LEIBNIZ INSTITUTE
SAFE
Sustainable Architecture for Finance in Europe

Vincent Lindner

Solidarity without Conditionality. Comparing the EU Covid-19 Safety Nets SURE, Pandemic Crisis Support, and European Guarantee Fund

SAFE Working Paper No. 333 | January 2022

Leibniz Institute for Financial Research SAFE
Sustainable Architecture for Finance in Europe
info@safe-frankfurt.de | www.safe-frankfurt.de
Electronic copy available at: https://ssrn.com/abstract=4000612

Solidarity without conditionality. Comparing the EU Covid-19 safety nets SURE, Pandemic Crisis Support, and European Guarantee Fund[*]

Vincent Lindner

Leibniz Institute for Financial Research SAFE[†]

Abstract

This article compares the three initial safety nets spanned by the European Union in response to the Covid-19 crisis: SURE, the Pandemic Crisis Support, and the European Guarantee Fund. It compares their design regarding scope, generosity, target groups, implementation, the types of solidarity and conditionality, and asks how they reflect on core-periphery relations in the EU. The article finds that the most important factor in all three instruments is risk-sharing between member states, even though SURE and the EGF display elements of fiscal solidarity. Finally, the article shows that Euro crisis countries from the South are the main recipients of financial aid, while Central and East European countries receive significantly less assistance and core countries in the North and West have no need for them.

Keywords: financial solidarity, conditionality, Covid-19, European Commission, European Stability Mechanism, European Investment Bank

[*] I gratefully acknowledge research support from the Leibniz Institute for Financial Research SAFE.
[†] Department for Macro and Finance, SAFE, Theodor-W.-Adorno-Platz 3, 60323 Frankfurt, Germany, E-Mail: lindner@safe-frankfurt.de

Electronic copy available at: https://ssrn.com/abstract=4000612

Introduction

In April 2020, shortly after the Covid-19 crisis hit European societies, the European Union started to discuss immediate European programmes to support member states in financial difficulties. The Eurogroup met 7-9 April in inclusive, format, i.e. with finance ministers from the EU-27, and with leading representatives from the European Commission, the European Central Bank (ECB), the European Stability Mechanism (ESM), and the European Investment Bank (EIB). This group of actors, the machine-room of European crisis response, came up with a two-fold plan to safe-guard European economies, where all participating actors had a role to play. First, the ECB had already launched a 750 bn. € Pandemic Emergency Purchase Programme (PEPP) for public and private assets on 18 March (European Central Bank, 2020). Second, the Commission, the ESM, and the EIB would accompany this non-standard monetary policy by financial instruments which would make funds available to member states and businesses. This multi-faceted approach was influenced by a group of economists led by the chief economist to the French Treasury Agnès Bénassy-Quéré who had proposed to make multiple funds available to different target groups (Bénassy-Quéré, Boot, et al., 2020; Bénassy-Quéré, Corsetti, et al., 2020). Immediately, European leaders, in this case the president of the Eurogroup Mário Centeno, started to refer to the instruments as 'three safety nets […] – one for workers, one for businesses and another one for countries' (Eurogroup, 2020b). Additionally, European institutions marketed the total amount of these packages as worth 540 bn. €, a number they added to the EU budget Multi-Annual Financial Framework (MFF) 2021-2027 and the Next Generation EU programme to come up with a total of 2,364.3 bn. € of EU support.

Against this background, this article advances three questions regarding the European safety nets. *First*, how do solidarity instruments compare vertically to each other and horizontal to prior instruments during the Euro crisis? How do they differ in scope, generosity, target groups,

Electronic copy available at: https://ssrn.com/abstract=4000612

conditionality etc.? *Second*, how are the safety nets used in practice? Who makes use of them, and how is the money spent? Are there certain countries that profit more/less from the safety nets than others? *Third*, what types of solidarity do the three safety nets constitute? Are they different from solidarity during the Euro crisis and will the Covid-19 response mark a new period of financial solidarity between European member states?

The article builds on legal documents, quantitative and qualitative reports, newspaper articles and expert interviews.

The article proceeds as follows. Chapter II discusses the recent literature on financial solidarity and conditionality in EU governance as well as theoretical perceptions of core-periphery relations between member states. Chapter III compares the three safety nets with regard to their legal outlook, before Chapter IV takes stock of the implementation. Chapter V offers an assessment regarding their function as solidarity instruments on paper and in practice and their impact on EU core and periphery.

Literature review: Solidarity and conditionality in the EU and the euro area

This article approaches the three safety nets from three theoretical perspectives: First, the dimension of financial solidarity, second, the type of conditionality, and third, the core-periphery dimension of the policy implementation.

