

# The Origins of the Next Generation EU. A «Hamiltonian Moment»?

ANDREA GUISO\* - EMMA LOUISE LEAHY\*\*

## Abstract:

This article reassesses the Next Generation EU (NGEU) emergency economic recovery package of July 2020, which political players at the time hailed as a “Hamiltonian moment” for European integration. Drawing upon the theoretical contributions of political science and legal studies, the road to the NGEU is assessed in historical perspective. Although unprecedented in its scale and design, the NGEU arguably was less of a transformative leap than an improvised response to the extraordinary circumstances posed by the coronavirus pandemic. Set against a backdrop of plural, overlapping, and lingering crises that have been brewing since 2008, the NGEU initiative combined common debt issuance and coordinated investment with pragmatic political compromise, aimed primarily at safeguarding the single market. Germany’s pivotal but tentative shift from fiscal orthodoxy to a solidarity footing underscores its role as a “reluctant hegemon,” limiting the plan’s potential as a federalising precedent. In framing the NGEU through the lenses of exceptionality, improvisation, and hegemony, both the adaptability and fragility of EU governance under perpetual emergency are highlighted. The long-term significance of the NGEU remains uncertain, as political fragmentation and geopolitical instability continue to constrain the environment for European integration.

## Keywords:

European integration; crisis governance; fiscal policy coordination; coronavirus; Next Generation EU; Germany

\* *Dipartimento di Ricerca e Comunicazione sociale*, Sapienza – Università degli Studi di Roma

\*\* *Dottorato di Storia e culture dell’Europa*, Sapienza – Università degli Studi di Roma.

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## *Introduction*

After closely watched deliberations and a prior failed attempt at a deal, the European Council in their meeting of 17 July 2020 agreed on a delicately negotiated package for emergency economic recovery, the Next Generation EU (NGEU), which mandated the marshalling of a combined 750 euros in grants and loans to help member states cope with the consequences of the coronavirus pandemic. Ever since, experts in the media and in scientific literature have been debating the extent to which the NGEU might, or might not, have represented a turning point in European politics. Economists, legal scholars, and political scientists have put forward a range of viewpoints, all of which fundamentally agree that the NGEU was unprecedented in terms of its scale, its mechanisms, and the coordinative impulse it demonstrated on the part of European leaders in managing not just a social and economic but also and crucially a *political* crisis. Historians thus far have yet to fully enter the conversation. Assessment of the NGEU in historical perspective requires a mapping of its origins, meaning that consideration of the road to recovery must depart from a snapshot of European politics shortly before the pandemic. Origins are notoriously difficult to evaluate because historical processes are necessarily multilayered and multivalent. The picture grows blurrier still where the events are close in time to the observer. When proximity – or rather, absence of distance – causes temporal planes to overlap, a historian's search for origins also becomes an exercise in speculating, with more or less clarity, as to how the situation could develop in the future. That is the aim of our contribution, which contextualises the NGEU in relation to a perpetual crisis that has confronted Europe for the last decade and a half, in other words ever since the tapering off of the peace dividend that the end of the Cold War delivered to the continent. Bearing in mind the magnitude of the challenges it had to address the NGEU looks less like a paradigm shift and more like an improvised instrument to manage an exceptional situation in the absence of a strong hegemonic actor. Perpetual crisis still very much defines current-day reality, placing further uncertainty in store for European integration.

### 1. *The European project in a time of crisis*

The Maastricht Treaty that brought the European Union into being came about amidst the euphoria following the Iron Curtain's collapse and German reunification. One could well say that the EU had the good fortune of setting sail in fair weather. The post-Cold War years, from 1992 until about 2006, were a high point of consensus-based delegation of sovereign responsibilities to the European level, culminating with common currency adoption and eastern enlargement<sup>1</sup>. Since the 2008 financial crisis the political outlook has shifted to a continual emergency footing wherein

1 W. Loth, *Building Europe. A History of European Unification*, De Gruyter Oldenbourg 2015; K.K. Patel, *Project Europe. A History*, Cambridge University Press, Cambridge 2020; A. Varsori, *Storia della costruzione europea dal 1947 a oggi*, il Mulino, Bologna 2023.

preservation, to say nothing of expansion, of the European project has become the overriding concern. Rather than an indeterminate ‘polycrisis’ as this period is sometimes termed, it is perhaps more accurate to speak of Europe as confronting a simultaneity of plural, overlapping, and lingering crises, at once internal to the continent and of global proportions, with the latter dimension often taking priority above the former in the emergency planning approaches of national governments<sup>2</sup>. Europe’s largest economy and most populous country, Germany has been repeatedly called upon to show leadership at critical junctures; the European recession and sovereign debt crisis, Russia’s Crimean annexation and the Donbas conflict, mass arrivals of asylum-seekers and migrants from the Middle East and Africa, the Brexit vote and the void of economic and security guarantees it left behind. The Federal Republic accordingly recurs as a focal point of our discussion, characterised in the following section as a «reluctant hegemon»<sup>3</sup>.

Want of space makes it impossible to review the progression of events in any detail. It is nonetheless important to address some of the reasons why the eurozone crisis was so consequential for the European project in general, and specifically for its pledge of convergent growth through rules-based liberalism. One major follow-on from the crisis was that it exposed the narrow mandate of European institutions, together with the incomplete state of integration advancement. Fundamentally it called into question whether a monetary union without fiscal union was at all viable<sup>4</sup>. There seemed to be just two paths out of the impasse: «more Europe», as Central Bank (ECB) governor Mario Draghi and like-minded technocrats proposed; or the alternative, which populists on the left and right promised the public with increasing resonance at the polls. Centrists and europhile parties are on the defensive everywhere. Heads of government must train an eye inward to assure their political survival, constraining their options for transformative action at the supranational level<sup>5</sup>.

