Coping with Covid: How did Covid-19 management measures impact fiscal federal relations?

1. What measures were taken at EU level?

Initial efforts of the EU focused on providing Member States with more fiscal leeway for their national responses to the lockdown, demand, and reallocation shock caused by the pandemic.[1] In particular, this meant a temporary relaxation of State Aid Rules[2] and the activation of the general escape clause of the Stability and Growth Pact (SGP).[3] A new asset purchase program of the ECB (Pandemic Emergency Purchase Program (PEPP), EUR 1850 bn.)[4] accompanied the suspension of strict budgetary rules. In addition to that, the EU also redirected previously unused funds to cover Covid-19-related expenditure, albeit at a modest scale.[5] Although the ESM made a Pandemic Crisis Support Credit Line (PCS) available until the end of 2022, it has not been used yet.

As political support for joint action grew amidst budget negotiations for the next seven-year Multiannual Financial Framework (MFF) period, several new spending programs were adopted. First were the Support for Unemployment Risk in an Emergency (SURE) instrument (total EUR 100 bn.),[6] which aims to mitigate the effects on the workforce by providing loans for Member States to complement their temporary work-schemes, and raising the overall spending ceiling for the next MFF. In December 2020, joint efforts were boosted by temporarily (until the end of 2026) authorising the Commission in the new Own Resources Decision (ORD)[7] to raise up to EUR 750 bn. on financial markets on behalf of the EU to be disbursed as conditional loans (EUR 360 bn.) and grants (EUR 390 bn.). The respective expenditure is expected to have the most sizeable impact. It is of note here, that the EUR 750 bn. are to be externally assigned revenue. In conjunction with Art. 4 and 7 ORD 2020 as well as Art. 3 of the European Union Recovery Instrument (EURI) regulation, passed on the same day as the ORD,[8] this effectively establishes a subsidiary budget. Although the EURI is in effect not a financial aid program, but a budget appropriations bill; it was nevertheless based on Art. 122 TFEU, which allows conditional Union financial assistance to a Member State in specific emergencies.

[1] *De Witte*, CML Rev. 2021, 635 (635).
[2] OJ 2020 C 91, 1.
[3] Commission, COM 2020 123 final.
[4] ECB, Decision (EU) 2020/440, OJ 2020 L 91, 1; last amended by OJ 2021 L 50, 29. For more details compare https://www.ecb.europa.eu/mopo/implement/pepp/html/index.en.html. In September 2021, PEPP holdings were at EUR 1356 bn.
[5] *De Witte*, CML Rev. 2021, 635 (639).
[6] Council Regulation (EU) 2020/672, OJ 2020 L 159, 1.
[7] Council Decision (EU) 2020/2053, OJ 2020 L 424, 1.
[8] Council Regulation (EU) 2020/2094, OJ 2020 L 433 I, 23.

The majority of the borrowing proceeds are assigned to the newly established Recovery and Resilience Facility (RRF).[9] Member States can submit their Recovery and Resilience Plans (RRPs) during the European Semester to apply for the additional funds. Despite its crisis relief rationale, the RRF covers manifold policy initiatives with not always clear links to the present crisis fallout, most likely in an attempt to harness the pandemic for modernizing the economy. Navigating the challenging political environment also meant that complex legal structures had to be created, once again testing the limits of the EU Treaties.

2. **Which goals** did they pursue?

Although the Covid-19 crisis affected all member states, its impact had asymmetric effects in terms of severity.[10] Importantly, the individual national recovery prospect also varies significantly across member states. The EU-level response thus combines short-term goals (meeting immediate health and socio-economic needs) and long-term goals (addressing structural inequalities and potential future asymmetric shocks).

More specifically, the newly created financial instruments, such as the ESM PCS and the SURE aim at helping member states in stabilising their socio-economic situation. The former provides member states with favourable loans to cover health-related costs caused by the pandemic. There are no strict country-specific conditions attached to these instruments. Both PSC and SURE therefore pursue different goals from the ones pursued with EU bailout programmes and ESM loans during the Eurozone crisis that tied the support to stabilization of socio-economic situations with detailed requirements for structural reforms.

