Covid-19 crisis: centrifugal vs. centripetal forces in the EU—a political-economic analysis

Michael A. Landesmann¹

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Abstract

This paper applies a recently developed ‘structural-political economy’ (SPE) framework to study centrifugal and centripetal forces in two of the crises that impacted on the European integration process: the financial crisis of 2008/9 and its aftermath and the Covid-19 crisis. It emphasises that the cumulative nature of the impact of these two crises forces shifts in interest positions of important political actors (countries, sectors, social constituencies) to address issues of ‘systemic instability’ which pushes innovations in the policy instruments that become available at the EU level. Bargaining processes that characterise the negotiations and outcomes of these crisis responses are complex, they reflect differences in size and urgencies to come to agreements, and they have themselves differentiating impacts on relevant political actors.

Keywords Centrifugal and centripetal forces · European Union · Covid-19 crisis · Structural political economy

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1 Introduction

It is clear that the current corona-crisis puts an enormous strain on cohesion of the European Union’s economic and political structures. Specific to this crisis is that it follows the financial crisis of 2008/09 which has in no way been ‘digested’ either economically or politically by the complex political-economic constellation that represents the European Union.

However, the fact that this crisis did hit the EU in this relatively vulnerable state also means that it can unleash both centrifugal as well as centripetal forces in the European integration process. This will be the subject of the political-economic analysis that I will attempt in this short article.

✉ Michael A. Landesmann
landesmann@wiw.ac.at

¹ Vienna Institute for International Economic Studies (Wiiw), Vienna, Austria

2 Centrifugal and centripetal forces in the EU

We start with the centrifugal forces: these emerged clearly in the wake of the 2008/09 crisis. Before the crisis, severe and persistent current accounts disequilibria developed across EU member states plus associated countries (Fig. 1) which were driven by fast credit growth of the private sector in a wide set of Southern and

Fig. 1 Current account in % of GDP. Remark: the Western Balkan countries ‘WBC-6’ include Albania, Bosnia and Herzegovina, Macedonia, Montenegro, Serbia and Kosovo. (Source: wiiw Annual Database incorporating national statistics and Eurostat)

Fig. 2 Debt in % of GDP (private, public, external), 2002, 2008, 2013, 2018. Remark: the Western Balkan countries ‘WBC-5’ include Albania, Bosnia and Herzegovina (BA), Macedonia, Montenegro and Serbia. Simple averages for country groups. (Source: wiiw Annual Database incorporating national and Eurostat statistics)

Eastern European member states (Fig. 2).¹ While these reflected a particular way how insufficiently regulated financial markets allowed unsustainable debtor–creditor relationships to develop across the EU, they also reflected longer-term weaknesses of the tradable sectors of a range of EU economies (and—correspondingly—strengths of others; for a more detailed analysis see Landesmann 2015, 2019). This heterogeneity, more than the differences in public deficit and public debt positions were at the basis of the uneven impact of the economic crisis which followed the financial crisis of 2008/09.

As we move towards the starting point of the corona-crisis, countries had therefore experienced 10 years of widely diverging developments across the European Union (see also the contribution by Celi et al. (2020) in this issue). Debtor–creditor relationships had thus cemented themselves in the minds of the European public and policymakers.

The consequence of this was that it became very difficult to agree on developing policy instruments at the EU level that might have the flavour of being part of a ‘transfer union’. This was especially true for any progress towards a ‘fiscal union’ (which we shall discuss in more detail below), but it also affected other areas, such as a Common Deposit Insurance that is considered an important pillar of the Banking Union. This reticence also affected any moves in the direction of mutual supports in social insurance schemes, such as a joint unemployment insurance scheme that had been advocated by many economists (see e.g. Andor et al. 2014) and would have provided a first pillar of an ‘automatic stabiliser’ at the EU level. Rather than these being seen as instruments that are based on an ‘insurance motive’—i.e. a ‘shock’ that could hit any of the countries, the public viewed the occurrence of vulnerable positions as being consistently associated with one set of countries (the ‘debtor’/‘deficit’ countries) while other countries (the ‘creditor’/‘surplus’ countries) were seen as largely immune from such shocks. This prevented (and—to some extent—still prevents) much progress in these crucial areas that would support cohesion (and resilience with respect to shocks) in the European Union.