The term *financial solidarity* has been used in different ways during the Euro crisis to either describe or oppose European aid programmes and to argue for additional policy initiatives. The ESM and its predecessor the European Financial Stability Facility (EFSF) reference solidarity between member states as a core principle besides fiscal stability and political leaders in the EU have stressed the importance of solidarity and stability for the euro area (Crespy & Schmidt, 2014, p. 1097). Political forces on the left meanwhile referred to solidarity in their opposition to the financial aid programmes and the accompanying austerity policies (Closa & Maatsch,

Electronic copy available at: https://ssrn.com/abstract=4000612

2014, p. 839). Hence, financial solidarity, which is defined as making financial means of any kind available between members of a club, can be distinguished in three sub-categories:

Monetary solidarity, making financial means available to a club member in need via risk-sharing between all club members (Schelkle, 2017). *Fiscal solidarity*, making financial means available to a club member via pooled resources. This is often attributed to a common problem which calls for common action (Armingeon, 2021). The term appears frequently in recent survey research and is defined usually along the lines of 'financial help to another European Union Member State facing severe economic and financial difficulties' (Vasilopoulou & Talving, 2020, p. 926), or 'citizens' willingness to support indebted European countries financially' (Gerhards et al., 2018, p. 4). *Social/redistributive solidarity* is when some members make financial means available to others for redistributive purposes. This definition is most commonly used to explain the development of modern welfare states.

Conditionality has developed into a core feature of Euro crisis politics. In its most basic definition, it is understood as 'the placement of policy conditions on the disbursement of financial resources to national governments' (Babb & Carruthers, 2008, p. 15). While the EU had already embraced conditionality for the EMU accession in the 1990s and the EU accession of central and eastern European countries during the 2000s, unlike Euro crisis types of conditionality, this did not interfere with core state functions as fiscal, welfare, or labour market policies (Jacoby & Hopkin, 2020, pp. 1160-1161). Fiscally conservative countries as Germany had seen strict conditionality as a mandatory requirement for their financial participation in the EFSF and the ESM, establishing a strong link between solidarity and conditionality (Matthijs, 2016, p. 377; Wallaschek, 2020). In economic theory, policy conditionality of financial aid during economic crises is needed to avoid moral hazard (Jeanne et al., 2008; Jeanne & Zettelmeyer, 2001). Notwithstanding the growing literature on the effects of conditionality on

Electronic copy available at: https://ssrn.com/abstract=4000612

policy outcomes, this section focusses on the various ways conditionality can be designed and implemented when attached to an international or European loan programme.

First, the most common distinction is between *ex-ante* and *ex-post* conditionality. The former mandates possible recipients of financial aid to fulfil conditions before they become eligible, the latter imposes conditions for the time linked to monitoring and sanctions. Blavoukos and Pagoulatos (2008) problematized the utilisation of ex-ante conditionality since it failed to impose rule-abiding behaviour by countries after their accession to the EMU. Additionally, economic crises and the immediate risk of bank and state insolvencies did render ex-ante conditionality impossible, so that the EMU governance structure has exclusively enabled ex-post conditionality since the Great Recession (Jacoby & Hopkin, 2020, p. 1168). Second, most often the enforcement and implementation of political reforms is secured as *formal conditionality* via Memoranda of Understanding on Specific Economic Policy Conditionality (MoU), formal agreements between the lenders (IMF, ECB, Commission) and recipients of financial loans. However, informal or *implicit conditionality* can also be important. Italy was never subject to formal conditionality during the Euro crisis, however the country entered into reforms similar to crisis countries after it was pressured by the ECB and other EU member states (Di Mascio et al., 2020; Sacchi, 2015, p. 84). Finally, the difference between target and process conditionality can be utilized even though the literature does not yet apply these terms. target conditionality emphasises desired policy outcomes, e.g. the fiscal rules in the Stability and Growth Pact (SGP), while process conditionality proposes sometimes very detailed reform programmes to achieve these outcomes (Theodoropoulou, 2015, p. 30).

Finally, European programmes and institutions which are linked to financial transfers and more broadly the economic governance in the EU and EMU, have been analysed using a core-periphery theoretical lens. This approach argues that economic integration did not lead to economic and social convergence across member states, but quite the opposite fostered divergence between 'strong' Northern member states in the centre and two economic

Electronic copy available at: https://ssrn.com/abstract=4000612

peripheries in Southern, and Central and Eastern Europe respectively (Galgóczi, 2016; Sepos, 2016, pp. 38-39). This approach builds on prior studies underlining the heterogeneity of European and especially Euro area economies and the incompatibility of national growth models with forced structural convergence (Baccaro & Pontusson, 2016; Hall, 2012, 2017; Höpner & Lutter, 2018; Höpner & Schäfer, 2008; Regan, 2017; Scharpf, 2016). Countries at the centre are rule-makers, net payers, and creditors in the Euro area, while the countries in the periphery are conversely rule-takers, net recipients and debtors (Magone et al., 2016, p. 3). argue that the antagonism between deficit and surplus countries steered the Euro crisis response during the 2010 away from external adjustment towards internal adjustment such as structural reforms and financing of debtor countries. Financing as a policy tool could find some support in both debtor and creditor countries, however its arrangement was subject to ideological beliefs, especially ordoliberal thought in Germany (Matthijs, 2016; Matthijs & Blyth, 2015). Therefore, financing appeared as the least bad doable policy option and the imposed conditionality depended on ideological configurations in surplus countries (Walter et al., 2020, p. 248)

Experimental studies report relatively high levels of support for fiscal solidarity between member states, as long as they are considered fair and are attached to specific policy fields such as social investment (Ferrera & Burelli, 2019; Vandenbroucke et al., 2018). While Bremer et al. (2020) find greater support fiscal and social policies to EU level in Southern and East European countries, another study on Italian voters' preferences found that Italians were against strict conditionality, even if it meant the countries exit from the eurozone (Baccaro et al., 2021). Thus, the literature suggests that policy design and the institutionalisation of solidarity instruments determine their success.

