.9	-11.1	11.5	-0.1	0.2	1.9	2.2	0.7	0.7	0.7	0.4	<u>-0.1</u>
EZ20	0.6	0.3	0.2	0.0	-3.3	-11.5	12.3	-0.2	0.0	2.0	2.3	0.6	0.6	0.9	0.4	0.0

Figure 4: Real GDP and real GDP growth of the European Union from 2019 to 2022 (Annual, 2015 prices) (OECD, 2023)

	2019	2020	2021	2022
Real GDP (millions of USD)	18,516,350.9	17,470,274.3	18,419,204.5	19,068,819.1
Real GDP growth (% , year-over year)	1.8	-5.6	5.4	3.5

It would seem that the reality of the situation shifted a great deal shortly after the communication was published in terms of its long-term predictions. While the data for 2021 was mostly accurate in its prediction, (with the year's real GDP nearing, but not surpassing, 2019 levels,) predictions for 2022 were vastly more pessimistic than they needed to be, predicting hardly any growth at all. While growth slowed in 2022 compared to 2021, it still outperformed the predictions that real GDP would only reach pre-crisis levels by the final quarter of 2022. Contrast these quarterly data with the projections in the 2021 communication to the Council, (Figure 5) and real discrepancies become visible, even near the time where the Commission's report was being written. For clarity, a graph is also presented for comparison using the available data for the overall number of real GDP

levels (which is only released annually,) although it is hoped that the quarterly values for growth will supplement this argument appropriately.

Figure 5: Projections of quarterly real GDP figures of the European Union from 2019 to 2022 (Index method, 2019 Q4 =100) (European Commission, 2021, p. 17)

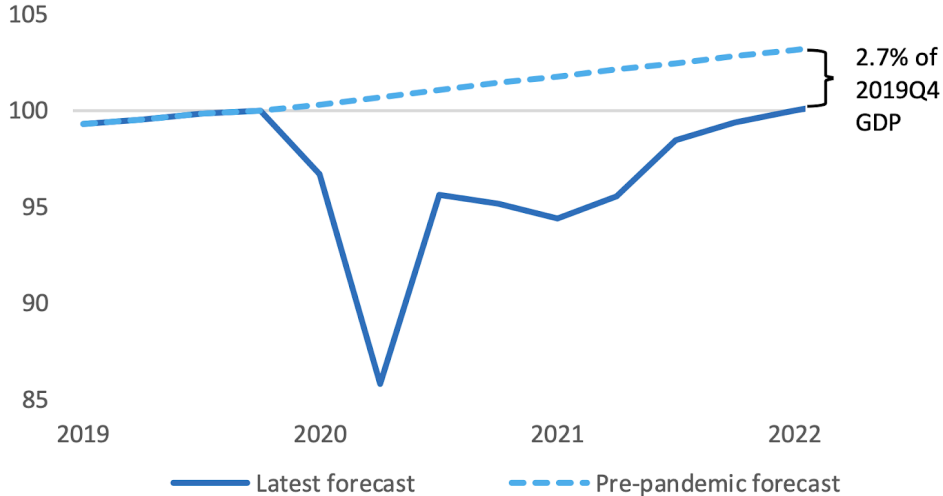
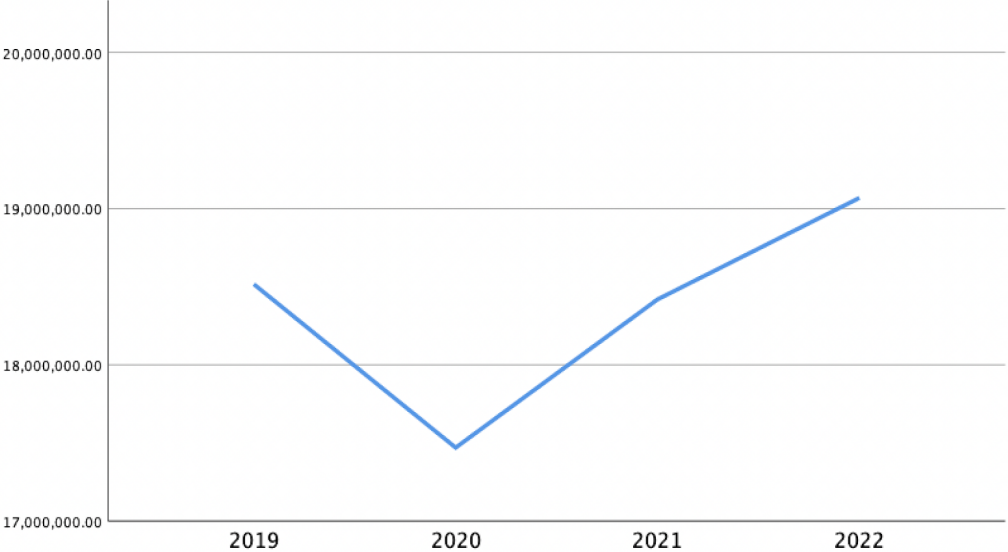


Figure 6: Real GDP of the European Union from 2019 to 2022 (Annual, in millions of US dollars, 2015 prices) (OECD, 2023)



This is where the difficulties of measure come into play: replicating the exact methods of the Commission's graphical representation of real GDP here is difficult, but we can approximate it using what data is publicly available. While Eurostat and the OECD provide quarterly figures for real GDP growth, (as shown above,) real GDP data is published and revised annually by the OECD's statistics arm, with figures provided in millions of US dollars. As the point of analysis is determining whether the real GDP of the European Union (using the 27-country analysis, subtracting the UK's contributions before their formal departure, as done by both Eurostat and the OECD) reached pre-crisis levels at any point from 2020 to 2022, we will propose that differences in measurement format are acceptable, so long as they are able to provide suitable conclusions as to this fundamental question. As a result, it becomes clear that contrary to expectations, real GDP reached pre-crisis levels within 2022, and had nearly surpassed them within 2021.

To reinforce the argument being made here, we can also reach approximations of what real GDP would have looked like on a quarterly basis by applying the quarterly growth rates to the overall annual figures: the final suspension decision was made in May of 2022, in the later portion of Q2 2022. The previous quarter, Q1 2022, featured an accompanying quarterly growth rate estimation of 0.7%, which would put the real GDP of the European Union at the end of the first quarter of 2022 at 18,548,138.9 million euro, above the 18,516,350.9 million figure estimated at the end of 2019 (OECD, 2023). Overall, the EU's real GDP from 2019 to 2022 grew by approximately 2.9%. For a final measure of economic activity not directly reliant on production, this analysis will briefly concern itself with the changes in quarterly levels of household consumption.

Figure 7: Quarterly household consumption in the European Union and in the Eurozone, 2019-2022 (in millions of euro)