Finally, it is worth mentioning that the Covid-19 pandemic also opened a window of opportunities for strengthening the fiscal collaboration within the EU. Although different programmes of the NextGenerationEU (NGEU) recovery package use different cross-country allocation keys, some estimates[11] point to a significant redistribution effect of grants through the NGEU and 2020 annual EU budget. More EU grants will be allocated not only to member states most severely hit by the Covid-19 crisis (stabilization of the socio-economic situation) but also to member states with lower gross national income (GNI) per capita (equalization). The RFF, as the main instrument of the NGEU, predominantly pursues the goal of structural reforms,[12] along with the goals of stabilization of the

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[9] European Parliament and Council Regulation (EU) 2021/241, OJ 2021 L57, 17, mainly based on Art. 175(3) TFEU.
[10] Gros D. (2020) Europe and the Covid-19 crisis: The challenges ahead. CEPS Policy Insight No 2020-20/September, p.8; also: Camous A. and Claeys G. (2020) The evolution of European economic institutions during the COVID-19 crisis. Eur Policy Anal. 2020;6, p. 332
[11] Darvas Z. (2020) The EU´s recovery fund proposals: crisis relief with massive redistribution. Bruegel Blog 17 June 2020
[12] Gros D. (2020); also Mochella M, (2020) What role for the European Semester in the recovery plan? Economic Governance Support Unit – European Parliament

socio-economic situation and convergence. Following six pillars[13] defined in the RRF Regulation, the goal of this instrument is to support national reform and investment efforts in green and digital technologies and infrastructure, smart, sustainable and inclusive growth, social and territorial cohesion, health, and economic, social and institutional resilience and policies for the next generation. To receive financial support, member states need to prepare national RRPs, which are expected to elaborate their reform and investment projects for the upcoming years and outline how these efforts will contribute to the six RRF pillars. At least 37% of expenditure for the proposed projects and plans need to be related to climate action and at least 20% to digital transition. RRPs must also address the 2019 and 2020 EU policy recommendations received within the European Semester procedure.[14] Overall, national RRPs are supposed to meet multiple targets and benchmarks, combining measures aimed at dealing with the immediate negative health and socio-economic impact of the crisis with some longer-term measures aimed at strengthening competitiveness and resilience. Thus, the Union again builds on rules and numbers as its method of governance.

3. Revenues

Assessing the actual budgetary implications of the different programs at the EU level (which includes not only the direct effect but also indirect effect through increases in real activity and potential increases in pro-cyclical taxes) is notoriously hard and recent data is oftentimes not available. In this part we focus on the revenue and expenditure side using aggregate data for the Euro Area (data for the EU as a whole is not available at the quarterly frequency). The time series were obtained from the Eurostat database and the ECB's Statistical Data Warehouse.

On the revenue side, the declining levels of real activity caused by implemented measures to curb the spread of the pandemic, led to a substantial decrease in taxes at the member state and the EU level. While on EA level mostly automatic stabilizers are the reason for the decline, some member states also used tax exemptions for stimulating the economy (e.g., Germany temporarily decreased its VAT down to 16% and 5% respectively). This is partly visible in Figure 1 showing the tax burden in percentage of GDP as well as the low-frequency component, which approximates the long-term trend.[15] Inclusion of this trend allows us to gauge whether deviations in the actual data can be attributed to movements induced by the pandemic or by secular developments.

[13] Article 3 Regulation (EU) 2021/241

[14] The European Semester procedure of enhanced policy coordination and monitoring, established in response to the Eurozone crisis, aims at ensuring fiscal responsibility and encouraging member states to implement structural reforms

[15] This is extracted by using methods outlined in Müller and Watson (2014) and can be interpreted as a long-run trend in the absence of higher frequency shocks.