The recession’s leap across the Atlantic was an unsparing demonstration of contagion as a systemic liability for European markets in the new millennium, especially given their inbuilt financialisation per the American model<sup>6</sup>. Another obvious cause for concern was that European leaders missed several opportunities to contain the crisis early on by not reacting swiftly or decisively enough, partly because they lacked

2 E. Massetti, T. Exadaktylos, *From Crisis to Crisis: The EU in between the Covid, Energy and Inflation Crises (and War)*, in «JCMS: Journal of Common Market Studies», S1, 2022, pp. 5-11.

3 W.E. Paterson, *The reluctant hegemon? Germany moves centre stage in the European Union*, in «JCMS: Journal of Common Market Studies», 1, 2011, pp. 57-75; S. Bulmer, W.E. Paterson, *Germany as the EU’s reluctant hegemon? Of economic strength and political constraints*, in «Journal of European Public Policy», 10, 2013, pp. 1387-1405.

4 T. Padoa-Schioppa, *The Euro and Its Central Bank: Getting United After the Union*, MIT Press, Cambridge MA 2004; Id., *Europa, una pazienza attiva. Malinconia e riscatto del Vecchio Continente*, Rizzoli, Milano 2006, pp. 109-110; Id., *Il passo più lungo*, in «Corriere della Sera», 3 maggio 1998.

5 For a long-term review of the rise of Eurosceptic populism see A. Guiso, D. Pasquinucci (eds.), *Anti-Europeanism. Populism and European Integration in a Historical Perspective*, Routledge, London 2024; B. Wasseberg, *Challenging the origins of Euroscepticism. A historical perspective*, in «Historia y Política», 44, julio-diciembre 2020.

6 D. Gabor, *Critical Macro-Finance: A Theoretical Lens*, in «Finance and Society», 1, 2020, pp. 45-55.

clear executive powers and partly because there were too many actors involved for expedient coordination<sup>7</sup>. Europe seemingly stood unmasked as a complex principal, weak and indeterminate, capable neither of instilling fiscal discipline in its member states nor of ensuring the sacrosanctity of euro-denominated debt<sup>8</sup>. Under conditions of tight economic interdependence, traditional postures of sovereign 'egoism' no longer looked quite so rational<sup>9</sup>. Political paralysis, together with the fundamental realities of the financialised economy, set the precedent for independent central bankers to begin conducting large-scale interventions in government bond markets. Daniela Gabor defines this moment as the emergence of the shadow banking paradigm, with central banks as managers and sovereign debt obligations as keystones of the global financial system<sup>10</sup>.

The eurozone crisis fatefully augmented an already existing deficit of democratic legitimacy which Fritz Scharpf foresightedly diagnosed in 1999<sup>11</sup>. Absent meaningful pathways for national electorates to enact their preferences supranationally, the EU has traditionally staked its legitimacy on the output quality of its governance, especially its capacity to supply citizens with development dividends<sup>12</sup>. Economic recession and austerity measures abruptly dried up public entitlements. Resulting popular discontent poses a near-insurmountable roadblock to functionalism, the European governance ideal of rational agents working together to achieve mutually beneficial outcomes. Ever since the start of the financial crisis, processes of technocratic decisionmaking have become politicised, resulting not infrequently in policy choices that from a functionalist perspective would appear 'irrational'<sup>13</sup>. Where issues have high salience and the public is massively mobilised, political parties often use identity and ideology in electoral competition against one another<sup>14</sup>. To date the most stunning

7 L. van Middelaar, *Alarums and Excursions. Improvising Politics on the European Stage*, Agenda, Newcastle 2020. For indirect acknowledgement of the operational rigidities constraining European economic governance and the ECB amidst the sovereign debt crisis, see Mario Draghi's speech on October 11, 2019 at the Catholic University of the Sacred Heart in Milan, given on the occasion of his conferral with an honorary degree, now in M. Draghi, *Policy Making, responsabilità e incertezza*, in Id., *Dieci anni di sfide. Scritti e discorsi, prefazione di Lionel Barber*, Treccani, Roma 2022.

8 K.W. Abbott et al. *Competence Control Theory: The Challenge of Governing through Intermediaries* in Ei., *The Governor's Dilemma: Indirect Governance Beyond Principals and Agents*, Oxford University Press, Oxford 2020, pp. 3-36.

9 A. Moravcsik, *Preferences, Power and Institutions in 21st-Century Europe*, in «JCMS: Journal of Common Market Studies» S7, 2018, pp. 1578-1594.

10 D. Gabor, *Revolution without Revolutionaries: Interrogating the Return of Monetary Financing*, in *Transformative Responses to the Crisis*, Finanzwende and Heinrich-Böll-Foundation, Berlin 2021, pp. 17-18.

11 F. Scharpf, *Governing in Europe: Effective and Democratic?*, Oxford University Press, Oxford 1999, pp. 6-42; A. Tooze, *Crashed: How a Decade of Financial Crisis Changed the World*, Allen Lane, London 2018. For a broad discussion of the concept of democratic legitimacy see P. Rosanvallon, *La légitimité démocratique: impartialité, réflexivité, proximité*, Seuil, Paris 2008.

12 V.A. Schmidt, *Conceptualizing Legitimacy: Input, Output, and Throughput*, in Ead., *Europe's Crisis of Legitimacy*, Oxford University Press, Oxford 2020.

13 L. Hooghe, G. Marks, *A Postfunctional Theory of European Integration: From Permissive Consensus to Constraining Dissensus*, in «British Journal of Political Science», 1, 2009, pp. 1-23.