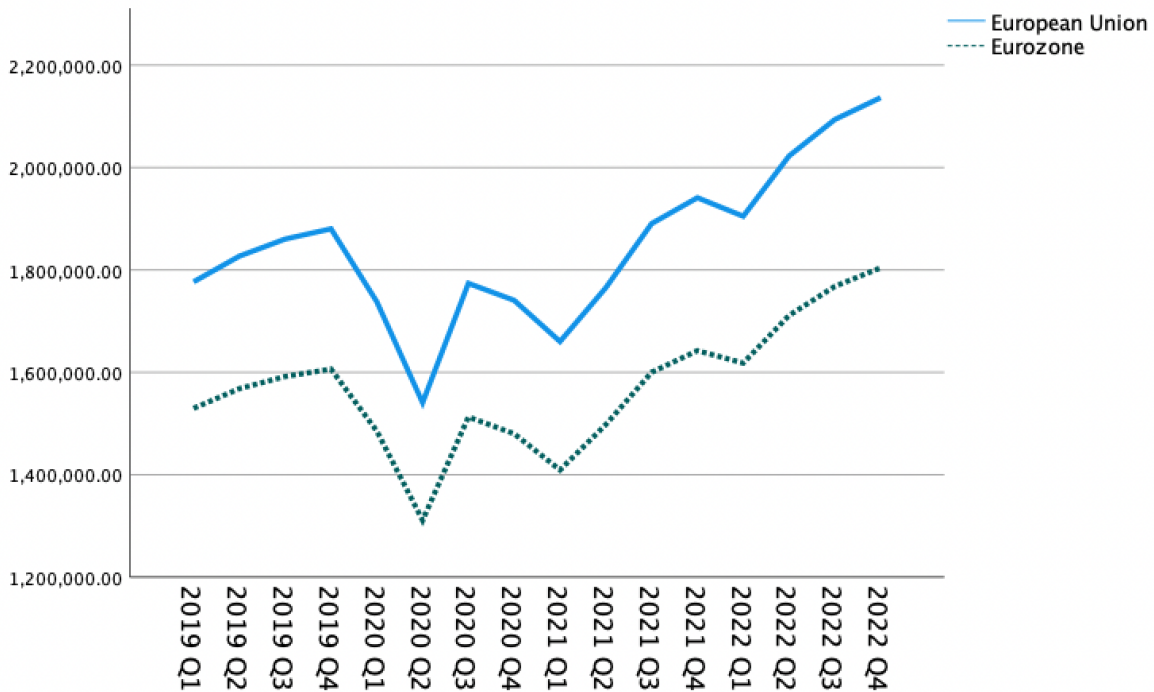


Figure 7, which tracks changes in household consumption in 2023 price levels as an alternative measurement of economic activity in both the European Union as a whole and the Eurozone as presented by Eurostat, (Eurostat, 2023) shows that household consumption, while also recovering above pre-crisis levels within 2021, remained nevertheless rather unstable in comparison with GDP figures. Total household consumption grew rapidly in 2021 and 2022 to outstrip pre-crisis levels by some margin: not merely changes in Q4 of 2019 but also in Q2 of 2019, the peak level of that year in terms of household consumption. This is a point of curiosity, but it does not reinforce the idea that the suspension could have been continued on account of the explicit benchmarks set by the Commission in March of 2021. Notably, possibly strengthening the argument that the Russian invasion of Ukraine bears some responsibility for the suspension, a noted drop is visible in the first quarter of 2022.

To summarise the findings of this portion of the analysis, by the time the decision was made to suspend the SGP's rules for an additional year in 2022, (in late Q2 of 2022) the relatively

pessimistic predictions made in the report about the European economy in 2021 had been disproven: real GDP, real GDP growth, and nominal GDP (output) had already surpassed their pre-crisis (end of 2019) levels, (along with household consumption.) For the GDP figures, these were not projected to do until the very end of 2022. To again review the criteria laid out by European Commission for quantitative indicators as to reinstate the rules of the SGP:

- GDP (output) in the entire EU and in the Eurozone as compared to pre-crisis levels (This was surpassed in 2021)
- Real GDP and real GDP growth in the entire EU and in the Eurozone as compared to pre-crisis levels (This was surpassed in Q1 of 2022)

Furthermore, the additional criteria specified by this study, household consumption, also saw a full recovery within the same time period, with overall levels achieving “normalcy” (Q4 2019) by Q3 of 2021. Having now evaluated the changes in real GDP, nominal GDP growth, and household consumption, in all cases both in the entire EU and in the Eurozone, compared with the criteria of the Commission and the tests of this paper, it can be said that this hypothesis has failed these hoop tests, eliminating it as a possible causal factor (Collier, 2011). For all three of the Commission’s suspension benchmarks which utilise GDP figures of one form or another, it would seem that predictions have been surpassed for some time without real changes in the policy of suspension. While not all the benchmarks were surpassed simultaneously, each was surpassed with enough time for policymakers to recognize and shift course, particularly given the accelerated trends compared to what was expected by policymakers. For this reason, it cannot be reasonably said that economic activity continued to be depressed throughout 2022 and into 2023, passing the Commission’s quantitative description for remaining the underlying cause for any continued suspension. These results will be further evaluated and elaborated upon in the discussion portion of this paper.

H2: “Endless crisis.”

Having established the changes in economic growth as they relate to the Commission’s quantitative predictions and benchmarks for lifting the General Escape Clause, this examination moves to the murkier realm of the effects of the Russo-Ukrainian War, the dramatic escalation of

which in February 2022 was used by the European Commission to partially explain their continued suspension in a press conference later that year (European Commission, 2022).

The negative economic effects of the war, while relatively clear from a household perspective, with increases in energy and food prices (Emediegwu, 2022), are difficult to link objectively and empirically to the decision to maintain the GEC. As specified in the testing table, analysing the statement of the Commission for account evidence, and substantiating the provided explanation itself for either trace or pattern evidence, are the clearest two tests which can be conducted on this particular matter, although the inherent murkiness necessitates further clarification and elaboration on whatever results are generated. Firstly, to the source itself. The Commission statement of May 23, 2022 stated regarding the continued suspension of the Stability and Growth pact that:

“Our economy is experiencing a second external shock in two years. (...) It is evident that the Union is not yet out of the period of severe economic downturn, and this is why we have concluded in favour of extending the general escape clause of the Stability and Growth Pact through 2023.”
(Gentiloni, 2022; Allenbach-Ammann, 2022)

Furthermore, Commissioner Gentiloni’s statement clarified that the response was to grant additional ‘breathing room’ to member states to address the economic knock-on effects of the war, such as the cost of living crisis (Emediegwu, 2022; European Council, 2023). This makes the result of the first test, as specified in figure 1, quite clear: the Commission cited the Russian invasion of Ukraine and its economic knock-on effects as key to the decision to suspend the SGP for another year. For this reason, we can say that the second hypothesis has passed its first straw-in-the-wind test.

The next question is whether the reasoning behind this decision can be fully substantiated. This is a difficult question, but it relates to the very core of the investigation: was the war in Ukraine economically damaging enough according to the criteria described in the press conference to warrant a continued suspension by itself? The formal statement accompanying the decision (Euronews, 2022) listed the following reasons related to the war which drove the decision to

suspend, which the Commission ties explicitly to the communication to the Council of March 2021 (European Commission, 2022).

- The European economy “remained in a severe downturn” from COVID-19, and real GDP growth was slower than predicted (Allenbach-Ammann, 2022).
- The war created a need for additional fiscal room/commitments by member states, and the continued suspension would give them an opportunity to do so, with a focus on investment (Allenbach-Ammann, 2022).
- The economic conditions of 2023 were to be fundamentally uncertain (Euronews, 2022).

The following tests consist of evaluating to what degree these comments can be considered substantiated by the economic realities of the time. The evidence being searched for is largely *trace* evidence.

The portion of this statement which discusses the economic state of the Union was covered in the analysis of the first hypothesis. To summarise, many of the fears expressed in this press conference regarding economic growth were exaggerated: the economy of the European Union grew by 3.5% in real terms during 2022. While these exact figures could only be known with hindsight, by Q2 of 2022, when this statement was made, nominal GDP and real GDP were hovering at levels higher than their Q4 2019 values, contrary to the expectations of the earlier-cited communication to the Council in 2021 (European Commission, 2021a). As covered in the review of our first hypothesis, these figures were the key criteria for the SGP’s reinstatement, as re-emphasized during the May press conference, (Allenbach-Ammann, 2022) and the European economy had surpassed them by Q1 of 2022 (OECD, 2023).

There is thus very little basis to state that the European economy was in a downturn such as the Commissioners described at the time, much less a “severe” downturn. This would have been a different matter if the definition of “downturn” described was related explicitly to the cost of living or inflation within the Eurozone (Emediegwu, 2022). The economy was in fact growing, and indeed had been growing with relative consistency for several quarters, as shown in figure 3. This portion of the statement thus cannot be said to be substantiated.