In conclusion, the literature would suggest that the instruments focus on monetary solidarity, while fiscal and social solidarity would be limited. It can be expected that core and periphery

Electronic copy available at: https://ssrn.com/abstract=4000612

countries clash over financing conditions and that core countries make limited, if any use of safety nets.

Comparing SURE, PCS, and EGF

Figure 2 depicts the three programmes SURE, Pandemic Crisis Support, and European Guarantee Fund and compares their outlines. All three instruments make use of financial markets to provide financial assistance to their respective targets.

[Figure 1 about here]

In the cases of SURE and the PCS, member states guarantee for loans issued by the Commission and the ESM respectively which are taken out on behalf of specified member states. As for the EGF, the participating member states guarantee for loans which are provided by the EIB and the EIF to corporates, especially SMEs, via commercial and public banks. All three issuers have top ratings from credit rating agencies, so that the bonds would be seen as safe assets by investors. Nonetheless, there are also significant differences: The debt maturity differs from 5-30 years for SURE bonds, while ESM bonds are limited to a maximum of 10 years, due to restrictions in the in the ESM Treaty.

The SURE regulation is based on Article 122 TFEU. 122(1) states that the European Council may decide 'in a spirit of solidarity between Member States, upon the measures appropriate to the economic situation ', while 122(2) specifies the conditions for EU financial assistance: member states must be 'in difficulties or seriously threatened with difficulties caused by natural disasters or exceptional occurrences beyond its control'. This article had been used in May 2010 to establish the short-lived European Financial Stabilisation Mechanism (EFSM) which

Electronic copy available at: https://ssrn.com/abstract=4000612

was effectively replaced by the intergovernmental EFSF and ESM later that year (Hodson, 2013, p. 307). While the European Parliament only needs to be informed, some national parliaments will need to approve the instrument's establishment (Guttenberg et al., 2020). Article 3 SURE regulations lists two conditions (specified in Article 6) for member states to use the instrument: First, they must show that planned public expenditure had increased in relation to 'short-time work schemes and similar measures to address the socio-economic effects' of Covid-19, second, they must use the funds to support these and similar labour market schemes, or health-related measures. Once cleared, they will enter loan agreements with the Commission detailing the specific conditions of the loan, in terms of national policy implementation, maturity, and repayment conditions. With the maximum amount of assistance capped at 100 bn. €, the regulation also provides that the three recipients with the largest shares of loans may not exceed 60%. Finally, member states are to provide irrevocable, unconditional and on-demand guarantees in relation to their share of the EU's GNI. for the possible case of debt default (European Council, 2020).

The PCS is not a new instrument but based on the Enhanced Conditions Credit Line (ECCL). Hence, the 200 bn. € maximum funding for the PCS has not been made available in addition to existing programmes but is rather a reallocation of funds. Unlike loans within macroeconomic adjustment programmes which were provided to Cyprus, Ireland, Greece, and Portugal during the Euro crisis, the ECCL is a precautionary instrument which may be granted to member states whose overall economic situation while experiencing some major imbalances is still considered as sound. While there is still some conditionality attached to the ECCL, it is less strict than in the adjustment programmes (Pröbstl, 2020). Neither the ECCL, nor the Precautionary Conditional Credit Line (PCCL) which can be granted to countries without any imbalances procedures, and which has therefore even less conditionality attached to it has ever been used. Very much like SURE, the explicit conditionality attached to the PCS is only policy orientated. Funds from the ESM must be used for 'domestic financing of direct and indirect healthcare,

Electronic copy available at: https://ssrn.com/abstract=4000612

cure and prevention related to costs due to the COVID 19 crisis' (European Stability Mechanism, 2020). However, there are distinct differences between the macro-economic adjustment programme, the ECCL, and the PCS in terms of pricing, conditions which are outlined in Figure 2. Regarding financial monitoring of programme countries, the Eurogroup and the European Commission agreed to limit monitoring liabilities to 'the commitments detailed in the Pandemic Response Plan' whose template however makes no reference to monitoring (Eurogroup, 2020a; European Commission, 2020a)

[Figure 2 about here]

In both cases, the Commission and the ESM respectively, function as intermediaries between financial markets and their need for safe assets and some EU/EMU member states and their need of secure, fast, and cheap financing during the Covid-19 recession while other member states back this process with their bail-out guarantees. Unlike prior ESM programmes which should provide loans to countries which could not refinance on financial markets, the programmes were designed to be provide additional financial advantages via interest rate savings to countries which had own financing capacities. Eurogroup president Mário Centeno expressed this sentiment, when he described the SURE programme as 'European solidarity, in the form of cheap loans' (Eurogroup, 2020b). In turn, the Commission and the ESM would gain financial sovereignty by issuing own bonds in higher numbers, would become more influential in policymaking areas which are located on member state level and, if successful, would position themselves for similar programmes in post-Covid times. In some ways, the dynamic of SURE and the PCS resemble the interest rate convergence among government bond yields of EMU member states during the 2000s and may be seen as a functional equivalent since a return to low interest rates overall seems unlikely (Streeck & Elsässer, 2016). The state-

Electronic copy available at: https://ssrn.com/abstract=4000612

market nexus is so that the Commission and the ESM utilize financial markets to steer policy responses in the member states and shape asset composition accordingly.