14 D. Goodhart, *The Road to Somewhere: The Populist Revolt and the Future of Politics*, Hurst and Co., London 2017.

manifestation of this phenomenon, which Hooghe and Marks call «postfunctionalism», is Brexit<sup>15</sup>. The Leave campaign evoked a particular nostalgic imaginary of British identity that was not just jurisdictionally but also (and perhaps more importantly) *culturally* distinct from Europe<sup>16</sup>. One slogan continually used by Brexiters in parliament, «a nation of shopkeepers», reprised Napoleon's dismissive appraisal of the English character as a patriotic rallying cry. Rhetoric amongst the privileged set waxed nostalgic about the continental rail tour as a quintessential rite of passage for young people backpacking 'abroad', collecting stamps in blue British passports. Leaving aside the merits of these talking points, the UK's withdrawal was nothing short of an earthquake: it shrank the customs union, removed one of the largest net contributors to the common budget or Multiannual Financial Framework (MFF), and left France alone in Europe as a UN Security Council permanent member and nuclear power.

Europe's economic and political woes have played out alongside a disquieting fragilisation of its security environment. President Vladimir Putin's remarks at the 2007 Munich Security Conference put European leaders on notice that they were no longer dealing with the cooperative, accommodating Russia of years past. Scarcely two months later the whole of the Estonian economy was crippled by a Russian cyberattack. Tallinn invoked Article 5 of the NATO treaty without success, learning the hard way that transatlantic commitments to mutual defence were not exactly unconditional<sup>17</sup>. Looking westward, Brexit was just one current in a greater distancing of the global Anglosphere from Europe. The Obama Administration's «Pivot to Asia» policy professed to make US commitments abroad more profitable by reorienting them towards high-growth, high-potential areas, thereby revealing Washington's judgement of the old continent as declining in demographic and economic relevance<sup>18</sup>. Donald Trump's unawaited presidential victory surprised Europeans with an ideological course correction to «America First», of such import as to shake the very foundations of the US commitment to NATO<sup>19</sup>. A key figure in Trump's Europe policy, Berlin envoy Ric Grenell (later promoted to Director of National Intelligence) was loud and abrasive in his public dealings, an adversarial approach to which America's longstanding allies were wholly unaccustomed. The dramatic situation raised talk, especially in

15 S.B. Hobolt, *The Brexit Vote: A Divided Nation, a Divided Continent*, in «Journal of European Public Policy», 9, 2016, pp. 1259-1277.

16 R. Bramall, *A Nation of Shopkeepers? The Idealised High Street in Brexit Britain*, in J. Fischer, G. Stedman (eds.), *Imagined Economies - Real Fictions: New Perspectives on Economic Thinking in Great Britain*, Culture & Theory, vol. 210, Transcript 2020, pp. 119-138; M. Gilbert, *British Nationalism and Brexit*, in A. Guiso, D. Pasquinucci, *Anti-Europeanism*, cit.

17 D. Colon, *La guerra dell'informazione: Gli Stati alla conquista delle nostre menti*, Einaudi, Torino 2024, pp. 171-172.

18 *Sustaining U.S. Global Leadership: Priorities for 21st Century Defense*, US Department of Defense, Washington DC 2012; see also M. Del Pero, *Era Obama. Dalla speranza del cambiamento all'elezione di Trump*, Feltrinelli, Milano 2017.

19 White House, *National Security Strategy*, Washington DC 2017; R.O. Jervis, F.J. Gavin, J. Rovner, D. Labrosse (eds.), *Chaos in the Liberal Order: the Trump Presidency and International Politics in the Twenty-first Century*, Columbia University Press, New York 2019.

Paris but echoed from other capitals as well, of the need for European strategic autonomy<sup>20</sup>. However, such ideas have run into the inevitable recognition that Europe lacks both the Treaty-based mandate and the actual hard resources to make this aspiration a reality. The risk is that, rather than an independent pole, Europe will become a competition field amongst great powers in a new global age of multipolarity.

All of the problems outlined above were still germane at the pandemic's outset, which allows us to speak of the coronavirus as an acute systemic shock on top of a complex accumulation of preexisting economic, social, and political challenges. Europe, in short, was in a position of facing constant doubts at home and abroad as to its legitimacy and its capacity to govern. If there was a lesson for policymakers to draw from these difficulties, it would be that the absence of European unity at critical junctures is a serious problem, and that unity is most effectively expressed through public gestures of solidarity.

## 2. NGEU as a (non-)Hamiltonian moment

There are objective observations to be made in support of a claim that the NGEU marked a political watershed. Though it arose in the context of an existential threat to the social order, the NGEU as an initiative was not solely contingent upon economic crisis; rather it was an affirmative *political* choice, aimed at relaunching the entire process of European integration on an innovative basis of common economic policy. Closely linked to the commitments of the Green Deal, adopted the year prior to make the EU climate-neutral by midcentury, the NGEU corresponded to a series of incentives that can be summed up under the notion of «tragedy of the time horizon»<sup>21</sup>. That is, they provide macroeconomic tools and levers targeted at the task of making the short-term cost of reforms bearable in relation to their long-term payoff.

The strategy of the NGEU was to supply the EU with meaningful centralised fiscal and budgetary capacities, through own resources raised on world financial markets via common debt issuance, with the dual purpose of influencing aggregate supply and demand. Linked to the regular (MFF), the NGEU foresaw an extraordinary six-year timeline of parallel public investments and institutional reforms, running from 2021 to 2027 and financed through securities issued by the European Commission, whose disbursement would be equally distributed across grants and loans. Country-specific roadmaps were designed around development objectives which member states concurred with the Commission, albeit still largely reflecting national preferences. Operationally the plan was structured to enact a long-term transformative

20 For a historical review of European security policy and the discussions surrounding the concept of strategic autonomy see S. Marcuzzi, *L'Europa e la NATO alla fine della guerra fredda. Il crollo dell'ordine bipolare e il dilemma della sicurezza collettiva*, il Mulino, Bologna 2025; A. Missiroli, *L'Europa come potenza. Diplomazia, sicurezza e difesa*, il Mulino, Bologna 2022.