The following portions deal with less objective criteria: the escalation of the Russo-Ukrainian War in February of 2022 had undoubtedly severe economic effects on the European continent for average citizens and European firms, primarily in terms of rising food and energy prices (European Council, 2023). The Commissioners cite this fact in their press conference, adding that they desired to give states the fiscal room to respond to these difficulties in their own way (Euronews, 2022).

Commissioner Gentiloni added that while similar reasoning was used in justifying suspension in the face of the pandemic, the context was different and the Commission sought to encourage different behaviour:

“We don’t want to give the message that we are in the exact same situation when we were reacting to the pandemic. At that time, the reaction was necessarily a universal reaction, supporting everyone, every sector. We were in a disaster. Now we use the general escape clause also to ease the transition from universal support moment to a moment of more targeted and prudent support.” (Euronews, 2022)

Ultimately, this is difficult to falsify one way or another, and as a result it is difficult to say if this statement is or is not substantiated. The conflicting nature of the statement, encouraging fiscal room but discouraging stimulus packages, puts elements of this statement into doubt, but cannot by themselves disprove the Commission’s intention.

The remaining justification cited in the press conference was a continual uncertainty as to future economic conditions throughout 2022 and into 2023 (Euronews, 2022). This is where *uncertainty* about future economic conditions would seem to have played a role, and despite the inherent confusion in the concept of uncertainty, objective analysis can shed light on the situation. While the range of predictions for output and real GDP throughout 2022 would have all been above pre-crisis levels, and so theoretically should not have necessarily positively affected the decision to continue the suspension of the SGP, (OECD 2020c; OECD, 2023b; European Commission, 2021a), the propositions that economic conditions on the continent remained *uncertain* as a result of the war would match the available facts: the potential economic effects of the war were acknowledged as possibly disastrous by economists and relevant public policy experts (Emediegwu, 2022). In terms

of trace evidence, the degree of economic uncertainty caused by the war seems beyond any degree of reasonable doubt. For this reason, uncertainty itself would appear to be the most viable mediating variable explaining any connection between the onset of the war and the decision to continue suspension. Analysing the three central statements of the Commission and comparing them with the available evidence, we find that the reasoning used by the relevant Commissioners can be *partially* substantiated by the available evidence.

- Real GDP growth and economic output remained positive over Q1 of 2022, and real GDP remained at or above pre-crisis levels.
- Several member states funded relief packages for citizens and firms as a result of the war, despite the Commission's somewhat conflicting recommendations on the matter.
- Economic uncertainty caused by the war remained very high.

For this reason, this result of this hoop test can be categorised as mixed, with the caveat that the war's stated effects in terms of objective economic growth were inaccurate or not relevant to the stated criteria of lifting the suspension, with an exception made for the change in the certainty of future economic conditions. The desire to provide additional room for member states to provide fiscal relief appears valid in itself, but conflicting statements as to whether this relief should be given complicates the matter somewhat.

In evaluating whether the escalation in the Russo-Ukrainian War forced the Commission's hand on extending the duration of the general escape clause, two tests were conducted: an overview of the Commission's statement and a subsequent analysis of that statement to verify whether it could be substantiated. The hypothesis passed its first test, with the Commission identifying the war in Ukraine as a key decision point, but the second result was mixed, with only two of the three points being able to be fully substantiated.

That being established, the journalistic works covering the press conference (Allenbach-Ammann, 2022; Euronews, 2022) identified an additional component in the Commission's May 2022 announcement which the Commission itself made no reference to: the ongoing attempts within the Commission and between the member states to reform SGP rules (Tordoir & Van Dijk, 2023). This

element fits within the thesis' central theoretical framework of failing forward, and will be considered thoroughly over the next batteries of tests.

H3: “Failing Forward.”

This third expectation, which reflects the core hypothesis of this paper's theoretical framework, holds that the fundamental cause of the extended suspension was the ongoing efforts to reform the Stability and Growth Pact. According to this framework, the SGP's current set of rules has not been suspended so much as abandoned, to be replaced by a different version of the same rules whenever the fiscal framework is reinstated.

Theoretically, this expectation is derived from the paper of Jones et al., (2016) the framework of which would posit that the suspension period would enable the Commission to conduct reforms over this period which deepens European fiscal integration. As described before, the broader theoretical framework whence this theory is derived states that European integration is often spurred forward by crises exacerbated by incomplete integration, which pushes European actors to agree to a “lowest common denominator” form of continued integration (Jones et al., 2016). This resulting form of integration is often itself incomplete, which will create further crises and spur further integration. As specified in figure 1, this theoretical expectation is composed of three sub-hypotheses, which will each be tested on their own merits.

SGP reform has been discussed for multiple years, at both an academic and at an institutional level (Annett et al., 2005; Gaspar, 2020; European Commission, 2021a). Following the framework of Jones et al., and the diagnosis of Mileusnic, (2021) this is an example of “incomplete integration,” and these rules, which would have precluded member states from engaging in the necessary spending to ease the economic effects of the pandemic, were for this reason ripe for readjustment with the onset of the COVID-19 pandemic. This is particularly true considering the need to suspend the SGP at the beginning of the pandemic, given these restrictions' potential to hinder the necessary economic response. Empirically, the Commission's attempts to reform the SGP, which culminated in the publishing of a first-draft legislative proposal on April 26th, 2023 demonstrates that reform has now taken centre-stage in the Commission's fiscal agenda, and this fact warrants an investigation into whether this can plausibly partially explain previous decisions to suspend.

This expectation is additionally derived from empirical factors: namely, the real attempts to reform the SGP's fiscal rules which have taken place, both publicly and (with hindsight) behind the scenes (Blümel, 2021), which force a rigorous analysis of this nature to consider that attempting to complete reform efforts may have been a significant factor in the decision to continue suspension.

H3.1: “Never waste a crisis.”

The first of these sub-hypotheses entails that such reform, long-discussed in academic and particular political circles, (Annett, 2005; European Commission, 2020a) was considered a possibility by the Commission or those working for the Commission before or shortly after the GEC was enacted, and for this reason can be considered a primary cause not only of the 2023 suspension, but also of previous suspensions.

Similarly to the question of the Russo-Ukrainian war's impact on suspension, whether a reform agenda was a key factor in suspension from the beginning of the process will be somewhat difficult to establish. Nevertheless, the key evidence in question will be *sequence* evidence: that is, evidence that relates to the order of events. Discussions of reform by relevant officials before a few key markers in the suspension process will be sufficient for this hypothesis to pass the relevant hoop test. This will be analysed in two distinct ways following two distinct tests: the first will be considering prospects and statements regarding reform pre-crisis, (evidencing that it may have been a focus of the relevant actors in the Commission during the crisis itself,) and the second will be considering and evaluating whether reform was proposed in between the start of the suspension period and the publishing of the March 2021 communication to the Council.

This reaches the heart of the matter in the difference between the first two two sub-hypotheses (H3.1 and H3.2). If Jones' interpretation is correct, reforms which integrate European countries in the face of crises caused by incomplete integration are a result of disagreement and base-level compromise. If Rhodes is correct on a theoretical basis, (and if the empirical findings of Schön-Quinlan and Warren et al. hold up in such circumstances,) these reforms can both be spurred on internally by European institutions themselves, and be received positively by other institutions and member states in crafting new policy outside of the “failing forward doom loop”

(Rhodes, 2021, p. 1538). This element holds additional weight due to the Commission's early decision to suspend the SGP rules in the first place. While these rules did not allow for a Europe-wide response, thus fitting Jones' definition of incomplete integration exacerbating a crisis, the rules being suspended thanks to swift action by the Commission's recommendation prevented the rules from making the crisis much worse on a domestic level by restricting spending during the pandemic. This seems to reflect Rhodes' theory regarding the processes behind European decision-making (Rhodes, 2021). The key question is whether the European Commission viewed reforming the SGP as a lowest common-denominator solution to interstate disagreement about ending the suspension, or whether it viewed suspension of the SGP as in itself an opportunity for reforming the pact.