The corona-crisis provided, on the other hand, an opportunity to remind member countries of the EU that ‘shocks’ can hit any country and thus make the ‘insurance’ argument underlying a solid fiscal stabilisation arm at the EU policy level convincing again. Alas, the starting positions of the different countries as they were all hit by the epidemic (itself differing in timing and severity) were different. This was particularly true with regard to the legacy of public debt positions which also meant that any interventions to counteract the immediate impact of the crisis confronted a situation in which ‘fiscal space’ was quite different for the different member countries. Evidence for such differences in abilities to counteract the immediate health crisis can be found in Table 1.

What about ‘centripetal forces’? They are largely constituted by the fact that few (economic and political) actors within the EU would be interested in a severe

¹ We include in Figs. 1 and 2 also the group of Western Balkan (WB) countries as they are countries highly linked economically with the EU (prospective member countries) and similarly show persistent high external disequilibria.

Table 1 Discretionary 2020 fiscal measures adopted in response to coronavirus crisis; in % of 2019 GDP (figures refer to declared measures by 25 May 2020) [Note: This table and is taken from Bruegel datasets (Anderson et al. 2020). Items were calculated as the ratio of the 2020 measures to 2019 GDP. The category ‘Other liquidity/guarantee’ includes only government-initiated measures (excludes central bank measures) and shows the total volume of private sector loans/activities covered, not the amount the government put aside for the liquidity support or guarantee (the amount of which is multiplied to cover a much larger amount of private sector activity)]

	Immediate fiscal impulse (%)	Deferral (%)	Other liquidity/guarantee (%)	Last update
Belgium	1.4	4.8	21.9	03/06/2020
Denmark	2.1	7.2	2.9	28/03/2020
France	3.6	8.1	13.9	04/06/2020
Germany	13.3	7.3	27.2	03/06/2020
Greece	1.1	2.0	0.5	01/04/2020
Hungary	0.4	8.3	0.0	25/03/2020
Italy	0.9	13.2	29.8	27/04/2020
Netherlands	3.7	7.9	3.4	27/05/2020
Portugal	2.5	11.1	5.5	04/05/2020
Spain	2.3	0.9	9.2	25/05/2020
UK	4.8	1.9	14.9	25/05/2020

reversal of the state of integration that has been reached in the European Union or the Monetary Union. This does not mean that there are no sections of the population or no political parties advocating a dismantling of the EU or EMU, but these are—by all accounts—very much in the minority in all current member countries of the EU/EMU. The vote in the United Kingdom for leaving the European Union (i.e. Brexit) has in fact strengthened the forces within the EU that do want to preserve the EU/EMU. Of course, positions become much more differentiated once we come to the details of whether there should be a strengthening or a weakening of any progress towards a ‘Federal Union’. The issue we want to discuss now is whether the ‘Coronacrisis shock’ has provided the ground to make a qualitative move in this direction more likely.

Before that let me introduce some more general political-economic considerations.

3 Political-economic forces pushing towards or restraining European integration: a ‘structural political-economic’ (SPE) perspective

In the following I shall introduce some basic features of an analytical framework to study political-economic forces in an international context that was developed jointly with a colleague (see Cardinale 2017; Cardinale and Landesmann 2017 and forthcoming).

Basic to this framework is the view that there are two types of forces that shape international integration: on one level there are industrial ‘*sector interests*’ that often

initiate such processes, and on another level there are a variety of political actors that represent ‘*social constituencies*’ (social groupings within countries, but also national constituencies as a whole). Industrial or ‘sector interests’ are not necessarily sectors by standard industrial classification (such as the ‘steel sector’ or the ‘banking industry’), but could also be other aggregates of business interests (such as the larger, internationally more active businesses within an industry, as compared to smaller businesses that are more oriented towards local or domestic markets; or businesses that are operating at the technology/innovation frontier as compared to those that are technology adopters).

There is a basic behavioural hypothesis that we make when we apply the distinction between ‘sector interests’ and ‘social constituencies’ to understand the evolution of complex political-economic processes: ‘industrial interests’ are intervening in a ‘forward-looking’ way in the political arena to advance their interests. The reason is that a central concern of business is investment—which is forward-looking—and they adopt the same approach in political interventions when they want to further their interests. If we come to the political behaviour of the other actors, i.e. ‘social constituencies’, their behaviour is less ‘forward-looking’ and results more from actual experiences which become more acute once certain thresholds of sensitivity have been reached that affect their lives (their chance of employment, their incomes, the cultural experiences in their neighbourhoods, etc.) This ‘time lag’ between the political interventions by ‘industrial’ or ‘business’ interests, and those of other ‘social constituencies’ and the organisations that represent them (parties, trade unions, etc.) are important to understand political processes.