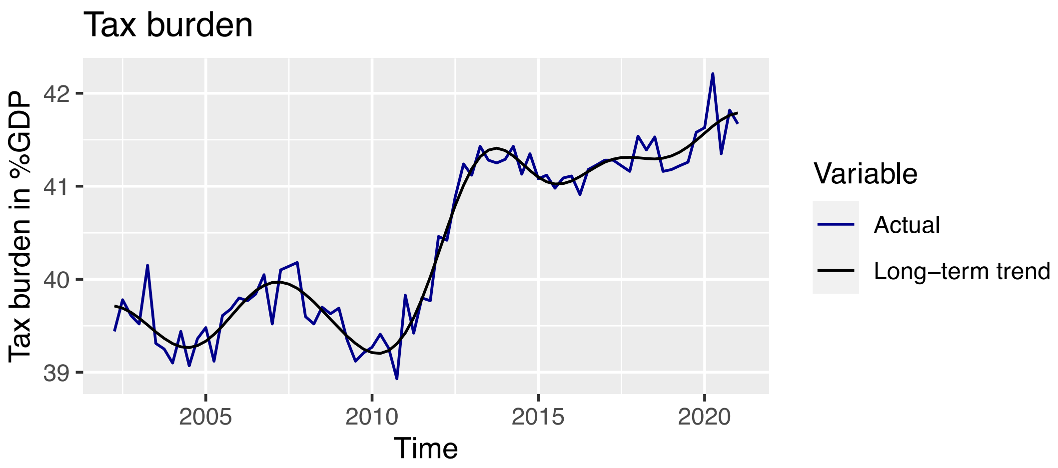

Figure 1 Tax burden at the Euro Area level with its trend component

After the global financial crisis, the (nominal) tax burden has been rising slightly to around 42% of area-wide GDP in the final quarter of 2019. During the pandemic, we observe a decline by around one percentage point. Interestingly, the long-run trend was also slowly increasing but the initial reaction of taxes in the first and second quarter of 2020 sharply exceeded the slowly increasing trend.

While this result is based on aggregate data for the Euro Area, dynamics in the member states may be different and heterogeneous. Hence, country-specific declines in both direct and indirect taxes have been much more pronounced.

4. Expenses

In response to declining levels of output caused by non-pharmaceutical interventions like stringent lockdown measures, governments and central banks engaged in expansionary policies. In the Euro Area, member states heavily increased government spending by implementing a broad range of different measures and the ECB introduced several programs geared towards boosting the liquidity of the financial system (see the discussion in Section 1). These measures have been tailored to match the different stages of the pandemic and to take into account the heterogeneous fiscal stances of the member states. While most member states extended the automatic stabilizers by giving employers access to flexible furlough schemes and increasing direct transfers to vulnerable groups, only a minority of states used temporary tax exemptions or reductions. In what follows, we offer a closer look on how total expenditures evolved over time.