The first point of examination is to review how salient discussions on reform, particularly at the Commission level, had been before the 2020 outbreak of the COVID-19 pandemic. As mentioned earlier, particularly in the review of the literature, reforming the pact has been discussed openly and consistently for a considerable period (Annet et al., 2005). But the political environment regarding reform shortly before the pandemic has yet to be evaluated within this investigation. The type of evidence needed for this sub-hypothesis to pass the relevant hoop test is both *sequence*, a matter of when certain events or proposals took place, and *account*, in that any proposals need to spell out a desire on the part of the Commission to reform the SGP. Upon examining the available evidence, one pre-pandemic report in particular stands out: a communication from the European Commission to the Council of the European Union, the European Parliament, the European Central Bank (ECB), the Economic and Social Committee, and the Committee of the Regions, titled "*Economic governance review: Report on the application of Regulations (EU) No 1173/2011, 1174/2011, 1175/2011, 1176/2011, 1177/2011, 472/2013 and 473/2013 and on the suitability of Council Directive 2011/85/EU*" (European Commission, 2020a). These legislative identifiers in the title refer to the five 2011 regulations and singular directive which make up the 'six-pack' reforms of 2011, and the two regulations which make up the 'two-pack' reforms of 2013.

The document in question, published on the 5th of February 2020, was intended as a broad review of the SGP's history and implementation. It describes the function of the SGP in detail, including various historical points of reform, (with emphasis on the six-pack and two-pack reforms of 2013

and 2011, respectively.) (European Commission, 2020a, p. 4) The initial statement of the Commission on the matter of future SGP reform within the communication covers a series of strengths and weaknesses possessed by the framework. The report identified certain problematic points to be examined in greater depth within this “public debate,” particularly the complexity of the bloc’s fiscal rules (European Commission, 2022, p. 11) Crucially, however, this report was initiated on the basis of the requirement to review the efficacy of the six-pack and two-pack reforms, as noted in its introduction:

“The start of a new political cycle in the Union is an opportune and appropriate moment to assess the effectiveness of the current framework for economic and fiscal surveillance, especially the six-pack and two-pack reforms, for which the Commission is required to report on their application.” (European Commission, 2020a, p. 5)

Thus, from the perspective of the Commission, the Stability and Growth Pact was technically under review at the time of the pandemic’s outbreak, and had been since slightly before the outbreak of the pandemic on the continent (European Commission, 2020a). However, the fact that the Commission was legally obligated to carry out the review as part of the twopack reforms of 2013, (European Commission, 2020a) as well as the framing of the report itself, (a call for public debate, rather than a firm assessment proposing reform) makes the review’s existence itself a relatively weak piece of evidence for the sub hypothesis in question, which, following Rhodes’ variation on the failing forward framework, supposes that supranational European institutions can and do boldly set out policy choices as opposed to opting for lowest common denominators (Rhodes, 2021). The Commission’s February consultation was ultimately short-lived, as it had to be cut short following the emergence of the COVID-19 pandemic.

From this, we can conclude that there is a degree of validity to the notion that reform could have been intended from the very beginning, (as it was indeed openly discussed, if not called for, passing the relevant test,) and the question then becomes what the Commission’s intentions were from in between the beginning of the suspension and the release of the March 2021 Communication to the Council. To summarise the earlier findings, the existence of this consultation does not prove that the Commission was going to opt for supporting reform, but it cannot be

denied that reform was being explicitly considered before the pandemic's outbreak, meaning that the sub-hypothesis has passed this test. While this distinction may appear to be less relevant, it bears a great deal of relevance in reference to how the Commission acted in respect to reform prospects, and for the sub-hypothesis itself to be validated, there must be additional evidence that the Commission took initiative to push for a reform before any clear disagreements emerged between the member states on how to reform or reinstate the SGP, requiring additional tests.

The second test which this hypothesis will undergo is related to the Commission's 2021 report on the conditions needed to lift the general escape clause (European Commission, 2021a). This report, as discussed beforehand, was laid out as a communication to the Council and did not in itself discuss the prospects for re-implementing a reformed SGP. It took for granted that an unmodified SGP would be reimplemented, (European Commission, 2021) and formally specified the criteria for doing so, in line with later statements from relevant officials and the European Fiscal Board (EFB) (Valero, 2021). As we have previously established that these criteria had already been met before the May 2022 decision to continue the suspension, the next question from the perspective of an early decision to enact reform, (as opposed to a more typical "failing forward" pattern) is whether reform efforts had been concretely launched following the start of the pandemic, but before the publication of the 2021 report. The report was released on 3 March, 2021, as part of the existing set of interinstitutional communications on fiscal policy (European Commission, 2021).

For this reason, evaluating whether there was a Commission initiative for reform following the outbreak of the pandemic, but before the release of this report, particularly ones which highlight the suspension's role in easing a transition to new fiscal rules, would demonstrate that there was Commission intent to change the rules before a larger debate and would then validate the claims of the sub-hypothesis. Outside of the Commission, the opinion that the suspension should be used explicitly to reform the SGP was expressed by one particular highly important figure within the European institutions. Christine Lagarde, the head of the European Central Bank, stated two months into the start of the pandemic that: *"I think this crisis is a good time to update the modalities of the Stability and Growth Pact, which is currently suspended. (...) We should ensure*

that a revamped and simplified pact comes into effect once we are out of this crisis.” (European Central Bank, 2020)

This view was not limited to Lagarde. Outside of European institutions, the IMF published a set of proposed reforms, which in turn were later cited by Lagarde as a possible example for future inspiration on a European level (Gaspar, 2020; European Central Bank, 2020). However, this view was certainly not universal within the European institutions, even if it was adopted by high-ranking officials at the ECB. At Eurogroup meetings within the European Council, the common view appeared to be that the SGP should remain suspended so long as the pandemic affected economic growth, and then be reinstated, a view shared and expressed publicly by the European Fiscal Board, who called for this to be *“subject to a clear sunset provision: the return of the eurozone GDP to its pre-crisis level.”* (Valero, 2021). One notable report by the Commission mentions reform in passing between the pandemic’s outbreak and the release of the Commission’s March 2021 Communication. The report in question, a short fiscal review released on July 1st, 2020, states:

“A review date and the conditions for an exit from the [General Escape] Clause have not been indicated and should be discussed and agreed as soon as possible. (...) Ideally, a central fiscal capacity or a dedicated investment fund would be complemented by a reformed Stability and Growth Pact” (European Commission, 2020b).

However, this did not resurface in discussions until after the Commission published the wished-for guidelines, which did not mention reform, opting to advocate a reinstatement of the existing SGP rules. Ultimately, contrary to the view of the ECB, the view of using the suspension to push for reform with any rapidity does not seem to have been held by the Commission, even in their communications to the Central Bank (European Commission, 2021a), despite floating the concept in theoretical terms. It would not be until October of 2021, several months after the March report, where reform took the central stage in discussions surrounding European policymaking, following a “relaunching” of the public debate (European Commission, 2021b).

This relaunching of the debate indicates that there may have been some degree of initiative regarding reform of the rulebook that went into Commission planning during the interim period between the beginning of the suspension and the release of the 2021 report, but few public communications are available to evidence this point, and the clear points of initiative for substantial reform would appear to have all emerged publicly after the drafting and release of the report to the Council. For this reason, it would appear that while the earlier *hoop* test regarding pre-pandemic discussions of reform was passed, this *smoking gun* test regarding concrete pushes for reform in the interim period between the outbreak of the pandemic and the release of the March report was failed.