There is also another feature that characterises the behaviour of both industrial groupings and of social constituencies: in general, they are guided by a particularistic or ‘*partial view*’ of economic interdependencies and they form their interests on that basis. Both of these types of actors, as a starting point, either lack the information and/or lack an interest in defining their position from a ‘systemic’ point-of-view i.e. including a concern for the implications of their actions on the entire system of economic interdependencies. However, as we shall explore when attempting to explain the possible impact that the Covid-crisis might have on the politics of European integration, a systemic shock could lead to an abandonment (or partial abandonment) of a particularistic or ‘*partial view*’ and lead to an adoption of a ‘*systemic view*’, i.e. being much more interested in the workings of the system as a whole thereby developing (to some extent) a ‘*systemic interest*’. As regards ‘partiality’ vs. a ‘systemic’ view, there is in principle no difference between social constituencies and business interests: both start off with particularistic positions and only in specific circumstances they might adopt and advocate a more of a ‘systemic’ view of general interdependencies and system dynamics.

A schematic application of the SPE framework which we shall use to understand both systemic failures of European integration but also the impact of the Covid-19 crisis is shown in Scheme 1:

We also introduce there a further element into our analysis: economic interdependencies and political processes result in sets of legal and policy frameworks and institutions that impact and embody the rules and policy-frameworks that are in place at national and international levels. They also provide ‘*coordination*

Scheme 1 A schematic representation of the SPE framework

platforms’ (CP) that deal (more or less effectively) with the various pressures that arise between the different economic and political interests at national (NP) and international (IR) levels.

Let us now apply this framework to understand the various stages of European integration and in particular the political-economic processes that characterised reactions to the financial crisis (2008/09) and the more recent Covid-19 crisis.

4 A short review of European integration through the SPE lens

The first point we want to make is that many of the post-WWII stages of European integration (starting with the Coal and Steel Union, followed by the Customs Union, then the Single Market, up to the EMU) were pushed along by ‘industrial interests’. We do not claim that at any of the stages of European integration all business interests were in favour of further steps towards European economic integration (as there were and are powerful business groups that want to preserve advantageous positions on domestic markets), but the balance of forces amongst ‘industrial interests’ led to successful moves towards a sequence of stages of European economic integration. However, as these integration steps were pushed along in many instances by particularistic interests that were guided by ‘partial views’ of general economic interdependencies, each stage of integration also revealed the hallmarks of the unbalanced nature of industrial interests pushing through their agendas. Similarly, the policy frameworks, ‘coordination platforms’ and institutions, that were built up to support such integration also reflected the incomplete and unbalanced nature of the ‘sectoral interests’ that were behind these processes.

Let us be more concrete and exemplify the case of the Single Market with its four freedoms (freedom of movement of goods, services, capital and labour) and the shift towards the Monetary Union (EMU):

The Single Market initiative came after a long phase in which trade liberalisation had led to a fully-fledged Customs Union with tariff- and quota-free trade in goods amongst EEC (European Economic Community, as it was called then) members. It then seemed a logical step to move towards the Single Market, as services trade facilitates goods trade and vice versa, and so does the free mobility of capital and of labour. Hence, the four freedoms enshrined in the Single Market program was a natural move once ever tighter trade relationships (in goods trade) had developed in the context of the Customs Union. The move towards a Monetary Union was a next logical step to avoid the costs and uncertainties of volatile exchange rates amongst highly integrated economies, and after other policy frameworks (such as the Exchange Rate Mechanism) that were aimed at exchange rate stabilisation had been proven to be prone to speculative attacks and failed. In each of these stages of further integration (customs union, single market, monetary union), industrial interests were instrumental in pushing for these major steps, although there were also business interests that held out against such moves (as is apparent when one examines the incompleteness of Single Market integration in many of the services areas). But on balance, the business interests that pushed towards integration were successful.