Figure 3 represents the dynamic between member states, the intermediaries, and financial markets.

[Figure 3 about here]

Finally, the EGF was set-up to support European corporates, especially SMEs, who struggle financially due to Covid-19. The EIB provides loans to financial intermediaries as commercial and public development banks which in turn finance companies. The prominent position of the EIB in the early recovery effort speaks to its increased importance as an EU financing institution since the financial crash (Mertens & Thiemann, 2019). It is financed by proportional member states guarantees which would add up to 25 bn. €, if all member states participated. The EIB estimates a multiplier of 8, so that the total effort of the instrument would mobilise up to 200 bn. € in funding for corporates. This multiplier is lower than for the previous EIB programme, the European Fund for Strategic Investments (EFSI) which had a total multiplier of 15. The lower expected multiplier is a result of the high-risk financing due to Covid-19 which would be normally outside the realm of EIB activities. In fact, one major reason for the creation of the EGF as a specific instrument is to shield normal EIB activities and balances from the high risk associated with it. In total, there are three objectives associated with the EGF: (1) liquidity support to intermediaries, (2) risk transfer and risk sharing, and (3) easing the regulatory burden for new lending (Interview EGF).

Similarly to SURE, the EGF has some rules on the origin of recipients: At least 65% of the financing is reserved for SMEs, while up to 23%, 5%, and 7% of financing may go to companies with more than 250 employees, public sector companies, and venture capital respectively. Additionally, funding to the three largest recipient countries cannot exceed 50%

Electronic copy available at: https://ssrn.com/abstract=4000612

of total funding, while the 15 countries at the bottom of the distribution must have at least 10% of the funding (European Investment Bank, 2020).

Comparing the Implementation

SURE

On 7 October, the Commission published the social bond framework for its borrowing activities with the SURE programme and raised money for the first time on 20 October 2020. The first tranche was disbursed to Italy, Spain, and Poland seven days later. As of June 2021, 94.3 bn. € have been approved by the European Council of which almost 90 bn. € have been disbursed to 19 countries. All Central and Eastern as well as all Southern EU member states have received funds from the SURE programme, so have Ireland and Belgium. Fund sizes reach from 230 million (Estonia) to 27,493 bn. (Italy) or 0.34% (Hungary) to 3.09% (Malta) of 2019 GDP respectively. The three most populous recipient countries Italy, Spain, and Poland combined have been approved for 60 bn. €, thus triggering the concentration rule which makes them non eligible for further approvements (European Commission, 2021a) . Figure 4 provides an overview of SURE spending by country. The approvals indicate a higher share of financial assistance for Southern countries with Malta, Cyprus, Greece, and Portugal topping the list. Bulgaria, Czechia, Estonia, Hungary, and Slovakia meanwhile have requested less than 1% of their 2019GDP in financial aid. The timing of disbursements also indicates different financing needs: All Southern countries had started to receive aid in 2020, whereas Bulgaria and Estonia were the last countries with the first disbursement being provided on 25 May 2021. The majority of funds allocated via SURE has been used to finance short-time work schemes in the common, whereby governments pay for parts of wages for a limited time. Similar programmes were sometimes put into place for self-employed; additionally, SURE was used to finance training, parental leave, and some health-related costs including the purchase medial gear and extra/overtime pay for healthcare workers. The Commission has gone to the market seven times

Electronic copy available at: https://ssrn.com/abstract=4000612

so far to raise the necessary funds. The bond size was between 4 bn. and 10 bn. with maturities ranging from 5-30 years with average maturities for all member states close to 15 years. Bond yields have been between -0.509% and 0.757%. Bid-to-cover ratios have been between 6-15 indicating high market demand.

[Figure 4 about here]

In March 2021, the Commission published the first biannual preliminary report to take stock of SURE in terms of impact on employment and finances in member states in accordance with the Council regulation (European Commission, 2021b). Unsurprisingly, the Commission attributes short-time schemes and similar measures in member states for lower-than-expected increases in unemployment, even though the analysis does clearly not fulfil the scientific standards of econometric analyses. However, the effects of SURE on employment figures are secondary to the wider context of the effects on the political economy of the EU. According to the report, the successful implementation of SURE as an instrument of financial solidarity contributed to a positive environment for the negotiations on Next Generation EU and it could be seen as an 'instrument to mobilise fiscal policy support' (European Commission, 2021b, pp. 24-25). Furthermore, SURE may have helped to ensure financial markets' trust in the European recovery action which in turn had lowered interest rates for individual countries borrowing and had incentivised EU countries to undertake larger borrowing operations. Finally, the Commission estimated interest rate savings for SURE recipients as the difference between the issue price of SURE bonds and counterfactual bonds issued by member states on the day of disbursement. This estimation shows that Italy, Spain, and Romania profited most in absolute terms, while Poland, the third-largest recipient in total, had relatively modest savings. Slovakia, Lithuania, and Latvia – representing small Central and Eastern European countries – only

Electronic copy available at: https://ssrn.com/abstract=4000612

achieved savings lower than 10 million €.[1] Of course, these computations fail to capture on the possible positive effects of SURE on national interest rates, thereby diminishing the savings neither do they account for the fact that member states may not have set-up these short-time-work programmes without European support. The later aspect is rather unlikely since SURE recipients and non-recipients alike set up short-time work schemes (Müller & Schulten, 2020). However, the continuing emphasis on interest rate savings has certainly helped to establish SURE as a fiscal policy instrument in the European policy discourse instead of an emergency loan instrument on member state basis. As such, it is discussed as a new fiscal instrument on equal footing with the Recovery and Resilience Facility (RRF) (Thygesen et al., 2021) or as a preparatory instrument for a European unemployment (re-)insurance (Vandenbroucke et al., 2020).