Having carefully analysed Commission statements and communications from the early pandemic period, it can be said with some degree of confidence that there is insufficient evidence to support this particular sub-hypothesis. While reform was being considered before the pandemic, there is minimal evidence that this was done on greater initiative than the legal requirements spelled out in the two-pack and six-pack reforms of the 2010s, despite the similarities in the proposals made and the final outcome in terms of formal legal recommendations from the Commission and the statements from other officials. Reviewing proposals in the gap between the beginning of the suspension period and the formal communication to the Council regarding reinstatement criteria, the same point can be made as to a lack of real substantial evidence of reform proposals. The Commission commented that reform would be ideal, but put little effort into pushing for it on a larger scale, even releasing formal guidelines for the SGP's full reinstatement which did not touch on reform. However, in this scenario it is worth repeating the adage of the absence of evidence not necessarily being the evidence of absence. It is entirely possible that Commission officials did see this as an opportunity to push forward a more ambitious and concrete set of reforms, and set to work doing so behind the scenes; re-investigating this particular point will be the task of later researchers of greater means for conducting one-on-one interviews for such sensitive matters.

This analysis now moves forward to a more traditional "failing forward" point of view, and will investigate the theoretical expectation whereby concrete reforms emerged specifically as a result of disagreement on reinstatement.

H3.2: “Plan B.”

This form of the same hypothesis, as specified in the theoretical framework portion of this paper, holds that the idea for reform came about as a Commission-delivered compromise following disagreements between member states as to *how* to lift the suspension. This much more clearly follows the expectations of Jones et. al, as well as more intergovernmentalist theorists of EU integration. Within these theories, states are reluctant, either generally or specifically within the context of EU negotiations, to give up additional power to the European Commission. For this reason, a “lowest common denominator” solution to further integration would be opted for by the member states, and thus by the European Commission. Here, that would entail thorough negotiations between opposing member states to reach a compromise, contrary to the cohesive sets of agreements led by the Commission which might be expected by authors such as Rhodes (2021).

This test is relatively simple: the required evidence here for this *hoop test* is account evidence relevant to the Commission's proposed reforms as to discussions or public debate between member states regarding the question of reinstatement or possible reforms. This, ideally, is in the form of a direct statement or assessment from the Commission or a representative of the Commission. An acceptable fallback standard of evidence, which reduces the strength of the test but preserves the overall causal mechanism, would be relevant statements from representatives of the member states themselves as to differing goals and objectives in reforming the SGP. This is acceptable evidence insofar as that it shows the member states' positions in their capacity as necessary partners for the Commission to move forward with reform, suspension, or reinstatement, but as this is a single-case analysis, these results alone are not enough to demonstrate the Commission's view or understanding of the situation, and thus would lend less strength to the causal argument, which could only be made through inference and not through direct evidence. As previously stated, this analysis being within-case requires that only the motivations or driving factors of the Commission are under investigation: any statement from member states will only be considered in light of how any such statement or position affected the ultimate decision of the Commission in how it moved forward with reform efforts.

‘Explicit instances of clear disagreements’ might entail clear disagreements on whether to reinstate the SGP as-is or to reform it, or disagreements as to how the SGP should be reformed. When stated from the Commission’s perspective, particularly later into the crisis, this grants more insight into how these disagreements may have affected suspension. As a way of transferring the explanatory power of these statements into an analysis of the Commission, i.e. seeing if this reflects the attitudes of the Commission as our case study, comparing the goals of member states with the final proposed reform would be ideal. Three Communications from the Commission to other European institutions are relevant here, namely:

- The 5 February 2020 Communication to the Parliament, Council, ECB, ESC, and Committee of the Regions (COR), reviewing the economic governance of the Union (European Commission, 2020a)
- The 19 October 2021 Communication formally re-opening the public debate (European Commission, 2021b)
- The 9 November 2022 Communication to the Parliament, Council, ECB, ESC, and COR, the communication on orientations for a reform of the EU economic governance framework (European Commission, 2022)

As discussed in the analysis of H3.1, the 5 February 2020 launching of public debate on the future of the SGP, while significant, stemmed from a preexisting requirement to review the legislation after a particular period of time. The topics for that debate, which was ultimately interrupted by the outbreak of the COVID-19 pandemic, largely revolved around simplifying the SGP. The basis for this relaunching said public debate was spelled out within the 2021 State of the Union Address, delivered by Commission President Ursula von der Leyen. Von der Leyen described this effort thusly:

“To [reflect on how the crisis has affected the shape of our economy,] the Commission will relaunch the discussion on the Economic Governance Review in the coming weeks. The aim is to build a consensus on the way forward well in time for 2023” (von der Leyen, 2021).

Shortly thereafter, the Commission formally relaunched the consultation process for revising the SGP with the October 2021 Communication to the Parliament, Council, ECB, ESC, and COR, with a near-identical list of specifications for debate and discussion among various bodies to the February 2020 Communication of the same type. However, one new major point for review had been added to that particular docket: an increased capacity for meaningful investment, particularly into long-term projects (European Commission, 2022, p. 4).

Approximately one year following the October 2021 specifications for public debate, the Commission released what they considered to be the end results of the debates which had been undertaken during the discussion period. This refined communication specified several points of revision where the Commission hoped to be able to successfully modify the SGP:

- An improved and simplified version of the pact's rulebook.
- A revised Macroeconomic Imbalance Procedure (MIP) which further individualises debt reduction and response.
- New fiscal goals focused explicitly on medium-term expenditures.
- Greater enforcement tools designed to guarantee investments and reforms underlying the agreed-upon expenditure plans.

(European Commission, 2022, p. 6)

Crucially, this proposal was also released quite late in 2022, and was still being debated in the early months of 2023, far later than the Commission's earlier time frame of a new consensus for the SGP being built "well in time for 2023" (von der Leyen, 2021), the expected deadline after which the SGP was to be reinstated following the March 2021 communication to the Council. Examining the gap in this timeline, clear differences between the member states emerge in their public statements, accentuated by the Commission's alterations in proposals between the two communication periods. This opens up a clear path for a causal connection between extended debate, following the expectations of Jones et al., and the delay in lifting the SGP suspension.

In September of 2021, shortly before the Commission officially re-opened the public debate on the future of the SGP, but after they had publicly signalled their intent to do so, (EURACTIV, 2021) a

group of fiscally conservative member states' financial ministers (including those of Austria, Czechia, Denmark, Finland, Latvia, the Netherlands, Slovakia, and Sweden) published a joint statement calling against a comprehensive reform of the rules. In their statement, they suggested that they would be willing to discuss simplifications to the rules or the implementation of stricter enforcement measures, but not a loosening of the fiscal rules. They then went on to state that any new rules established must "not jeopardise the fiscal sustainability of Member States, the Euro Area or the Union as a whole" (Blümel, 2021).

Thereafter, two months following the Commission's communication reopening the debate, and nearly three months following the statement of the fiscal conservatives (European Commission, 2021), Emmanuel Macron and Mario Draghi, the President of France and the then-Prime Minister of Italy, published a joint op-ed in the Financial Times where they called for the SGP to become more flexible, particularly surrounding spending rules on long-term investments (Draghi & Macron, 2021). In the article, the pair wrote: "We need to have more room for manoeuvre and enough key spending for the future and to ensure our sovereignty" (Draghi & Macron, 2021). They further tied their justification for supporting looser rules to the same justification which led to the initial suspension, writing that "Just as the rules could not be allowed to stand in the way of our response to the pandemic, so they should not prevent us from making all necessary investments" (Draghi & Macron, 2021).

Three days prior to the publishing of this article, German Chancellor Olaf Scholz had met with Draghi to discuss the SGP, among other issues. When the two spoke publicly on the matter, Draghi echoed the statements in the upcoming op-ed, stating that there were *"needed changes concerning budget rules [and] state aid rules in order to be coherent with the objectives that the EU has set itself (...) in the fields of environment, the fight against climate change and digitalization, but also in the field of defence"* (Roberts, von der Buchard, & Tamma, 2021). Scholz responded directly that "We have shown what we can do, within the framework of the rules we have, and therefore we will be able to use them for the future." (Roberts, von der Buchard, & Tamma, 2021) A clear gap between the states on the matter of reform is evident here.