Let us now also explicitly point to the features of economic integration that revealed the ‘partiality’ of sector interests that were at work. Take the example of capital markets integration: as capital is probably even more mobile than goods, and definitely more than labour, it was clear that capital markets would get highly integrated once the Single Market was established, i.e. most of the large-scale European banks and other financial institutions started to operate across European borders on a large scale. What was interesting, however, was that supervisory and regulatory bodies remained national and there was only limited scope for such national bodies to obtain information or supervise the activities of ‘their banks’ across borders. This is an example of the ‘unbalanced’ nature by which the economic integration process proceeded driven by ‘sectoral’, ‘partial’ interests; in this case national regulatory bodies preserving their spheres of control and banks and financial institutions benefiting from certain aspects of a fragmented space of international regulation. The unbalanced nature of the processes at work behind the integration process thus also got reflected in the evolving policy and institutional frameworks (in this case, the missing EU or EZ wide regulatory bodies of the financial sector).

Another important example of the unbalanced nature of the integration process is, of course, the construction of the EMU, with a fully centralised monetary policy and a central, powerful institution that represents it, the ECB, and the almost inexistent second arm of macro-economic policy at the EU/EZ level, namely fiscal policy. The sectoral interests that pushed towards a framework that guaranteed stability in exchange rates (by abolishing them altogether in a monetary union) were not necessarily guided by the macroeconomic (systemic) insight (shared by most economists) that would state that a monetary union without a strong second pillar in the area of fiscal policy, is likely to malfunction. In fact, it was only the actual experience (by

social constituencies and businesses alike) of that mal-functioning in the aftermath of the financial crisis that put the issue of the necessity of fiscal policy (beyond the ‘rules-based’ Stability and Growth Pact, SGP) prominently on the agenda without yet leading to any realisation.

The other point regarding the unbalanced nature of political-economic developments behind European economic integration is the ‘time lag’ we mentioned in Sect. 2 in political actions and reactions of ‘sectoral interests’ as compared to ‘social constituencies’. This time lag has important implications for the dynamics of European integration at the political level. Take the case of the implementation of the Single Market program: the introduction of the ‘four freedoms’ was a watershed regarding the extent of EU market integration. It induced strong processes of structural adjustment, such as new patterns of intra-EU specialisation and of agglomeration of economic activities, and these reflected themselves in changing patterns of labour demand, regionally and by skill levels. Social constituencies experienced these structural changes as they happen (and do not necessarily anticipate these in a forward-looking manner). They react to these when such changes transcend ‘threshold levels of sensitivity’ and this experience forms their views on whether international/European integration leads to an improvement or a deterioration of their lives. Such experiences and perceptions then influence their voting patterns in national and European elections and give rise to (at times new) parties expressing these views and also influencing and mobilising social constituencies in turn. We thus see a sequence of political processes characterising the European integration process being shaped initially predominantly by (forward-looking and ‘partial’) ‘sectoral interests’. With a time lag, the experiences of social constituencies start increasingly to influence national politics (NP) and these, in turn, can affect the interest positions that individual countries take in inter-country relations (IR) amongst member states vis-à-vis further steps towards European integration (or boycotting or stalling such steps).

We can give many further examples of the relevance of the differentiated actions/reactions of ‘industrial interests’ and ‘social constituencies’ for the political processes initiating and accompanying (and—at times—resisting further) European economic integration. A particularly important example is ‘mobility of labour’ within the EU which from the point-of-view of sectoral interests was perceived as an integral part of overall market integration aimed at by the Single Market program. The social constituencies’ reactions to the implications of this component of the SM program took some time, but then became very strong, as not only purely economic effects came into play, but also social and cultural implications of increased intra-EU mobility and migration patterns were experienced. These led to strong political reactions, with the rise of right-wing parties in many EU member states affecting national politics (NP) and then having also its impact on international relations (IR) amongst member states. The most extreme expression of the latter was the important role that intra-EU migration played in the British referendum on EU membership (‘Brexit’).

Given the post-2008/09 crisis experience we should also mention one more element that plays an important role during a crisis and that refers to the *asymmetric bargaining positions* of different political actors. From this and many other experiences it is clear that asymmetric positions of different agents shape the outcome

2a. Pre-crisis: debt build-up				2b. Post-crisis: debt write-off			
		EU-North				EU-North	
		BS	TP			BS	TP
EU-South	BS	(+,+)	(~ , +)	EU-South	BS	(-/+,+)	(-,+)
	TP	(+,+)	(~ , +)		TP	(-,+)	(-,+)