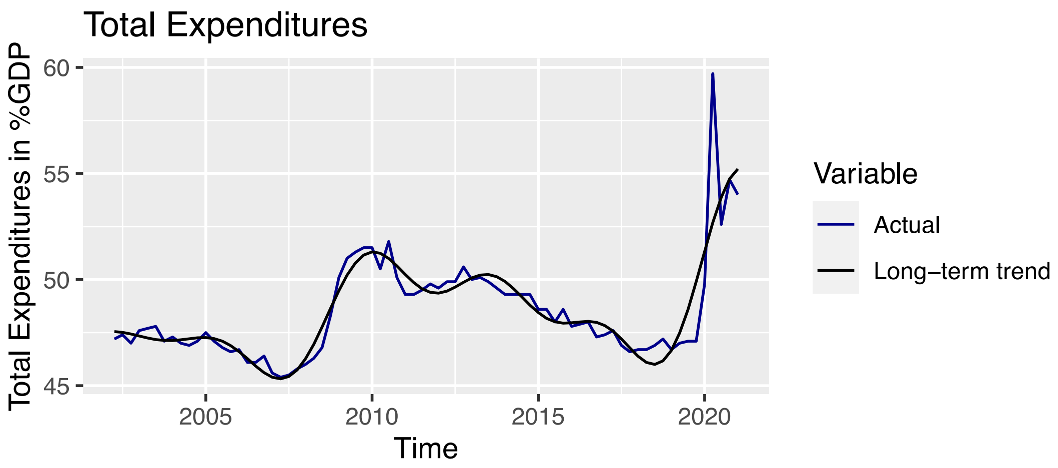

Figure 2 Government expenditures at the Euro Area level with its trend component

Figure 2 depicts government expenditures at the Euro Area level (in percentage of GDP) alongside its low frequency component over the period 2016Q4 to 2020Q4. This shows that nominal expenditures have been steadily increasing over time. When we consider the low frequency behaviour of the time series, we find that expenditures have been above their trend from around 2017Q3 to around 2018Q2 and then below their trend from 2019Q2 until the onset of the Covid-19 pandemic towards the end of the first quarter of 2020. During that period, expenditure growth sharply exceeded trend growth with actual expenditures rising appreciably above the long-run trend. This trend, however, somewhat reversed in the third quarter and then continued in the final quarter of 2020. Notice that this coincides with the second wave of the Covid-19 pandemic observed in most Euro Area economies and in general was accompanied by declining levels of output and increasing rates of unemployment.

As most of the countermeasures are financed by debt, we consider how the aggregate deficit evolved during the pandemic in Figure 3. This measure closely mirrors the sharp increase in total expenditures (and a rather mild decrease in tax revenues). The aggregate deficit has been large during the global financial crisis but the substantial increase in the deficit (to around 12 percent of area-wide GDP) dwarfs the figures observed in 2008/2009. These increases in lending have been fostered by various measures such as pandemic crisis support through the ESM (which *potentially* provides loans to Euro Area member states up to two percent of GDP with a total amount of EUR 240 bn., the SURE scheme (EUR 100 bn.) or the triggering of the general escape clause of the SGP. These measures allow the member states to react swiftly and firmly to the economic shock caused by the pandemic.

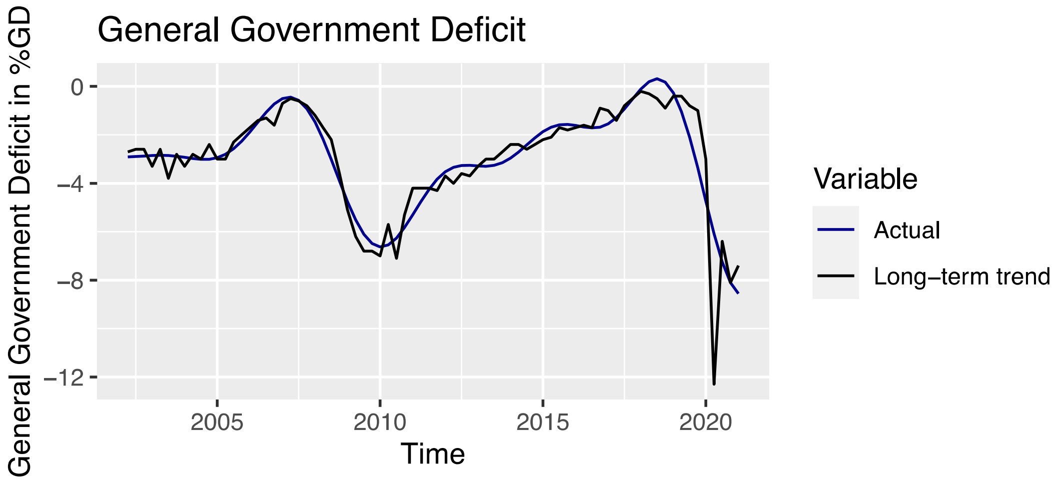

Figure 3 General deficit at the Euro Area level and trend component

Figure 4 shows the proposed and disbursed allocation (in millions of EUR) of SURE funds across countries. SURE funds allow flexible support via labour markets like an extension of national furlough schemes or short-time work schemes to preserve jobs. The goal is to keep people on the job to avoid excessive unemployment, which has negative economy-wide effects like scarring (i.e., negative long-term effects of unemployment on future labour market possibilities). As the figure indicates, most countries received all of their requested funds. The exceptions are CESEE countries such as Poland, Romania and Slovakia as well as Portugal.