In terms of statements from other relevant authorities of the member states regarding interstate disagreements on the future of the SGP, the idea of reform as a thorough debate was spoken of in no uncertain terms by the Bank of Spain (Banco de España, 2021). While one comment from a financial institution may normally not warrant exceptional focus, the Spanish central bank's 2021 report laid out the broad outline of what they considered a "raging debate" (Banco de España, 2021, p. 9) The bank broke the factions' contributions down into three blocks of proposals over which the various member states did not agree: the first of these would be a simplification and reform of the existing rules, to transform the (as aforementioned) quite complex framework into a simpler rulebook. The second would strengthen a European fiscal policy and give the Union more control over macroeconomic stability. Finally, the third block focused on domestic reform agendas which would complement these supranational steps (Banco de España, 2021, pp. 9-10).

These proposals broadly map to the recommendations and claims made by various member states as well as European authorities in the time period in between the announcement of the public debate and the publishing of the Commission's proposed reform:

- As for the first block, simplification was agreed upon near-unanimously in the public statements made by the Commission and the relevant member states..
- As for the second, frugal states backed stricter and more centralised enforcement measures to accompany lower debt-to-GDP ratios (Noyan, 2021) while less fiscally conservative states backed a European fiscal policy which would individualise the longer-term debt reduction plans, as well as loosen restrictions around investments (Leali, 2021).
- As for the third, various states endorsed changes in domestic policy responsibility, particularly more frugal states (Noyan, 2021; Roberts et al., 2021)

Ultimately, in examining the reform proposal produced in November of 2022, one can see the direct connection between these blocks of proposals and the debate surrounding them, and the final compromise text, including simplification, changes in domestic responsibility, including more stringent enforcement, and additional ease of guaranteeing long-term investments and granting

more room for manoeuvre for member states attempting to procure long-term investment strategies (European Commission, 2022).

From this, an approximate timeline can be pieced together. The Commission's recommendation for suspension was renewed with few objections in the first instance of continued suspension, 2021, with accompanying statements from the member states and the EFB, following the publication of the Commission's March 2021 communication to the Council. As this Communication conveyed the Commission's desire to reinstate the SGP, unchanged, following the meeting of certain benchmarks, little controversy was generated in this regard. However, following the agreement to continue the suspension, member states began speaking out on the potential for meaningful reform, following the earlier statements of other relevant officials, such as Christine LaGarde (European Central Bank, 2020). When the Commission decided to relaunch the review of the SGP in October of 2021, they chose to broaden the scope of the review to include points about how the EU's fiscal rules could make it easier for member states to commit to long-term investments in their economies.

This decision had been opposed shortly before the issuance of the communication by a group of frugal member states, but it was publicly backed by strengthened proposals from less spendthrift member states, including Italy and France (Leali, 2021; Noyan, 2021). Following this public debate, the Commission produced a compromise proposal in November of 2022, which would ease rules for investment and individualise long-term debt reduction plans, but would also impose stricter requirements for medium-term expenditure, increase centralised degrees of control, and require certain domestic policies to accompany such reforms. Following this point, in the first quarters of 2022, the EU and Eurozone economies surpassed the metrics used as benchmarks within the Commission's communication for when to revert back to the standard SGP rules. However, while the debate over reform was still "raging," (Banco de Espana, 2021) the decision was made to extend the suspension for a third time. From these events, all of the defined expectations of a "failing forward" analysis have been met, and the relevant smoking gun and hoop tests have been passed.

H3.3: “Failing to fail forward.”

Finally, this analysis will turn to briefly examining a fallback hypothesis, based on two analyses of the ongoing reform efforts, one of which published by Johannes Lindner and Nils Redeker of the Hertie School’s Jacques Delors Centre, and the other published by Sander Tordoir of the Centre for European Reform and Jasper Van Dijk of the Dutch *Instituut voor Publieke Economie*. This hypothesis has been named “failing to fail forward,” and it serves as a reflection of the more pessimistic views on the Commission’s ability to meaningfully deliver a reformed version of the SGP, where the “failing forward” cycle presented in the theoretical framework breaks at the level of the intergovernmental negotiating period and forces the Commission to suspend merely on account of a lack of agreement. The key way this sub-hypothesis distinguishes itself from the previous sub-hypothesis is whether the disagreements are believed to be intractable or not. There are several tests which could be conducted here, reflecting different scenarios of the same outcome, namely a failure to deliver a realistic and passable reform proposal. However, the authors and scholars in question predicting a more pessimistic outcome typically have a single predictive factor: the political intransigence of the respective negotiating factions. Here, the cutoff date of 1 May, 2023 becomes somewhat relevant, as additional information published following this date can only be analysed by future researchers. This element will be elaborated on in the Discussion and Conclusion portions of this paper.

The singular test for this hypothesis will be evaluating the views expressed in the 2023 paper of Lindner and Redeker. “It’s the politics, stupid” holds that the central flaw in the Commission’s reform proposal (which later was turned into a formal legislative proposal) was its excessively optimistic political goals, including individualised long-term debt reduction plans and less stringent requirements enforced generally across the board. The critique was not on the economic aspirations and framework of the reform, but rather on this reform’s ability to be sold effectively from the Commission to the relevant veto players, namely the member states (Lindner & Redeker, 2023). This central hypothesis was echoed, albeit in a slightly more moderate fashion, by the aforementioned Sander Tordoir and Jasper Van Dijk. They held that the Commission’s proposals, too, were fundamentally a political question, writing that “The enforcement of European fiscal rules is ultimately a political process” (Tordoir & Van Dijk, 2023). They believe that ultimately, the focus on the technocratic aspect evident in the numerous communications to the relevant institutions, and

an ignorance of the fundamental political process regarding these negotiations, will yield little movement from either the reform-focused group or the frugal camp, writing “much like Groundhog Day, the EU will only go around in circles, ending up with the same dysfunctional technical exercise” (Tordoir & van Dijk, 2023). This, to Tordoir and van Dijk, is a tragedy, as they hold SGP reform to be badly needed.

As this analysis is within-case, and thus can only consider the positions of member states as they bolster or hinder Commission action, this view must be analysed from the perspective of Commission officials negotiating with, or discussing the views of, member states. The origins of the states’ positions are not under investigation. That being said, the core point of evaluation will be examining the statements and publications on how negotiations between member states have developed following the publication of the formal legislative proposal, to see if any significant movement on one of the three “blocks” of policies (simplification, central policy tenets, domestic reform requirements) has occurred from any of the relevant veto players, including the member states and the Commission. Establishing that there is a clear lack of agreement on the Commission’s proposal, possibly extending into public statements of relevant authorities, particularly Commission officials, as might be expected by the paper of Lindner & Redeker (2023) would qualify as an instance of the Commission, and subsequently the EU, ‘failing to fail forward.’

Conclusive evidence on this point is difficult to produce, as much of these debates rely on subjective positions and determinations rather than clear empirical fact. However, identifying whether the positions are truly intractable from the standpoint of the Commission depends on the statements both about the reform proposal from member states’ representatives and the response of the Commission itself, as the Commission is the only case under formal observation. An examination of shifts in negotiation patterns so far, contrary to what may have been expected by the sub-hypothesis in question, shows that there has been movement, consistently and up to the point of the analysis’ input cutoff, and would disconfirm the sub-hypothesis in question. For that reason, this qualifies as a *hoop* test.

The alterations made to the arrangement on the 27th of April (Packroff, 2023) would appear to show decisive movement from the part of the Commission and varying high-spending veto players

towards more frugal voices, such as Germany and Austria. The decision to add so-called “safeguard provisions,” including a binding requirement to have a lower public debt following adjustment periods than before their starting period (Packroff, 2023), would meaningfully create additional binding central requirements (part of the second block of proposals) which were not there before.