Scheme 2 A schematic representation of Creditor–debtor interest constellations pre- and post-2008/09 crisis. Note: in this matrix we analyse interest constellations between banking sectors (BS) in EU-North and EU-South before and after the 2008/09 crisis and those of the tax payers (TP) of the EU-North and the EU-South. The issues here are (i) the attitudes vis-à-vis the build-up of debt positions in the EU-South before the crisis—financed by the banking sectors of the EU-North—and (ii) the issue of debt relief (or debt write-off) following the crisis when the debt position of the EU-South became unsustainable. The first element in each bracket refers to the interest position of the banking sector (BS) and the tax payers (TP) from the EU-North point-of-view and the second element in each bracket from the BS and TP in the EU-South’s point-of-view. A (+) sign means an interest in the build-up of credit by EU-North banks (and debt by the EU-South) prior to the crisis. Post-2008/09, a (+) or (–) sign means respectively a (positive or negative) attitude towards write-off of the debt that had built up in the EU-South

when features of ‘unsustainability’ of systemic interactions become apparent. This was the case when unsustainable debtor–creditor relationships became apparent in the course of the financial crisis and the question arose how this situation gets resolved. It became clear that amongst four important players (in a schematic representation of the situation), the financial sectors in the ‘Northern’ (creditor) countries and in the ‘Southern’ (debtor) countries and the tax payers in the ‘North’ and the ‘South’, had conflictual positions with regard to who should pay which part of the costs of ‘debt resolution’ or ‘debt write-off’.

In the following matrix representation² we represent the interest constellations and conflictual positions of these four ‘actors’: the banking sectors (BS) in the EU-North and the EU-South, and the two ‘political/social constituencies’, i.e. the tax-payers (TP) in the EU-North and the EU-South. Let us first examine sector-interest constellations *prior to the crisis*: in this period there was basically a strong congruence in interest positions of banking sectors in both the EU-North and the EU-South to support borrowing (mostly by the private sector) in the EU-South. This was furthermore also welcomed by the tradable sector of the EU-North which benefited from finance provided to the EU-South so that the tradable sectors of the EU-North could sell its exports. The issue of non-sustainability of debt build-up prior to the crisis was either not considered at all or insufficiently considered to sway banking sector interests. Tax payers in the EU-South that also constituted the private sector were similarly interested in the financing of their imports and hence in Matrix 2a we see mostly (+) signs showing the congruence of interests amongst sectors and

² The matrix representation and the following paragraphs reuses some of the argumentation in Cardinale and Landesmann (forthcoming).

taxpayers. There are also some (~) indifference signs which represent the EU-North tax payers' lack of concern in the pre-crisis period in the debt build-up in the EU-South (Scheme 2b).

The situation turned much more conflictual in the post-crisis period when it became apparent that the debt situation had become unsustainable and when the issue arose regarding who bears the costs of the necessary debt relief or debt write-off. A multiplicity of conflictual interest positions emerged which are only partially captured in Matrix 2b as we only represent here conflicts of interest between banks and tax payers across countries and not those between banks and tax payers of the same country which would require a further matrix representation.

Let us shortly characterise the situation with regard to debt relief or debt write-off in the *post-crisis period*: the private sector in the EU-South had built up unsustainable debt and this got represented in severely deteriorating balance-sheets of EU-Southern banks and also the balance-sheets of EU-Northern banks insofar as they were involved in lending to the EU-South. The situation in the EU-South became so severe that EU-Southern banks were either bankrupt or close to bankruptcy. Some other agent(s) would have to step in to take over the costs of necessary debt relief or debt write-off so that the banking system would not collapse with dramatic consequences for the Euro-banking system as a whole. In addition, a collapse of the economy of the EU-South would also affect the 'real sectors' in the EU-North which could be depicted in a separate Matrix representation (in the first place, the tradable sector, but indirectly also the non-tradable sector; see Cardinale and Landesmann 2017, where the interest positions of tradable and non-tradable sectors on different economies in the build-up to the financial crisis were extensively analysed).

Hence, in the post-crisis situation there were a number of 'switches' in interest positions compared to the pre-crisis situation: the banking sectors in both EU-North and EU-South became interested in debt relief, in fact they developed a congruence of interests to push the responsibility of debt relief/debt write-off to the tax-payers of the two countries. The new conflictual situation that emerged was one no longer between the banking sectors of the two countries, but between the tax payers of the two countries (although in the initial phase, there was also the issue of the intra-country distribution of costs between banks and tax-payers; hence the $\pm$ sign as regards the position of North-EU banks towards debt write-off³). Attempts at a resolution of the debt situation was then characterised by a strong conflictual relationship between the tax-payers of EU-North and EU-South. This became characteristic of the major political-economic tensions within the Eurozone post-2008/09. In fact, the unbalanced nature of debt positions of the different EU member countries deepened in the course of the post-crisis period and this became the starting point of the situation when the Covid-19 epidemic hit the EU in 2019.