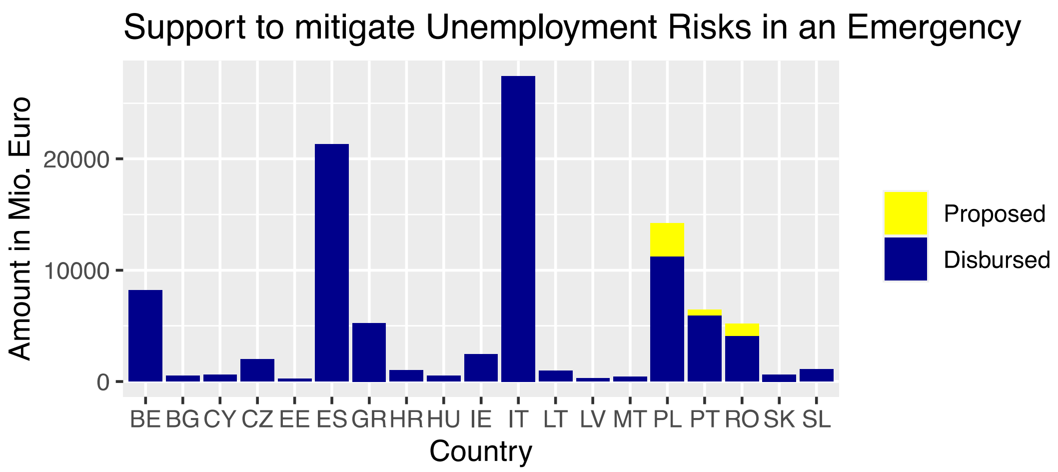

Figure 4 Requested and disbursed funds from the SURE scheme across member states

Finally, the largest stimulus package since the establishment of the EU, the NGEU plan, will additionally inject around two trillion euros in national and EU-wide projects to support the economic recovery after the pandemic.

To provide a rough gauge on the macroeconomic implications of this program, Canova and Pappa (2021) analyse the economic effects of the ERDF (which is more targeted towards smoothing short-term fluctuations in regional business cycles) and the ESF (which has a longer-run objective targeted towards improving labour productivity). They find that unexpected shocks to ERDF funds have short-run effects which die out quickly (consistent with the structure of the policy instruments of the ERDF) whereas the consequences of shocks to ESF funds have medium-run effects on regional macroeconomic quantities.

5. Institutional Changes

Responding to the COVID-19-pandemic until today did not include amending EU primary law (the 'EU constitution'). Several major changes were introduced on the sub-constitutional level, the bulk of it being secondary legislation based on a variety of enumerated EU competences. However, the mentioned new ORD comes close to constitutional change. It needed both a unanimous Council decision and the approval by the Member States in accordance with their 'respective constitutional requirements'.[16] The ORD makes addressing the crisis through the EURI and the sectoral legislation mentioned above an explicit condition to borrowing. The latter is also limited in time until 2026.

This makes the entire arrangement a package deal subject to 'constitutional majorities' and irrespective of the allocation of powers under the Treaties.[17] To give one example only: A cohesion measure under Art. 175 (3) TFEU is to be adopted under the ordinary legislative procedure. The RRF was based on this provision. However, its substance was part of the deal passing the ORD and the EURI involving unanimity. This renders the division of powers both between the EU and the Member States, and between EU institutions blurry. Interlinking borrowing and spending under an 'umbrella' of unanimity and ratification by the Member States accentuates intergovernmental veto mechanisms at the expense of the budgetary powers of the EP.

One may ask if the EU constitution, in the absence of any express amendment, remained fully respected. This might be disputed beyond the controversial effect of the mentioned package deal.[18] Borrowing and spending in the framework of the EURI are exempt from the MFF and from the annual budget.[19] Arguably, this creates a second EU budget,[20] which violates the unity principle.[21]

In addition, several effects impacting on fiscal federalism features shall be highlighted:

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[16] Art. 311 TFEU.

[17] This is reinforced by the fact that many details were spelt out by the European Council, which decides by consensus, in its Conclusions in December 2020. Backing was also included in the MFF 2021 to 2027, Council Regulation (EU, Euratom) 2020/2093, OJ 2020 L 433 I/11 which needs unanimity in the Council and consent of the European Parliament (EP). More details in *De Witte*, CML Rev. 2021, 635 (667 ff.).