While this change was approved by other member states, even less frugal states such as Italy and Belgium (EURACTIV, 2023), there were some elements of discontent among the negotiating parties. Even if negotiations show that there can be movement among the relevant parties, a final agreement remained out of view by the cutoff point, and thus falls outside of this paper’s purview. More minute analysis of this point risks straying into speculation as a result of the shortened time frame between the events and the analysis. Regardless, this particular piece of evidence stands to disprove concretely that the Commission was unable to resolve any of the more fundamental political disputes between the states. The proposal of the Commission would appear to be more durable and feasible than Lindner & Redeker believed.

5. Discussion

Having finished conducting all the relevant tests, the results of these tests, the implications of the results, and the potential for a minimally sufficient causal explanation as in line with the framework of Beach and Pedersen will now be considered and discussed. In their 2013 work, Beach and Brun-Petersen frame the following two criteria for a minimally sufficient causal explanation:

- Have the hypotheses and tests accounted for the most important facets of the outcome?
- If not, can one build a composite, eclectic theory which can better account for the outcome?

Having reviewed the available evidence, academic and journalistic, describing the Commission’s actions vis-a-vis suspension, we can say that the most important facets of the outcome, (related to the sub-questions set out in the beginning of this analysis) have been established: the reasons for the longer-than-expected suspension, the relation of these reasons to available established theoretical patterns, the relation of these reasons to their external historical context, and the relation

of these reasons to the established benchmarks for suspension or the re-implementation of the SGP's rulebook.

Figure 8: Results of Tests

Matching Hypothesis	Test	Form of test	Result
H1	Measuring economic growth (real GDP and overall output)	Hoop	Failed
H1	Measuring economic activity (household consumption)	Hoop	Failed
H2	Evidenced statements from the Commission	Straw-in-the-wind	Passed
H2	Supporting evidence for the claim made by Commission representatives	Hoop	Mixed
H3.1	Pre-pandemic discussion of reform	Hoop	Passed
H3.1	Commission push for reform following the pandemic outbreak and before the 2021 report	Smoking gun	Failed
H3.2	Initial interstate debate on reform	Smoking gun	Passed
H2.2	Reform outline alignment with stated goals	Hoop	Passed
H3.3	Deadlock on negotiating stances	Hoop	Failed

The first hypothesis, based on empirical statements from the European Commission and the benchmarks for ending suspension communicated in March of 2021, did not pass the tests presented to it. Crucially, as visible from the available data from the OECD, economic output in the EU and the Eurozone, the crucial variable for reinstatement, surpassed pre-crisis levels within Q3 of 2021. As a result, economic output and real GDP growth in the EU and the Eurozone were well above pre-crisis levels by the beginning of 2022, with nominal GDP (economic output) reaching above its pre-crisis level shortly after the Communication's March publication. Real GDP, the slowest to recover of the three relevant indicators, had nearly fully recovered by the end of 2021, outstripping the Commission's predictions but remaining slightly below pre-crisis levels until the first quarter of 2022. For this reason, we can eliminate the first hypothesis as a relevant factor.

The second hypothesis, stemming from the statements made by the relevant Commissioners in May of 2022, had mixed results. It was true that the Commissioners credited the Russian invasion of Ukraine with the need to suspend the SGP for an additional year, but the direct claims made about the EU remaining in an economic downturn, tied to the initial suspension criteria, were false: at that point, all of the relevant variables, economic output in the Eurozone, economic output in the EU, real GDP, and real GDP growth in the EU were above their pre-crisis levels. However, two other points identified by the Commission could not be directly disproven. The first was the state of economic uncertainty caused by the war: as this is not a metric one can directly measure, or at least no specific conceptualization of uncertainty (such as consumer confidence,) was cited, this would appear to simply reflect the belief that due to the unique historical circumstances, the economic future of the continent was generally uncertain (Emediegwu, 2022). To a degree, this is a statement of opinion rather than a clear empirical fact, making it difficult to establish with certainty as a direct causal factor, but it has a degree of truth to it in that the war's economic impacts were widespread and not always predictable (Emediegwu, 2022; European Council, 2023). For this reason, along with the fact that the Commission cited the desire to give member states fiscal room to deal with the cost-of-living crisis, this second test of claim substantiation was registered as "mixed." Ultimately, the second hypothesis, too, failed to fully explain the continued suspension, but a sufficient number of elements of this hypothesis were substantiated to suggest that it played a role in the decision to suspend.

Most importantly, the third and central hypothesis, based on the theoretical framework of Jones et al., (2016), along with its three sub-hypotheses, were considered, themselves based on alternative interpretations and critiques of the "failing forward" theory of Jones et al., which ultimately made up the theoretical framework of the thesis in its understanding of EU decision-making. The first of these sub-hypotheses, based on the Rhodes (2021) critique of the Jones et al paper, posited that the EU's decision-making during the COVID-19 pandemic could transcend the "failing forward" doom loop and intentionally set out bold, institution-defining policies, similar to the NGEU package passed in the same time period. Under this framework, reform efforts would have moved quickly, independent of the typical lowest common-denominator framework which Rhodes critiques as circular reasoning. This paper examined evidence for instances of early pushes for reform by the

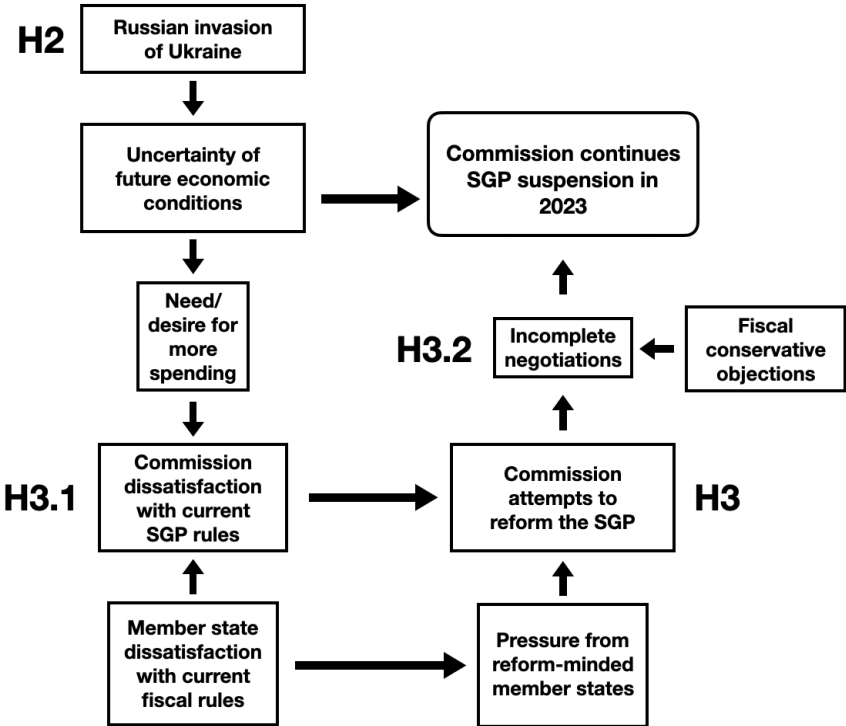
Commission, both in the pre-pandemic period and in the period after the start of the pandemic but before the release of the 2021 communication which outlined criteria for lifting the suspension. While such instances of discussing reform before the pandemic's onset were found, the available evidence was not sufficient to validate the sub-hypothesis' claims that the early suspension was utilised to push a comprehensive reform policy from the Commission level. Rather, larger reform policies seemed to emerge with seriousness only after the publication of the March 2021 communication to the Council.