³ The question which arose was whether EU-Northern banks should bear some of the costs of debt write-off that resulted from their exposure in EU-South lending. As it happened, the EU Northern banks managed to quickly escape from this situation (mostly because of the fear of a too strong weakening of the banking sector in EU-North during a very fragile phase in global financial markets) and the conflict shifted towards one between tax payers in the EU-North and the EU-South regarding the costs of debt resolution.

5 The Covid-19 crisis and the mobilisation of both centrifugal and centripetal forces

When applying the SPE framework to studying the complex political processes that are being unleashed in the European Union by the corona crisis one has to keep in mind that Covid-19 followed the previous deep financial and economic crisis of 2008/09 and its aftermath. As a result of this crisis decade, perceptions of an existential threat to the European integration process as a whole had cumulated. One can say that the cumulative nature of the impact of these crises led to a faster reaction by some of the relevant actors to counter the renewed unleashing of centrifugal forces that the uneven impact of the Covid-19 epidemic could cause. The shift from ‘particularistic’ to ‘systemic interest’ was therefore more likely to occur particularly in the case of ‘big actors’ whose behaviour can have a significant impact on the ‘viability’ of the system. One can argue that this is typified, for example, by the so-called ‘Franco-German proposal’, which lay the ground for an ambitious plan proposed by the Commission (European Commission 2020).

In any such ‘systemic crisis’ it is also important to analyse the roles of technocratic bodies (acting as ‘coordination platforms’, CP, in Scheme 1) in both crises: there were important interventions by technocratic bodies (the EU Commission, the ECB) in the first (financial) crisis and also in between the two crises to further the European integration process (such as the initiation of the banking union), but these initiatives stalled and one can argue that it required the cumulative impact of both crises to make a further leap in implementing what most economists would argue are essential elements for a proper functioning of a Monetary Union. In particular, the development of fiscal stabilisation instruments, of a common tax base, the development of common automatic stabilisers (such as a common unemployment insurance) and the development of a policy arm in the direction of social security provisions (in areas of health, employment guarantees, poverty alleviation, etc.) are such elements. Hence, one can conjecture in the EU’s case that when awareness of viability problems (i.e. an existential threat to European integration) becomes acute countries might be willing to shift executive power to technocratic bodies that can play an important role in developing and implementing programmes that are less driven by particular interests.

To provide the context, let us return to the issue, often mentioned by commentators of the corona crisis, that the Covid-19 crisis was initiated by a global ‘symmetric shock’, i.e. the virus epidemic hit every country in the world and thus the EU, even though the timing and the intensity of the impact differed: the crucial point for an application of the SPE framework is that the ‘shock’ (and the ‘viability’ challenge) did not result from the longer-term evolution of unbalanced economic structures that in parts reflected the relative powers of ‘sectoral interests’ in different economies (financial, export- and domestic-market oriented sectors). In the Covid-19 crisis one could in the first instance speak of a common ‘exogenous shock’ rather than reflecting a situation in which sectoral interests played a role in bringing the crisis about (as in the financial crisis of 2008/09).

Fig. 3 Public debt (in % of GDP). (Source: wiiw Annual Database incorporating national and Eurostat statistics. Data for 2019 in parts estimates, wiiw and Ameco)

Nonetheless, different starting points and inherited economic structures of different countries caused the impact of the epidemic in different European economies to become uneven. It thus generated a new bout of centrifugal forces. Differences in starting positions included inherited uneven public debt positions (see Fig. 3), longer-term differences in underlying growth trajectories, the relative strengths and weaknesses of the health sectors in different countries, the relative dependence of economies on exports, and the fact—given differences in sectoral compositions of different economies—that different sectors were more or less vulnerable in different phases of the Covid-19 crisis—such as during the ‘lockdown’ phase (see e.g. Odendahl and Springford 2020).