21 P. Guerrieri, P.C. Padoan, *Europa sovrana. Le tre sfide di un mondo nuovo*, Laterza, Roma-Bari 2024, p. 43.

logic that broke from the strict ordoliberal principles which had hitherto steered European economic frameworks of regulatory and institutional policymaking<sup>22</sup>.

The cooperative impetus on display suggested that Europe had developed a degree of adaptability to governing under permanent emergency mode<sup>23</sup>. Alternatively, it seemed that the risk of potential populist mobilisation in the face of delay or disunity might have inspired European leaders to act preemptively<sup>24</sup>. Dealmaking was eased by the fact that European Commission President Ursula von der Leyen assumed direct responsibility for the pandemic response file, even staking the legacy of her mandate on the outcome<sup>25</sup>. As talks progressed, signs emerged that leaders had indeed learned from the eurozone crisis and its political aftermath. The enforcement approach shifted from rules-based conditionalities and monitoring, to pragmatic coordination based on maximal upfront involvement of member states with the Commission in the role of mediator<sup>26</sup>. New intergovernmental coalitions emerged from the political wrangling, blurring the north-south divide that persisted after the currency crisis. This time there were three factions, the «Frugal» quartet in the north, the «Solidarity» coalition in the centre, west, and south, and the «Sovereignty» axis in the east<sup>27</sup>. Crucially, Germany changed camps from Frugal to Solidarity. On 18 May 2020 Berlin and Paris jointly proposed a Common Fund for Recovery and Resilience, a cornerstone of what eventually became the NGEU. Outweighed and outnumbered, the Frugal group concentrated on obtaining a final document with the least-bad results. Sovereignty countries, Poland and Hungary, pushed for the recovery plan to keep built-in rule of law instruments to a minimum.

Public rhetoric in the time of corona toyed with the idea of a new form of European sovereignty, one based upon financial risk-pooling and an ethos of solidarity. German Finance Minister Olaf Scholz christened the binational recovery initiative a «Hamiltonian moment», thereby evoking the 1790 compromise per which Alexander Hamilton, America's first Treasury Secretary, federalised the debts accrued by the thirteen colonies in the War of Independence<sup>28</sup>. Conceding the weight that words

22 S. Ladi, D. Tsarouhas, *EU Economic Governance and Covid-19: Policy Learning and Windows of Opportunity*, in «Journal of European Integration», 8, 2020, pp. 1041-1056.

23 S. Wolff, S. Ladi, *European Union Responses to the Covid-19 Pandemic: Adaptability in Times of Permanent Emergency*, in «Journal of European Integration», 8, 2020, pp. 1025-1040.

24 J. Miró, *Debating Fiscal Solidarity in the EU: Interests, Values and Identities in the Legitimation of the Next Generation EU Plan*, in «Journal of European Integration», 3, 2022, pp. 307-325. As argued by Macron: «If we can't do this today [issue common debt with a common guarantee], I tell you The populists will win, today, tomorrow, the day after, in Italy, in Spain, perhaps in France and elsewhere [...]. You cannot have a single market where some are sacrificed», in «Financial Times», 16 April 2020.

25 L. Schramm et al., *Building 'Next Generation' after the Pandemic: The Implementation and Implications of the EU Covid Recovery Plan*, in «JCMS: Journal of Common Market Studies», S1, 2022, pp. 114-124.

26 S. Ladi, S. Wolff, *The EU Institutional Architecture in the Covid 19 Response: Coordinative Europeanization in Times of Permanent Emergency*, in «JCMS: Journal of Common Market Studies», S1, 2021, pp. 32-43.

27 S. Fabbrini, *Going beyond the Pandemic: 'Next Generation Eu' and the Politics of Sub-Regional Coalitions*, in «Comparative European Politics», 1, 2023, pp. 64-81.

28 P. Dausend, M. Schieritz, *Jemand muss vorangehen*, in «Die Zeit (Hamburg)», May 19, 2020,

bear in politics, the break with the past could hardly appear more clear-cut. Suffice it to recall that Federal Chancellor Angela Merkel had promised German citizens in 2012, during the eurozone crisis, that there would never be common debt issuance «so long as I live»<sup>29</sup>. Eight years later Merkel herself played what most observers would consider to be an indispensable role in paving the way for the NGEU, at the intergovernmental level via direct diplomacy, and at the European level via her relationship with von der Leyen. It is therefore legitimate to ask: have these talks initiated in the context of the pandemic truly contributed towards ending what French President Emmanuel Macron previously qualified the «war of economic religion» within the EU? Without venturing into the territory of Euroscepticism, there are well-founded bases to question such an optimistic reading of events. To support an interpretive reading of the NGEU as a ‘non-Hamiltonian moment’ we rely on three key words: i) *exceptionality*; ii) *improvisation*; iii) *hegemony*.

i) *exceptionality*

It is hard to argue with the International Monetary Fund’s characterisation of the pandemic as a crisis unlike any other that came before it<sup>30</sup>. Leaving aside the death toll and disruption of daily life, there has never been a moment in the history of modern capitalism at which almost 95% of the world’s economies simultaneously suffered a contraction in GDP per capita, as happened in early 2020 following the shutdown<sup>31</sup>. An avalanche of emergency border controls and social distancing requirements threatened the very survival of the European market with its fundamental «four freedoms», unimpeded movement of goods, services, capital, and people. Total societal mobilisation against the coronavirus represented, in many respects, the closest event to a war that the continent had confronted at any point since 1945. Merkel did not hesitate to term it «the biggest trial the EU has faced since its foundation»<sup>32</sup>. There was moreover a dearth of Treaty-based competences in the areas of health policy and emergency preparedness, making this uncharted territory at the supranational level<sup>33</sup>. Unprecedented circumstances called for exceptional decisions and instruments.