PCS: Why no takers?

Whilst the Pandemic Crisis Support became operational on 15 May 2020, before the other two safety nets, its implementation success is much more limited. To date, no member state has applied for a loan from the ESM and this is unlikely to change before the credit line expires in December 2021 barring a fundamental change in Europe's pandemic trajectory. Thus, this chapter assesses the possible advantages and disadvantages for countries on a macro level before it turns to the Italian case to provide a brief case study of a country that could have profited from ESM loans – something which was realised and discussed both domestically and in European context. Theoretically, Italy poses as a most-likely case for the application to the PCS (Beach & Pedersen, 2018, pp. 855-856; Levy, 2008, p. 12) for two reasons: First, Italy was hardest hit by the pandemic in March 2020, and second Italy would have profited most from interest savings as seen below. Thus, when Italy does not apply, it is very unlikely that any other country would.

[1] This section will be updated, when the second SURE report is published. In case, the second report doesn't contain these calculations, the author will compute the interest rate savings himself.

Electronic copy available at: https://ssrn.com/abstract=4000612

Three arguments are usually brought forward regarding the failure of the PCS to attract applications: Political stigma, market stigma, and that the PCS was never intended to be used at all but should only calm financial markets. Another argument that savings would be too marginal falls into one of the three categories once it is qualified. 'Too marginal for what?'

First, political stigma means that the PCS may have been similarly successful as SURE from an economic perspective. Costs of borrowing via the ESM would have been cheaper for many member states and the conditionality was significantly different from other ESM programmes. In fact, ESM CFO Kalin Anev Janse and Head of Funding and Investor Relations Siegfried Ruhl published a blog post on the ESM website in July 2020 titled 'Why the Covid-19 credit line still makes sense'. They lined out that all Southern European member states would generate interest rate savings when drawing on the PCS after all costs are accounted for, while the picture is mixed for Central and Eastern European countries and West European countries would never profit from the PCS (Janse & Ruhl, 2020). Next, the blog post focusses on Italy in particular, showing that the PCS would generate total savings between 3 and 8 bn. € for 'Italy's taxpayers. Finally, they assess that there is no market stigma regarding the use of ESM loans such as decrease in trust in national governments which may lead to higher bond rates for national treasuries. Instead, countries refrain from applications to the PCS due to political stigma associated with the ESM (Interview ESM). This argument is routinely advanced by the ESM itself, but has also found expression in the work of the Lucas Guttenberg of the Jacques Delors Centre who argues that the removal of formal conditionality did not reflect similar changes in domestic politics debates on the ESM:

> 'ESM programmes, no matter what their conditions, have become politically so costly that they will only be resorted to in very dire circumstances, i.e. when it is too late. That is to some extent unfair to the ESM as an organisation.' (Guttenberg, 2020)

Second, market stigma can still be present in the long-term even though market participants neglect it. The seniority of ESM loans over other forms of government debt may restrain

Electronic copy available at: https://ssrn.com/abstract=4000612

creditors in the future (Corsetti & Erce, 2020), even more so when only a select few countries apply for ESM credits. The initial proposal for the PCS aimed to circumvent this market stigma via the extension of loan duration and maturity and the by granting loans to all member states (Bénassy-Quéré, Boot, et al., 2020).

Third, the argument that the PCS was simply a worst-case instrument to perpetuate confidence in the markets falls short, even though the ESM strongly emphasises the backstop function. The ECB's Pandemic Emergency Purchase Programme (PEPP) which predated the three safety nets and by far extend their monetary scope, was more meaningful in the prevention of financial market disruption rendering the PCS 'superfluous' (Tesche, 2020, p. 18). Additionally, not only ESM officials, but also political leaders and the European Commission have claimed that the PCS loans should be used. On 27 June 2020, a few days before Germany took over the Presidency in the European Council, chancellor Angela Merkel declared in an interview with European newspapers that 'anyone can use these instruments. We did not create them to keep them unused'(Merkel, 2020).

Italy was the earliest and hardest-hit European country during the Covid-19 recession. The country went into lockdown on 9 March 2020 and extended it to all non-essential industries on 21 March. Italian PM Giuseppe Conte supported by France was the first European leader to call for the use of ESM credit lines in addition to PEPP on 18 March to keep European economies afloat. He argued that the ESM credit lines needed to be transformed to be available to all member states to help fight the Covid-19 recession (Johnson et al., 2020). However, the governments of the Netherlands and Germany, less affected by the Covid-19 recession at this point, were immediately sceptical, favouring national measures. They argued that the ESM credit line would invoke moral hazard and therefore needed strict conditionality. Opposition to unconditional use of the ESM continued despite Germany and the Netherlands entering full lockdowns themselves on 22 March and 23 March respectively. On 25 March, Italy, France, Spain, and six more Eurozone countries called for Corona bonds, i.e. common European debt