Consequently, when we examine the evolving bargaining positions of countries, despite of the common rhetoric in the public debate of a ‘common shock’ and ‘it is no country’s responsibility’, this did not define the positions in the unfolding negotiations and in the discussion regarding the form that ‘common action’ would be taken. It is the uneven access to resources across countries to counteract the crisis, and the differential (potential) impact on sectors and regions and ‘social constituencies’ that the envisaged collective action programs (or lack thereof) might have which shape the bargaining processes around these programs. These processes in turn will generate the development of new policy instruments and possibly also new institutions at the EU level.

Nonetheless, as argued above, the cumulateness and severity of the crisis, also generated a stronger and faster ‘shift’ towards a ‘systemic perspective’ and towards ‘systemic interest’ by important actors. It is not only the political establishment of some of the big countries (France and Germany, personified by Macron and Merkel) that take (at times) such ‘systemic interest’ positions, but important segments of both ‘sectoral interests’ and ‘social constituencies’ get mobilised by an existential threat

to coherence of the European integration process as a whole.⁴ Hence, a systemic crisis (or the fear of one) results in shifts in ‘interest’ positions and this impacts on bargaining processes and their outcomes. Systemic crises thus result in both centrifugal and centripetal forces regarding the European integration process and it is these that a positive political economy framework (such as the SPE approach) has to capture to understand the political processes that are unfolding in the course of the Covid-19 crisis.

In this context, we should not ignore that as ‘crisis management’ evolves the differential weights of countries and country groups (and also of sectors) that are brought to bear unto bargaining processes and the outcomes (in terms of decisions taken) themselves can generate processes of differentiation. These can generate, perpetuate and, in principle, strengthen again ‘centrifugal forces’ in the European integration context. To be more concrete here: the European ‘Recovery Plan’, even as it emerges as a ‘collective action’ plan driven by ‘systemic interest’, will—in the final instance—be decided in its concrete form by the weights of the different actors involved in the bargaining processes and their *relative ‘urgencies’* (see the discussion of asymmetric bargaining positions in Sect. 3 of the paper) to arrive at a particular settlement which defines their relative strengths in the negotiations. Any settlement will benefit different sectors, regions and sections of societies in the different member states to different degrees. Hence while policy reforms, new policy instruments and new institutions at the EU level will generate aggregate welfare benefits they also contribute to the accrual of uneven benefits (and also costs) to different constituencies (see also Darvas 2020). The impact of any such policy reform (just like any stage of the European integration process) will thus contribute to differentiation across space (countries and regions), sectors (and business segments within sectors), and segments of society (differentiated by many characteristics: e.g. educational attainment levels, age, mobility and transferability of skills, endowment with buffers against shocks, etc.). And this differentiation generates again new articulations of ‘sectoral interests’ and of ‘social constituencies’ in the future.

We summarise this in a further schematic representation depicting centrifugal and centripetal forces that characterise the Covid-19 crisis in Europe (Scheme 3).

The Covid-19 crisis can thus be seen as an example where the cumulative nature of experiences of crises which accentuated conflictual relationships within countries (threatening social cohesion) and across countries (cementing perceptions of unfairness and ineffectiveness of existing policy frameworks) leads, on the one hand, to more acute centrifugal processes threatening the European integration process as a whole, but also mobilises centripetal forces more quickly and more forcefully than in the previous financial crisis. Centripetal forces are constituted by important actors that might shift their policy positions in response to existential threats more strongly towards systemic stability as well as reinforcing the positions of technocratic bodies

⁴ The issue is not unlike the evolution of policies reacting to the challenge of the climate crisis which similarly evolves at the EU (and global) level as a mixture of articulations of ‘systemic’ and ‘sectoral’ and other ‘particularistic’ interests, as also here ‘systemic risk’ and ‘viability’ issues are raised at an even more fundamental and global level.

Differentiating forces:

Legacies (debt, health systems)

Crisis impacts; impact of policy reforms

Centrifugal political forces:

Particularistic country/group/
sector interests

Centripetal political forces:

Shifts towards 'systemic interest'
by 'big' players; coherence of inter-
industry/inter-country interdependencies

Coordinating policy platforms and
institutions (Commission, ECB, EP);
new EU-level policy instruments

Scheme 3 Centrifugal and centripetal forces during the Covid-19 crisis

that act as arbiters of coordination and bargaining. No doubt, complex political processes will emerge at national and inter-country levels as a consequence of the operation of these forces during the current Covid-19 crisis, and these processes will significantly shape the future of European integration.

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