[18] It is also controversial whether Artt. 310 and 311 TFEU exclude incurring a 'budget deficit' through borrowing as under the NGEU. We do not share this criticism.

[19] Art 3 EURI; Rec. 5 MFF (speaking of 'budget items' not taken account of) in connection with Art. 21(5) Financial Regulation.

[20] *De Witte*, CML Rev. 2021, 635 (668) uses the overly appeasing term 'shadow budget'. It is a real, second budget (compare also *De Witte* at 680) side-by-side to the single budget foreseen by the EU constitution.

[21] Art. 310 TFEU; Art. 8 Financial Regulation.

1. In the policy fields, the RRF aims to affect, like employment, social and environmental protection, or public health EU competences are limited, shared at best – partly aiming at minimum requirements,[22] partly excluding harmonising national law.[23] The RRF, by contrast, bypasses these restrictions and brings the Commission and the Council by means of approving or dismissing national recovery and resilience plans close to the position of a legislator. Programs passed can be financed by 'EU money', others not. Formally, Member States remain free to not use the RRF. However, given the economic dimension, this is a rather theoretical option.
2. The EURI is silent on possible redistributive intentions or effects. However, cohesion policy, which serves as the basis for the RRF, aims inter-alia at reducing disparities between the various regions. Against this background, it is not surprising that e.g. the methodology for the calculation of the maximum financial contribution per Member State under the Facility[24] includes redistributive elements: this is specifically true regarding the inverse of the GDP per capita, the average unemployment rate over the past five years compared to the Union average, and the fall in real GDP. Transparency on the motivation for the applied formulas seems to be missing, though.
3. A potential redistributive effect remains to be seen when it comes to repaying the borrowed assets. This should happen until 2058. It could be done by using traditional as well as new own resources, if not rescheduling.

Equally, it remains to be seen whether the EURI remains an exceptional remedy, as the use of Art. 122 TFEU seems to suggest, and whether the time limits – 2026 for the borrowing and 2058 for repayment – will hold. It might well be that we are, despite these elements of evident caution, witnessing the birth of a game changing powershift in the fiscal federal setup of the EU.

6. Democracy and Legitimacy

a. Policy debates

The major political debate pondered whether the fiscal costs of the pandemic should be shared.[25] Two distinct coalitions emerged. On the one side, northern-based coalition[26] was against any form of debt mutualisation and insisted instead on the provision of favourable loans. Individual national responsibility and intergovernmental institutions (the European Council and the Council) as the main arenas were favoured. On the other side, an enlarged southern-based coalition[27] proposed a stronger

[22] E.g. in environmental protection: Art. 193 TFEU.
[23] E.g. regarding public health, specifically mentioning major cross-border health scourges and early warning of and combating serious cross-border threats to health: Art. 168 (5) TFEU.
[24] Annex I RRF.
[25] Genschel P. and Jachtenfuchs M. (2021) Postfunctionalism reversed: solidarity and rebordering during the COVID-19 pandemic. *Journal of European Public Policy*. 28:3, 350-369, pg. 10.
[26] This group included Germany, Netherlands, Austria, Finland, Sweden, and Denmark.
[27] This group included: France, Italy, Spain, Portugal, Greece, Ireland, Belgium, Luxembourg, and Slovenia.

supranational and fiscal solidarity approach,[28] similar to the EP's stance.[29] The resulting stalemate was overcome by Germany's alignment with the southern-based coalition and the Franco-German initiative for a recovery fund.[30] Next, the Commission proposed the NGEU,[31] of EUR 750 bn., of which, however, EUR 500 bn. in grants and EUR 250 bn. in loans.