Electronic copy available at: https://ssrn.com/abstract=4000612

issuance. By 27 March to the German government endorsed the ESM as the preferred instrument, while Dutch Prime Minister Rutte still insisted on conditionality (Khan, 2020). After experiencing Dutch and German opposition and after allying with France and others on the issue of Corona bonds, the Italian government had changed its position in early April. Conte now called the ESM 'absolutely inadequate' and summed up the Italian position as follows: 'ESM no, Eurobonds absolutely yes' (Fleming et al., 2020). When the Eurogroup agreed to create the PCS on 9 April, the positions regarding the use of the ESM had changed. Italy had been keen to use the ESM early on, but opposition from Germany and the Netherlands and their insistence on strong conditionality, had revived hostility towards the ESM. Additionally, the success of PEPP in reducing the interest-rate spreads and French support regarding Covid-bonds had led to a re-evaluation of policy positions. The early Dutch insistence on strict conditionality despite the symmetric nature of the economic shock and despite the enormous economic, health, and social crisis Italy experienced during March 2020 meant that political parties in Italy feared that the PCS would entail negative conditions in the future, no matter what the legal documents said. Both the Five Star Movement, the biggest party in government, and the major opposition parties were very vocal about their opposition based on the grounds that credit relations with the ESM would heavily diminish fiscal space for future governments while junior partner Partido Democratico (PD) was generally in favour (Rainews, 2020).

Thus, two reasons were eminent to explain Italy's position. First, drawing from the PCS would have weakened their negotiating position vis-à-vis the frugal four on the issue of the recovery fund, and second, the threat of strict conditionality was a present feature in domestic politics, fearing conditionality through the backdoor. Thus, the PCS may have had similar effects to SURE, but the political constellations, both domestically and European, prevented its use.

Electronic copy available at: https://ssrn.com/abstract=4000612

EGF: Business as usual

Finally, the European Guarantee Fund became operational in late December 2020. DG Competition within the European Commission assessed that the EGF did not violate state-aid rules under the temporary framework (European Commission, 2020b). In particular, the temporary and targeted nature of the instrument and the guarantee cover ratio of maximum 90% led to this positive assessment. 22 EU member states have made contributions to participate in the EGF, while the Czech Republic, Estonia, Hungary, Latvia, and Romania decided to opt out of the programme, reducing the fund size to 24.4 bn. € and expected capital mobilization to 195.2 bn. €. Up until the end of May, the last time the EIB updated the data, 176 credit guarantees have been approved and 83 have been signed.[1] According to this, the EGF had reached its halfway funding target with a total approval of 12.3 bn. € by then. The preliminary list of approved projects reveal a heavy focus on SMEs. All, but six projects are exclusively for SMEs. These projects are located in Greece, Finland, France, Portugal, Spain (2x), while Italy tops the list for the number of approved projects in total. Looking at total funding, multi-country projects to the list (1.705 bn.), followed by Spain (1.1813 bn.), France (820.7 million), Italy (623.1 bn.), Portugal (568.5 bn.), and Finland whose single project receives 488 million. Germany, the joint largest financial contributor to the EGF alongside Italy and France, has so far the lowest approved funding with only one project for 7.4 bn €. While inconclusive and preliminary, the results so far indicate a strong effect for South European countries. Central and Eastern European countries on the other hand had either decided to opt-out or had not been able to match the funding received by South European countries. According to the EIB, the disbursement of funds is a 'demand-driven process' which despite its size and higher risk is no difference from other EIB activities as EFSI and InnovFin.

[1] The data quality on the EIB website (European Guarantee Fund (eib.org)) is unfortunately not good and constantly changing. The list of approved projects does not contain financing numbers for the majority of projects, yet it did so in April 2021. I scrapped the data for approved projects in 2021 and am using this for the analysis. Additionally, EIB staff has sent me updated lists on request which I may share with readers.

Electronic copy available at: https://ssrn.com/abstract=4000612

The EGF operates under a full-delegation-framework, whereby the financial intermediaries, i.e. commercial and nation development banks, undertake qualitative and quantitative risk assessments and the EIB monitors eligibility and other contractual checks (Interview EGF).

Discussion: Solidarity and conditionality revisited

This article has addressed three questions regarding the European safety nets: First, their institutional lay-out, second, their use in practice, and third, their type of solidarity and conditionality regime.

First, the safety nets are not worth 540 bn. € despite the EU's consistent use of that number. While the SURE funding has come very close to the maximum capacity, the PCS which theoretically made up the biggest share of the total safety net size, has not been utilized. Additionally, the total borrowing capacity of the ESM did not change, so that the 240 bn. € were already available via other credit lines. The EGF, finally, looks on track to reach its reduced target of 24.4 bn. € by the end of the year. However, as with EFSI, the EIB inflated the member states' fiscal contribution for the programme and marketed the expected mobilised capital instead. Summing up, the financial scope is below 125 bn. €, a combination of favourable loans and credit risk guarantees.

Secondly, the safety nets demonstrate a clear divide between the economic core and two distinct peripheries. Core countries have no need of European safety measures but want to attach conditionality. Euro crisis countries except Ireland are the main recipients, while CEE countries profit less. The Central and Eastern European periphery could not profit from this programme and partly decided to opt-out. The heated debate and the consequential non-use of the PCS is further proof that the divide between member states in the North and South is the most consequential relation in EU politics with Central and Eastern European countries often on the side-lines.