The crucial question became where within the continent’s institutional architecture to manage the emergency. European leaders had but one response to Carl Schmitt’s classic query on who is sovereign in the state of exception, and that is,

22/2020 ed.; K. Zimmermann, *Europe-wide taxation and a European finance minister are necessary consequences of the new strategy*, in *A Symposium of Views. Did Europe Just Experience Its ‘Hamiltonian Moment’?*, *The International Economy*. Summer 2020, pp. 17-18.

29 AFP, *Kanzlerin Knallhart: Merkel: Keine Eurobonds, ‘Solange Ich Lebe*, Politik, in «Tagesspiegel (Berlin)», June 26, 2012.

30 International Monetary Fund, *A Crisis Like No Other, An Uncertain Recovery*, Update, June 2020, World Economic Outlook 2020.

31 A. Tooze, *Shutdown. How Covid Shock the World’s Economy*, Viking, New York 2021.

32 Wire services, *Merkel: Größte Bewährungsprobe für die EU*, in «Deutsche Welle (Bonn)», April 6, 2020.

33 R. Forman, E. Mossialos, *The EU Response to COVID 19: From Reactive Policies to Strategic Decision Making*, in «JCMS: Journal of Common Market Studies», S1, 2021, pp. 56-68.

Europe. However, the supranational impulse in this instance had little to do with a genuine ideological commitment to federalism. It would be more accurate to say that pragmatism managed to supersede the usual reservations, vetoes, and taboos. Public commentary from northern leaders made clear that national self-interest was what ultimately motivated them to accede to a common debt arrangement not altogether distinct from what nine countries (Belgium, France, Greece, Ireland, Italy, Luxembourg, Portugal, Slovenia, Spain) first proposed in a 25 March letter to Council President Charles Michel<sup>34</sup>. «The economic basis of our prosperity is the European single market», Scholz frankly conceded to *Die Welt* on 8 July, «and the political basis of the single market is that all member states benefit from it»<sup>35</sup>. The overriding goal was to prevent a fragmentation of the single market, no trivial prospect in the wake of Brexit.

During that dark spring of 2020 the risk of crisis-driven disintegration became associated with a familiar actor, Italy. In the European war on coronavirus the Italian peninsula was at the front line, because it was the earliest epicentre of the outbreak, because it was paying the highest price in terms of human lives, and because it was the most fiscally precarious state in the eurozone. Italy held the world's fourth largest sovereign debt burden with 1,700 billion euros in bonds, equivalent to 136% of GDP<sup>36</sup>. That ratio was forecast to rise even further to 155% within a year<sup>37</sup>. Already in 2011 Italy was assessed to be at greater risk of default than either Egypt or Zambia. A looming instability spiral in Italian bonds once again threatened to make national finances into a systemic risk for the stability of the common currency and the single market writ large.

The view from Rome, shared by other Mediterranean capitals, was that this difficult juncture presented an obvious opportunity to pool the shaky and unbalanced debt loads of various eurozone countries, with the intent of collectively stabilising them. Proponents pled their case in emotionally charged terms, with Macron telling all the major Italian dailies that he did not want «a Europe that is divided and egoistical»<sup>38</sup>. Naturally the prospect elicited great controversy, evident in heated clashes amongst the national governments that advocated far-reaching debt mutualisation, and those that favoured individual loans instead. It was one thing to «recognise the

34 [https://www.governo.it/sites/new.governo.it/files/letter\\_michel\\_20200325\\_eng.pdf](https://www.governo.it/sites/new.governo.it/files/letter_michel_20200325_eng.pdf).

35 Quoted in D. Pasquucci, *La Germania del dopo Merkel: un egemone riluttante*, in G. Amato, N. Verola (a cura di), *Europa: tra presente e futuro*, Istituto dell'Enciclopedia italiana, Roma 2023, pp. 770-779.

36 Ministero dell'Economia e delle Finanze, Dipartimento del Tesoro, *Rapporto sul debito pubblico 2020*: [https://www.dt.mef.gov.it/export/sites/sitodt/modules/documenti\\_it/debito\\_publico/presentazioni\\_studi\\_relazioni/Rapporto\\_sul\\_Debito\\_Pubblico\\_2020.pdf](https://www.dt.mef.gov.it/export/sites/sitodt/modules/documenti_it/debito_publico/presentazioni_studi_relazioni/Rapporto_sul_Debito_Pubblico_2020.pdf); L. Tedoldi, A. Volpi, *Storia del debito pubblico in Italia dall'Unità a oggi*, Laterza, Roma-Bari 2021; G. Brunetti, *Tra una crisi e l'altra. Storia dell'economia italiana negli ultimi 15 anni*, Bollati Boringhieri, Torino 2022; I. Visco, *Anni difficili*, il Mulino, Bologna 2018; C. Bastasin, G. Toniolo, *La strada smarrita. Breve storia dell'economia italiana*, Laterza, Roma-Bari 2020; P. Ciocca, *Ricchi per sempre? Una storia economica d'Italia 1796-2020*, Bollati Boringhieri, Torino 2020; S. Rossi, *La politica economica italiana dal 1968 a oggi*, Laterza, Roma-Bari 2020.