The controversy in the European Council concerned three issues.[32] The first issue was the balance between loans and grants and the accompanying conditions. The southern coalition, especially Spain, strongly advocated grants as the main instrument and rejected strict conditions with benevolence from the Franco-German alliance. In contrast, the coalition of the so-called ´frugal´ member states[33] insisted on a lower share of grants and the specification of conditions. The coalition of Eastern European member states[34] supported conditions and insisted on the temporary nature. Second, the 'rule of law conditionality' was a controversial issue. The 'frugal four' as well as the Franco-German alliance were in favour, the southern-based coalition was sympathetic, while Hungary and Poland were strictly opposed, and other Eastern European countries tried to keep out of the controversy. The third issue concerned policy prioritisation. The Franco-German alliance as well as the 'frugal four' favoured green and digital transformation, while southern and eastern coalitions supported such prioritization to a varying degree.[35]

The EP strived to increase available EU programmes (and the focus on the green agenda) along with new recovery funds and proposed the creation of new own resources. Also, it called for an effective surveillance and sanction mechanism to prevent improper use of funds.[36] Adequate enhanced parliamentary involvement in the governance of the RRF was put forward, too.

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[28] See: Fabrinni (2020) and Genschel P. and Jachtenfuchs M. (2021)

[29] European Parliament (EP) Resolution of 17 April 2020 on EU coordinated action to combat the Covid-19 pandemic and its consequences (2020/2616(RSP)); European Parliament (EP) Resolution of 15 May 2020 on the new multiannual financial framework, own resources and the recovery plan (2020/2631(RSP)).

[30] Ionnidis M (2021) Between Responsibility and Solidarity: Covid-19 and the Future of Economic Order. *MPIL Research Paper Series* No. 2020-39; Genschel P. and Jachtenfuchs M. (2021); Fabbrini (2020).

[31] European Commission (2020) Communication from the Commission to the European Parliament, the European Council, the Council, the European Economic and Social Committee and the Committee of the Regions. The EU Budget Powering the Recovery Plan for Europe COM/2020/442 Final.
The Commission also emphasized the necessity to fully respect the rule of law: https://ec.europa.eu/commission/presscorner/detail/en/ip_20_940.

[32] The summary that follows is based on the assessment by de la Porte C and Jensen MD. (2021) The next generation EU: An analysis of the dimensions of conflict behind the deal. *Soc Policy Adm.* 2021;55:388–402.

[33] This coalition of member states included the Netherlands, Austria, Sweden, and Denmark.

[34] This coalition of member states included the Visegrad countries Poland, Hungary, Czechia and Slovakia, and depending on the issue, some other member states belonging to the so-called ´Friends of Cohesion´.

[35] De la Porte C and Jensen MD (2021) The next generation EU: An analysis of the dimensions of conflict behind the deal. *Soc Policy Adm.* 2021;55:388–402.

[36] Closa Montero, C., González De León, F. and Hernández González, G. (2021) Pragmatism and the limits to the European Parliament's strategies for self-empowerment, *Politics and Governance*, *9*(3), 163–174.

b. What is the impact of politicization of procedures, rules and of political cycles?

The, according to some largely depoliticized,[37] suspension of excessive deficit clauses of the SGP[38] was accompanied by the contention that the crisis should be handled by available national tools.[39] While scholars offer different options for the deactivation of the general escape clause,[40] some suggest the redesigning of the whole EU fiscal framework.[41] A political debate on the issue is yet to start. While many Southern European member states are in favour of relaxing the EU fiscal framework, a group of frugal member states (Austria, the Netherlands, Denmark, Finland, Sweden, Czech Republic, Slovakia, Latvia) insist on strict fiscal rules, but are willing to discuss simplification.[42]

Discussions about possible ESM financial assistance were tense.[43] Negative past experiences with conditionality of the EU financial assistance made Southern member states reluctant to use the ESM. Italy particularly advocated unconditional transfers in the spirit of solidarity for combating the exogenously caused crisis.[44] Yet others, mostly northern states, insisted on some conditionality.[45] A compromise was reached in the Eurogroup with participation of Finance Ministers of non-Euro Area members resulting in the specific ESM PCS credit line with only limited and no country specific conditionality.[46]

Negotiations on the RRF governance, the main pillar of the NGEU recovery fund produced EP warnings against intergovernmentalism and demands for adequate parliamentary involvement.[47] The EP used different strategies to secure participation. Already its inclusion in the RRF governance negotiations is being considered a success by some.[48] Its role in the RRF governance is, however, limited to