Electronic copy available at: https://ssrn.com/abstract=4000612

[Figure 5 about here]

Third, monetary solidarity is the most striking feature of the safety nets, while fiscal and social solidarity have remained limited. Figure 5 presents the results for the three types of solidarity discussed above. All three safety nets include a risk-sharing component, either between members of the monetary union, all EU members, or a group of 22 member states. Additionally, SURE represents a limited fiscal solidarity element. While the programme acknowledges common problems and while the EU provides common resources via Commission borrowing, the member states are individually responsible to repay their debt. Unlike SURE, the EGF has not established a link between member states contributions and guarantees for businesses in the countries, so that it represents true fiscal solidarity, albeit on a smaller scale. Additionally, the implementation figures so far show a distributive effect. Southern European countries are effectively the main recipients of EGF funding, while main contributors as Germany have rarely applied for funding.

[Figure 6 about here]

Similarly, the conditionality regimes are shown in Figure 6. The conditionality arrangements of SURE and the PCS look similar on the outside. The necessary assessment of pandemic related financial difficulties is an ex-ante condition, while the policy element focusses on spending in policy fields. Neither SURE nor PCS set policy targets which should be reached by financing short-time work schemes or health-related costs. Additionally, as discussed for SURE, the policy field is only defined in general terms and allows for country-specific diversity. However, the PCS by nature of being provided by the ESM had an additional layer of implicit conditionality as discussed for the Italian case. The EGF meanwhile utilized

Electronic copy available at: https://ssrn.com/abstract=4000612

both ex-post and ex-ante conditionality in a multi-level system, where monitoring tasks are spread across the EIB, the contributing member states, and the intermediaries. The EGF has also clear quantitative policy targets on a macro-level in terms of recipient composition and private capital mobilisation that should be reached. The financial health of the recipient companies is assessed by the financial intermediaries as a requirement for eligibility.

Conclusion

This article has discussed the three European safety nets SURE, PCS, and EGF and has evaluated which form of financial solidarity and conditionality are present. SURE and the EGF have been successfully implemented, while the programme with the greatest financial scope, the PCS, has not been utilized, bringing the total contribution to just below 125 bn. € There is a clear distinction between the Southern periphery as the main recipient of financial aid and the core and Central and Eastern periphery who did not profit from the programmes. Finally, risk-sharing between member states remains the most important feature in all three safety nets, so that solidarity between member states takes predominantly the form of joint guarantees with small elements of fiscal solidarity. At least two immediate questions arise from this work. First, it remains to be seen, whether SURE was an important launch pad and trial period for the NextGenerationEU recovery fund which will see the Commission financing up to 750 bn. € on financial markets and second, it is doubtful whether the ESM can and should stay relevant in addressing the EU's financing needs.

Electronic copy available at: https://ssrn.com/abstract=4000612

Annex

Name	SURE	EGF	PCS
Issuer and governance	European Commission	EIB Group	European Stability Mechanism
Legal basis	122 (2) TFEU	9(1) EIB Statue	13(3) and 14(2) ESM Treaty
Recipients	EU Member states	Corporates, esp. SMEs from participating member states	EMU Member states
Generosity	100 bn. €	25 bn. €	240 bn. €
Maturity	5-30 years, 15 years average		max. 10 years
Support mechanism	Beneficial loans	Credit risk guarantee	Beneficial loans
Programme end	Dec-21	Dec-21	Dec-21
ESG component	Social bonds	NO	Social bonds

Figure 1: Safety nets, own representation

Electronic copy available at: https://ssrn.com/abstract=4000612

	Macro-economic adjustment programme	**ECCL**	**PCS**
Objective for assistance	significant need of financing and loss of market access	Maintain market access and strengthening credibility of macroeconomic performance	support domestic financing of direct and indirect healthcare
Monitoring	Memorandum of Understanding: Review missions	Memorandum of Understanding: Enhanced surveillance	Pandemic Response Plan: no surveillance
Conditions	Strict conditionality: cash for reforms	corrective measures	healthcare related costs
Access eligibility during funding period	Disbursement conditional on positive reform assessment	any time according to agreed terms	any time up to 2% of 2019GDP
Pricing (here: Cost Up-Front Service Fee)	50 bps	50 bps	25 bps
Debt Seniority	Yes	Yes	Yes

Figure 2: Comparison of ESM Programmes, own representation

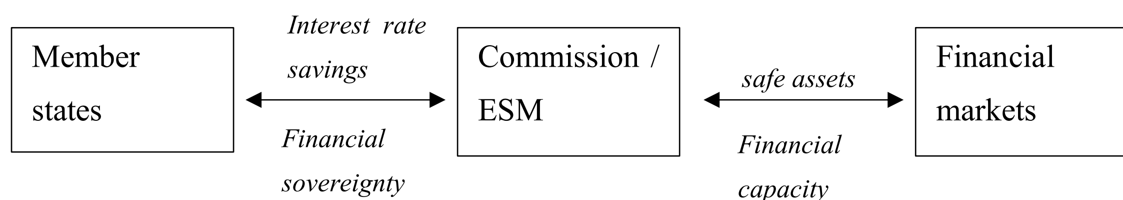

Figure 3: Relationship between member states, Commission / ESM, and financial markets; own representation