37 A. Tooze, *Shutdown*, cit., p.?

38 L. Martinelli, *Macron: 'La Francia è al fianco dell'Italia. L'Europa smetta di essere egoista'*, «La Stampa», March 27, 2020.

importance of solidarity» – as Austrian Finance Minister Gernot Blümel was quick to stipulate – but another thing entirely to accept the principle of «joint debt liability»<sup>39</sup>. From a political standpoint, any potential pooling of preexisting sovereign obligations was particularly unpalatable as it could be seen to create perverse incentives for southern countries to persist in living beyond their means. European decision-makers found themselves in a quandary. At that critical juncture they resorted to now-familiar tactics of improvisation.

ii) *improvisation*

Luuk van Middelaar has offered convincing indications of improvisation's centrality to recent EU evolution. Improvisation assumes relevance wherever fraying of the Union's institutional fabric imposes a need for political compromise<sup>40</sup>. As a strategy, improvisation is most effective intergovernmentally, precisely the arena that places the strongest check on federalist ambitions. Unexpected as it was, the bilateral Common Fund proposal revived the Paris-Berlin link as a 'motor' of European politics. The duo moreover positioned themselves to find common ground between governments resolutely clinging to sovereign self-sufficiency, and those urging transition towards a *bona fide* «Transfer Union». Core imperatives to prevent cascading disintegration whilst maximising collective gains prescribed a decidedly utilitarian, nonvisionary, approach.

The political press eagerly followed the drama and apparent dysfunction surrounding the process, intensifying the pressure on European leaders to present a unified front. Even whilst fretting over the Italian propensity to embark upon «spending orgies», German weekly *Der Spiegel* stressed that failure to produce a debt agreement would threaten the Union's very survival as a credible actor on the world stage<sup>41</sup>. *Politico*'s Brussels bureau breathlessly recounted the political horse trading for readers on both sides of the Atlantic. Merkel's about-face on bonds was announced in life-and-death terms, as a case of German frugality falling «victim» to the coronavirus<sup>42</sup>. As talks progressed though the terms of discussion grew notably more circumspect. A French official revealed that negotiators took care to omit «triggering words», conditionality being one, from the draft document, a candid if anonymous admission that underscored the fragility of the terms of agreement<sup>43</sup>. With Brexit still fresh, there was also the view from Britain to consider. Adam Tooze, certainly no Eurosceptic, reacted to the NGEU with a *Foreign Policy* column pronouncing functionalist 'failing forward' «the homegrown ideology of the EU»<sup>44</sup>.

39 «Die Presse», 20 April 2020.

40 L. van Middelaar, *Alarums and Excursions*, cit., p. ?

41 M. Becker, *Gemeinsame Schulden nur mit Gemeinsamer Kontrolle*, in «Der Spiegel (Hamburg)», May 19, 2020.

42 M. Karnitschnig, R. Momtaz, *Germany Buckles to France on Coronavirus Recovery Plan*, in «Politico (Brussels)», May 19, 2020.

43 D. Herszenhorn et al., *The Coronavirus Recovery Plan That von Der Leyen Built*, in «Politico (Brussels)», July 16, 2020.

44 A. Tooze, *It's a New Europe. If You Can Keep It*, in «Foreign Policy», August 7, 2020.

In short the coronabond did not – nor would it be allowed to – amount to a eurobond. Merkel's emphasis on the temporary character of the measures left little doubt in this regard. Her statements provided reassurance of an imminent return to ordoliberalism, implicitly framed as the normal and correct state of economic affairs. Further evidence lay in the triumphalist claims of Frugal countries to have secured larger-than-usual budgetary rebates for themselves, thereby reducing the overall burden of their MFF contributions. Northern capitals also saw success in that the final sum allocated for grants was lower than initially proposed, 390 euros as opposed to 500 billion in the Franco-German document. The Polish-Hungarian veto of the MFF and NGEU, followed by a legally dubious Council declaration of 20 December overriding it, suggested a further faultline between a «Europe of rights» and an «illiberal Europe»<sup>45</sup>. To the extent that it is indeed present, such a cultural split would necessitate broader recourse to political improvisation and the art of compromise in the future.

### iii) *Hegemony*

Historically, all processes of international integration presuppose some form of hegemony wherein the dominant power is responsible for guaranteeing collective benefits to other participants<sup>46</sup>. It follows that hegemony can represent a common good, so long as it is exercised within certain limits. Here a contrast is apt between the liberal multilateralism which Bretton Woods and the Marshall Plan built between 1944 and 1947, and the post-Maastricht EU model. Under the Transatlantic economic regime that took shape between the end of the Second World War and the onset of the Cold War, the US as hegemonic power guaranteed global public goods along with certain favourable conditions for its partners. The post-war «virtuous cycle» of development postulated a demand-oriented growth model, with international monetary stability underwritten by the dollar's «exorbitant privilege» (as Valéry Giscard d'Estaing termed it in 1964) and propelled by a structural US trade deficit together with a degree of tolerance from Washington towards European neo-mercantilist policies<sup>47</sup>. This configuration is difficult to replicate in the context of the EU, a collective actor that is leaderless by design.

Notwithstanding its economic might, Germany has not proven capable of exercising a hegemonic position comparable to that of the postwar US. Counter-pressures within the Union associated with varying degrees of member state consensus certainly have contributed to the situation. What has arguably weighed heaviest however is Germany's own reticence, primarily for domestic political reasons, to take on such a responsibility. Assuming a hegemonic mantle would require Berlin to reconsider at least some elements of its institutional model of monetary-economic gover-

45 F. Fabbrini, *Next Generation EU. Il futuro di Europa e Italia dopo la pandemia*, il Mulino, Bologna 2022.

46 See J. Ikenberry, *Liberal Leviathan. The Origins, Crisis, and Transformation of the American World Order*, Princeton University Press, Princeton 2011.