The second sub-hypothesis of the third hypothesis utilised a more typical "failing forward" framing, where reform came about as a lowest common-denominator Commission compromise to resolve disagreements between states about lifting the suspension, and thus, similar to the expectations of the first sub-hypothesis, the extended suspension was merely a result of negotiations or the drafting legislation taking longer than may have been expected. The evidence being looked for in testing this hypothesis was largely sequence and account evidence: instances of differing reform priorities at different stages of the suspension period, as well as differences in states' positions on reform leading to the Commission publishing compromise-style reform proposals. This was evidenced by the publication of a variety of widely different position papers and differing statements from varying member state governments, validating the hypothesis' expectations, if not necessarily all of the causal implications. Furthermore, the Commission's released proposal matched compromise positions between the publicised stances of various blocs of member states, suggesting that an LCD solution may have been reached in this instance.

The final sub-hypothesis under examination held that the "failing forward" process had stalled, and that suspension was the result of intractable negotiations. To ascertain if this was the case required an analysis of Commission movement or discussion with member states, as well as assessing the Commission's room for manoeuvre to see if the findings of particular authors and journalists about the unworkability of the Commission's reform proposal were valid, this hypothesis required a study of the most recent evidence to date. This leaves some room for error, yet the analysis found little to no evidence to suggest that the reform proposal was unworkable at any deeper level; instead, clear empirical evidence was picked up upon showing real movement between negotiating parties on the political issues believed by the authors to be unworkable.

Given the elements of the theoretical expectations which have passed their tests in the central analysis section, we can re-examine them in the form of a composite theory, with an appropriate causal diagram to demonstrate their effects on the Commission’s decision to continue suspension.

Figure 9: Causal Diagram



This theoretical map covers much of the evidence gone over over the course of this investigation. It shows how the expectations derived from the thesis’ theoretical framework (the elements from Jones’ “failing forward” theory and its critics) intertwine with the expectations derived from empirical observation. In this case, the minimally-sufficient causal explanation presented posits that the extended suspension can be accounted for by the combination of uncertain economic conditions on one hand, and an extended reform process on the other hand, spurred on by the

“failing forward” process of incomplete integration exacerbating crisis, leading to negotiations on further, limited integration.

6. Conclusion

This research tested three hypotheses drawn from theoretical and empirical sources to attempt to understand the reasons for the continual suspension of the SGP by the European Commission. It found that the provided quantitative benchmarks for reinstatement in the Commission’s 2021 communication to the Council were not able to adequately explain the suspension. It found that the Commission’s reform efforts to rework the Stability and Growth Pact, and the extensive negotiations which followed, provided a more suitable explanation, appearing to match the expectations of the “failing forward” theoretical framework of Jones et al. Furthermore, it held that the economic uncertainty caused by the February 2022 escalation of the Russo-Ukrainian War, and the desire to allow member states, likely aided in this decision to continue suspending the SGP past the previously determined deadlines.

From this, we can conclude that *the continual suspension of the SGP through missed predictions, benchmarks, and deadlines is owed to a combination of reform efforts from the Commission and allied member states, as well as a degree of economic uncertainty following the Russian invasion of Ukraine*. As for the relation of these findings to the relevant literature and the selected theoretical framework chosen, we can draw more particular conclusions:

- For the fundamental frameworks for European integration, this analysis continued to lend support to the “failing forward” theoretical framework. In a similar vein, the difficult negotiation process which stalled the Commission’s reform efforts underlies the strength still held by member states in these areas, showing that the framework of liberal intergovernmentalism is not yet irrelevant.
- As for the Commission’s action as a fiscal actor in crisis, the subsection of literature in which this work is embedded, this work shows that, in addition to being able to act strategically to dodge member state pressure (Warren et al., 2017) and put pressure on the states from above to create its own policy, the Commission is also able to a certain extent, to do both at once, pushing forward policy to strategically

back some states while effectively pressuring other actors (in this case frugal states) to go along, and doing so effectively.

- As for the efficacy of EU action during the COVID-19 pandemic, this work is both a testament to the flexibility of European action lent to it by its multi-level governance structure, and an indictment on how reliant Europe still is on its individual states to produce effective and speedy fiscal solutions to Europe-wide problems.
- Lastly, as to the reform of the SGP, this paper finds that the Commission is likely to implement relatively significant reforms, greater than the mere simplification of the Pact which would have been the greatest possible changes expected in the counterfactual scenario without COVID-19, judging by the Commission's evaluation and given state preferences.

However, this work does have its limitations. The major limitation which has hindered this research throughout is how early it is in evaluating the causes of the suspension throughout 2023 in particular. While this research is useful in its earliness, (as part of the early post-COVID-19 literature discussing European governance during the crisis, which reflects upon the Union's governance over this period of time and compares it to previous patterns of crisis governance,) that same earliness also slightly impedes its ability to determine causality in this particular instance.

This research was also rather limited by the requirements imposed upon it by the needs of within-case analysis: the European Union's many actors with multifaceted intentions, interests, and decision-making processes make any single-case analysis inherently weak in comparison to a comprehensive analysis which considers not only the role of administrative actors such as the Commission, but also member states and other fiscal stakeholders. That being said, given not only the subject matter of the thesis, but also the field in which this research is being conducted, a focus on the administrative body of the European Commission was undoubtedly the correct choice, and a wider analysis will be left to scholars of European Union studies or International Relations.

Given these findings, future researchers could re-evaluate this piece of research at the end of the process for establishing a new fiscal framework, to establish not only why the SGP was

suspended, but how the suspension enabled or hindered effective discussion or implementation of SGP reform. Furthermore, further researchers could seek to understand this problem from a different angle, perhaps through a comparative analysis of different states' positions on the matter, or by conducting interviews with relevant officials in the European Commission to bolster or reconsider the findings of this particular paper. This latter strategy in particular would resemble earlier process-tracing works studying the Commission's role as a strategic actor in a fiscal crisis, while the former would offer an opportunity for a comprehensive study into each member state's position, as well as the position of the Commission, Parliament, and the Economic and Social Committee, among other European bodies, to provide a more granular study of the process and whether the "failing forward" framework holds up under even closer scrutiny.

The findings have a series of practical implications: first, given the slow diminishing of any full-throated member state opposition, and the moves towards compromise by the Commission and reform-minded states, we are more likely than not as things stand to see significant changes to the EU's fiscal rules. The rules which stand to replace the current SGP will likely place fewer stringent short-term requirements on member states' budgets and be more individually tailored in their plans for debt and deficit reduction, but may be more stringent in terms of long-term budgetary requirements. Ultimately, the specific final shape of the rules will continue to depend on negotiations throughout 2023. As specified by the chosen methodology, this research focused on understanding the Commission's course of action in this particular case. For the Commission, the current course of action is producing effective results, and has achieved an undoubtable shift in members' positions over the past two years (Valero, 2021).

Contrary to the findings of certain authors (Lindner & Redeker, 2023) this paper will propose that the current path, far from unable to generate meaningful progress, appears to have worked thus far, and that the Commission is on track for a meaningful, comprehensive reform of the Stability and Growth Pact. In terms of policy recommendations, this author would suggest that the Commission should avoid striving *too hard* for compromise, particularly with more frugal states. Rather than merely settling for a lowest common denominator solution, the Commission and those wishing to see shifts in the EU's fiscal rulebook towards more public investment and fewer austerity-based measures should look to Rhodes' belief in the EU to create new, flexible solutions

to challenging problems, and push for the creation of a fiscal framework to enable governments rather than limit them.

In short, much as founding father Jean Monnet predicted, Europe has been “forged in crisis.” (Mortimer, 2022.) The Commission should remember this and prioritise meaningful action over politically convenient compromises in times of need. However, the wishes of idealists must sometimes bow to the inflexible patterns of politics. This paper has demonstrated one way in which “failing forward” appears to be such a pattern, visible even in the dramatically different times of the post-COVID-19 world.

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