[37] Genschel and Jachtenfuchs (2021), p.11.
[38] See supra fn. 3.
[39] Fabrinni (2020). This was not shared by the Commission, though: European Commission (2021) Report COM(2021) 529 final.
[40] Jones E (2021) When and how to deactivate the SGP general escape clause? Economic Governance Support Unit – European Parliament; Martin P. and Ragot X. (2021) When and how to deactivate the SGP general escape clause? Economic Governance Support Unit – European Parliament.
[41] Lambertini L (2020) When and how to deactivate the SGP general escape clause? *Economic Governance Support Unit – European Parliament*; Gern KJ, Kooths S, Stolzenberg U. (2020) Fiscal Surveillance after the Break. *Economic Governance Support Unit – European Parliament*; Kirergaard JF (2020) What role for the European Semester in the recovery plan? *The Economic Governance Support Unit – European Parliament.*
[42] See: Financial Times 10 September 2021 https://www.ft.com/content/ba20ed45-99c3-4f47-a7b2-658d715ac281
[43] Camous A. and Claeys G. (2020), p. 333
[44] Camous A and Claeys G. (2020) p. 333.; Ionnaidis (2021)
[45] Ionnidis M (2021,) p. 4
[46] Camous A and Claeys G. (2020) p.333 ; see also: Genschel and Jachtenfuchs (2021).
This, however, is not completely aligned with the scope of the ESM: Kirergaard JF (2020) What role for the European Semester in the recovery plan? *European Parliament – The Economic Governance Support Unit*, p. 13.
[47] European Parliament (EP) Resolution of 15 May 2020 on the new multiannual financial framework, own resources and the recovery plan (2020/2631(RSP))
[48] Closa Montero, et al. (2021)

information and consultation via the Recovery and Resilience Dialogue.[49] The EP has no formal role in evaluating and approving national Recovery and Resilience Plans. It is not yet entirely clear why the EP did not fight for increased powers.[50] At the same time, the RFF Regulation does not mention national parliaments so their role and prospects for the involvement depend on national institutional arrangements. [51] This apparent lack of parliamentary oversight raises legitimacy questions.

Thus, scholars call for greater parliamentary accountability and oversight of evaluation and disbursement authorisation decisions.[52] This would imply a stronger role of the EP but also of national parliaments. In this regard, domestic political cycles are to be considered. Election times may slow down decision making, whereas new majorities may alter priorities. By way of example, in the German election campaign of 2021 the prospects of completing the Banking Union and the EU Capital Markets became controversial between the CDU and SPD.[53] While only future research may shed light on the varying degrees of involvement of the EP and national parliaments, the issue of sound democratic procedures that ensure accountability and responsiveness will continue to haunt EU decision-making. In the COVID-19 crisis actors gain focused on out-put legitimacy and downplayed the input aspect.

[49] See Article 25 and Article 26 of the Regulation (EU) 2021/241.

[50] See the analysis by Closa Montero et al. (2021) indicating that the EP used different strategies to secure participation in the adoption of the RRF Regulation and decided to act as a pragmatic negotiator on the governance aspects.

[51] The Commission, however, invites Member States to provide a summary of national consultation process during the preparation of the RRPs and indicate how inputs of national and regional parliaments and other relevant stakeholders are reflected in the plan, see: Bekker S. (2021) The EU´s Recovery and Resilience Facility; A Next Phase in the EU Socioeconomic Governance? Politics and Governance, 9(3), 175-185

[52] Crum B. (2020) How to provide political guidance to the Recovery and Resilience Facility? *European Parliament – The Economic Governance Support Unit;* Sebastiao, D. (2021) Covid-19: A Different Economic Crisis but the Same Paradigm of Democratic Deficit in the EU. *Politics and Governance*, *9*(2), 252-264.

[53] Financial Times 10 September 2021: Despite the general commitment to European integration in the CDU platform, prominent candidates of the conservative party imputed to the SPD frontrunner and incumbent finance minister Scholz to aim at the mutualisation of debt and the creation of a European transfer union. In a populist vein, they argue that such move would be detrimental to German pensioners and savers.