47 B. Eichengreen, *Exorbitant Privilege: The Rise and Fall of the Dollar and the Future of the International Monetary System*, Oxford University Press, Oxford 2011.

nance, built between the late 1970s and early 1990s on the pillars of price stability, budget austerity, and differentiated capital risk. It would also mean foregoing some of the relative gains deriving from Germany's 'surplus' power status in favour of greater openness to the collective benefits of fiscal cooperation. In situations of crisis at the European level, German policy has consistently followed a logic of preserving the *status quo* rather than innovating with transformative intent<sup>48</sup>. This time, the pragmatic deviation of the Merkel government from ordoliberalism was a calculated move to manage domestic political costs by satisfying industry groups, maintaining parliamentary stability, and containing the electoral fortunes of populist parties<sup>49</sup>. All in all, Berlin did little to dispel its image as a «reluctant hegemon».

The economic conservatism – or paralysis, as critics would say – of the successor Scholz government is hardly an encouraging sign of further demand from Berlin for closer fiscal policy coordination. Neither is the chilly reception which von der Leyen gave to the 2024 Draghi report on European competitiveness, with its appeal for continental alignment across investment and industrial policy areas as a means of shoring up future prosperity. Still, there are valid reasons to believe that the pandemic could eventually turn out to represent something more than just another missed opportunity for European integration. Decisions arising from that turbulent period belong to a bigger picture of a constantly evolving institutional environment at the supranational level. A notable tendency in this regard is the progressive metamorphosis of the ECB from an expert committee guaranteeing price stability, to a political forum promoting financial stability, which begun in 2010 under the presidency of Jean-Claude Trichet and continued with Draghi's so-called liquidity bluff promising to do «whatever it takes» to preserve the common currency<sup>50</sup>. Crisis situations not originally foreseen by the Treaties have naturally been decisive in pushing the ECB towards undertaking a piecemeal broadening of its own mandate.

It is no coincidence that the ECB's auto-transformation into a political body has met with stark opposition from the German high court, which has proven determined to defend sovereign discretion<sup>51</sup>. The Federal Court of Justice has held the position that the right of national governments to act as uncontested «masters of the Treaties» (*Herren der Verträge*), safeguards the constitutional right of German citizens to a democratic say in their own representation. The Karlsruhe Court reaffirmed this principle with a 5 May 2020 judgement against Europe's «unconventional» measures in response to the Eurozone crisis – issued, perhaps not entirely coincidentally, days before the Commission's announcement of the Franco-German Recovery Fund. It is important to note that, from the perspective of central bankers, the decision left open a loophole; rather than tying the hands of the ECB outright it reaffirmed the demand for adequate

48 D. Pasquinucci, *La Germania del dopo Merkel*, cit., p. 4.

49 D. Howarth, J. Schild, *Nein to 'Transfer Union': The German Brake on the Construction of a European Union Fiscal Capacity*, in «Journal of European Integration», 2, 2021, pp. 209-226.

50 L. Boone, M. Buti, *Right Here, Right Now: The Quest for a More Balanced Mix*, in «VoxEU.org», 19 October 2019.

51 D. Göler, M. Jopp, *Deutschlands konstitutionelle Europapolitik*, in *Handbuch zur deutschen Europapolitik*, K. Böttger, M. Jopp (hrsg.), Nomos Verlagsgesellschaft, Baden Baden 2021.

proportionality assessments prior to any extraordinary intervention, a precedent that made it possible for the NGEU to ultimately become reality<sup>52</sup>.

Structural tensions nonetheless point to an intensifying politicisation besetting decisionmaking scaffolds at all levels of European governance, exceeding the inertial force of the *acquis communautaire*. Such politicisation is in turn apt to redefine established roles and hierarchies within Europe. Ultimately the pandemic showed the need for greater clarity on the distribution of competences. Fiscal authorities will need to specify parameters for policy coordination with central bankers, putting an overdue end to the shadow banking system<sup>53</sup>. It is also important to bear in mind that judges are no less insulated from democratic processes than central bankers<sup>54</sup>. Meaningful pathways for popular input into economic policymaking are yet to be found.

### 3. Outlook and conclusions

Europe's strategic position has shifted, and not for the better, since the high point of coordinative solidarity that the NGEU represented. For one thing the situation of Germany today has deteriorated markedly from where it was five years ago, a country with stable and continuous leadership, profitable export-oriented industries, and affordable energy supply. The Federal Republic finds itself in a *Wirtschaftskrise*, an economic crisis with no end in sight. Politically it is proving difficult if not impossible to find a successor to Merkel. The *Ampel*, a 'traffic light' coalition of three parties with Scholz in the chancellery, was deeply unpopular and collapsed prematurely under the weight of intractable internal differences; former key figures have since opted to exit national politics. Incumbent chancellor Friedrich Merz faced underwater approvals not even half a year into his term. Mainline political parties are suffering sustained declines in popularity across the board, partly due to the decreasing differentiation of their programs. Formation of both the current black-red and previous *Ampel* coalitions has necessitated political parties on the right and the left to devise common platforms amongst each other. Meanwhile the German left is weakening and fracturing. The Greens' first turn in power with *Ampel* led to a drop in their electoral fortunes, while the Linke has splintered with former leader Sahra Wagenknecht defecting to launch an eponymous party with a left-populist agenda. The beneficiary of it all has been the AfD, a right-populist Eurosceptic party that surged to 20.8% in the 2025 national elections<sup>55</sup>. It is far from clear whether the 'firewall' that

52 D. Grimm, *A Long Time Coming*, in «German Law Journal», 5, 2020, pp. 944-949. To be more precise, in a decision whose legal implications remain the subject of considerable debate, the German Federal Court accused the European Court of Justice of having acted *ultra vires* with the latter's 2018 decision upholding the validity of the Public Sector Purchasing Program initiated by the ECB. According to the Federal Court, the European Court had failed to adequately consider the Treaty principle of proportionality.

53 D. Gabor, *Revolution without Revolutionaries*, cit., p. 1-31.

54 N. De Boer, J. Van 'T Klooster, *The ECB, the Courts and the Issue of Democratic Legitimacy after Weiss*, in «Common Market Law Review», 6, 2020, pp. 1689-1724.

55 On the anti-European ideology of the AfD see F. Niglia, *Something New on the German Front: the Alternative für Deutschland and Europe*, in A. Guiso, D. Pasquinucci, *Anti-Europeanism*, cit., pp. 107-117.

has until now kept the AfD out of government will be able to withstand another election cycle.

German foreign policy is no less in shambles. Russia's Special Military Operation in Ukraine (SMO) has thoroughly discredited two of its longtime pillars, the *Ostpolitik* and *Wandel durch Handel*, which collectively held that opening to the east and pursuing close trade relations would promote stability and liberalisation in the European neighbourhood. Loss of access to Russian fossil fuels is accelerating a worrying trend of deindustrialisation, to the point that Merz has lately felt compelled to openly pronounce the welfare state unsustainable. *Zeitenwende*, the sweeping reorientation of political, economic, and security policies which Scholz launched on 27 February 2022 in the immediate aftermath of the SMO, has achieved mixed results at best. Observers are rightly unsure whether a country that is currently going through such a far-reaching national reinvention can even be expected to exercise a leadership role in Europe at all<sup>56</sup>. Recent electoral trends have weakened the Franco-German axis. Making matters still worse, Berlin's steadfast defence of Israeli slaughter tactics in Gaza has seriously damaged its global clout, within Europe and in the Third World especially. Apparent moral hypocrisy erodes Germany's standing to present itself as a rules-based power, whether in the political or economic realm.

To the extent that there remains appetite in European capitals for economic policy coordination, its direction has changed from social welfare to defence expenditure<sup>57</sup>. Politically and militarily, efforts to support Ukraine and counter Russia have shifted the continental centre of gravity east and north. The London-Berlin-Warsaw corridor has grown in relevance and traffic, while NATO ranks have expanded with Finnish and Swedish adhesions. The second von der Leyen Commission includes for the first time a Defence Commissioner, Andrius Kubilius from Lithuania. It remains to be seen whether the priority assigned to reinforcing Europe's eastern flank will come at the expense of the southern and southwestern countries sometimes uncharitably grouped together as «PIGS» (Portugal, Italy, Greece, Spain) with reference to their chronically high debt. PIGS were top beneficiaries of the NGEU, both in absolute (Italy, Spain) and per-capita (Greece) terms. With a redistributive logic tilted towards the south, the NGEU in that sense did not differ substantially from the Marshall Plan<sup>58</sup>. Could this geographical balance be expected to remain similar in a future scenario of crisis-related financing? Though the east is gaining in prominence, it by no means speaks with one voice. The erstwhile Sovereignty faction has split as Poland and Hungary have taken divergent approaches on Ukraine. An eastern

56 D. Pasquinucci, *La Germania del dopo Merkel*, cit.

57 Subsequent events during the review process seemed to bear out our conjecture. Faced with a looming threat of Ukrainian default, 24 out of 27 EU states (excepting the Czech Republic, Hungary, and Slovakia) agreed to 90 billion in joint debt issuance, guaranteed by the EU budget, to finance Ukraine's military needs and public budget for 2026 and 2027. Need for unanimity was circumvented by relying instead on the enhanced cooperation procedure provided for by Article 20 of the Treaty on European Union. The deal was a last-resort alternative to a proposal for seizing Russian frozen assets abroad to assist Ukraine. See for instance B. Romano, *90 billion support for Ukraine: why the EU chose debt and not Russian assets*, in «Il Sole 24 Ore», 19 December 2025.

58 E. Kempf, K. Linos, *NGEU: A New Marshall Plan for Europe and a Template for Global Finance*, in «AJIL Unbound», 118, 2024, pp. 151-156.

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capacity for coordinated action, and by extension for effective lobbying of a joint position, still has yet to outlast the issue-specific.

Trump's White House comeback has awakened Europeans to the fact that America First is no anomaly but a new and lasting tendency in US politics<sup>59</sup>. At a time of already strained public finances, European leaders are under pressure from Washington to assume a greater share of responsibility for aiding Ukraine, while at the same time decoupling their economies from China. Trump's protectionist turn in trade policy is producing significant uncertainty and raising the costs of European exports to the US, further threatening economic competitiveness. In conclusion, it is too early to tell whether the NGEU can serve as a precedent, or more optimistically a model, for further advancement of the European project. Circumstances call urgently for the EU to demonstrate a surplus of political unity, but that commodity currently looks to be in short supply. For the foreseeable future therefore, the pro-integration perspective will have to rely on the (hopefully judicious) mediation of political improvisation.

Andrea Guiso  
(andrea.guiso@uniroma1.it)

Emma Louise Leahy  
(emmalouise.leahy@uniroma1.it)

59 On the 'Trump factor' in the context of international relations and the global economy see R. Jervis, F. J. Gavin, J. Rovner, D. Labrosse, *Chaos in the Liberal Order. The Trump Presidency and International Politics in the Twenty-First Century*, Columbia University Press, New York 2018; B. Milanovic, *The Great Global Transformation. National Market Liberalism in a Multipolar World*, Allen Lane, London 2025; G. Gerstle, *The Rise and Fall of the Neoliberal Order: America and the World in the Free Market Era*, Oxford University Press, Oxford 2022; L. K. Field, *Furious minds: the Making of the MAGA New Right*, Princeton University Press, Princeton 2025.