Electronic copy available at: https://ssrn.com/abstract=4000612

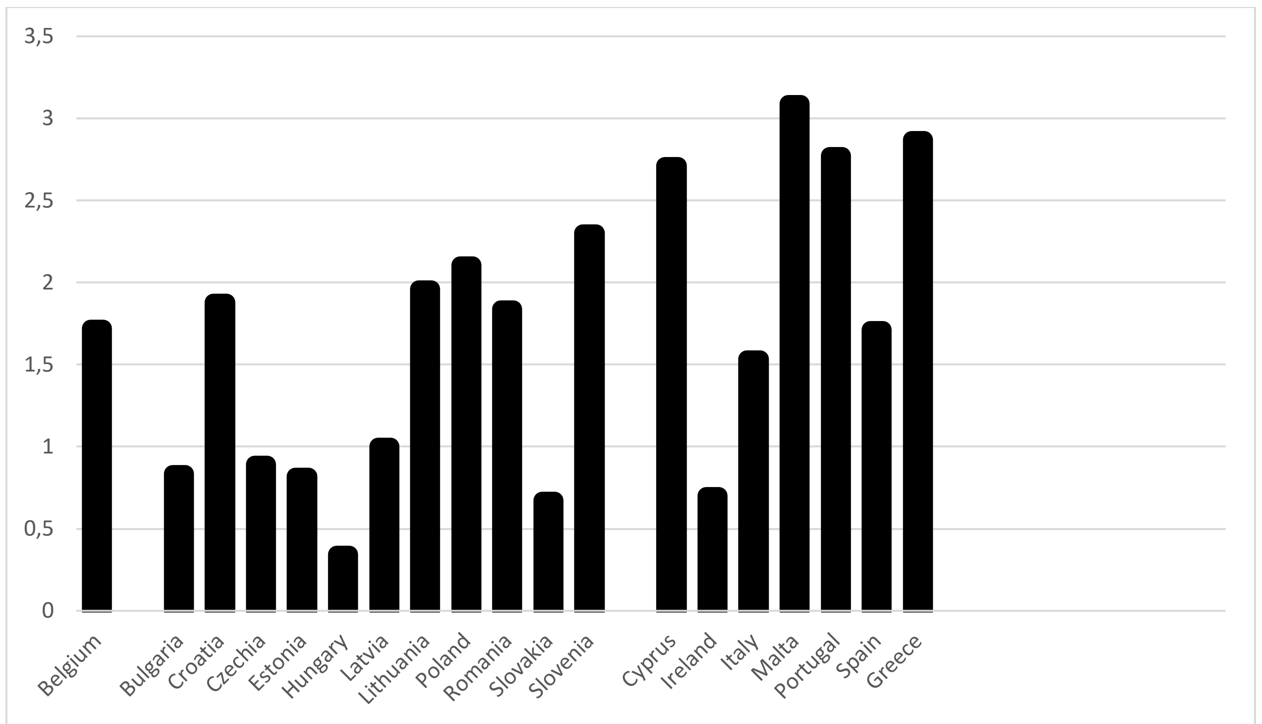

Figure 4: Approved SURE Spending as % of 2019GDP, Source: https://ec.europa.eu/info/business-economy-euro/economic-and-fiscal-policy-coordination/financial-assistance-eu/funding-mechanisms-and-facilities/sure_en

Solidarity	**SURE**	**PCS**	**EGF**
Monetary Solidarity (risk-sharing)	YES	YES	NO
Fiscal Solidarity	Partially	NO	YES
Social Solidarity	NO	NO	Partially

Figure 5: Safety nets and types of solidarity, own representation

Conditionality	**ex-ante/ex-post**	**explicit/implicit**	**Policy target/field**
SURE	ex-ante	explicit	field
PCS	ex-ante	explicit and implicit	field
EGF	ex-ante and ex-post	explicit	target

Figure 6: Safety nets and types of conditionality, own representation

Electronic copy available at: https://ssrn.com/abstract=4000612

Bibliography

Armingeon, K. (2021). Fiscal solidarity: The conditional role of political knowledge. *European Union Politics*, *22*(1), 133-154. https://doi.org/10.1177/1465116520967752

Babb, S. L., & Carruthers, B. G. (2008). Conditionality: forms, function, and history. *Annual Review of Law and Social Science*, *4*(1), 13-29.

Baccaro, L., Bremer, B., & Neimanns, E. (2021). Till austerity do us part? A survey experiment on support for the euro in Italy. *European Union Politics*, *22*(3), 401-423. https://doi.org/10.1177/14651165211004772

Baccaro, L., & Pontusson, J. (2016). Rethinking Comparative Political Economy: The Growth Model Perspective [Article]. *Politics & Society*, *44*(2), 175-207. https://doi.org/10.1177/0032329216638053

Beach, D., & Pedersen, R. B. (2018). Selecting Appropriate Cases When Tracing Causal Mechanisms. *Sociological Methods & Research*, *47*(4), 837-871. https://doi.org/10.1177/0049124115622510

Bénassy-Quéré, A., Boot, A., Fatás, A., Fratzscher, M., Fuest, C., Giavazzi, F., Marimon, R., Martin, P., Pisani-Ferry, J., & Reichlin, L. (2020, 21/03/2020). A proposal for a Covid Credit Line. https://voxeu.org/article/proposal-covid-credit-line

Bénassy-Quéré, A., Corsetti, G., Fatás, A., Felbermayr, G. J., Fratzscher, M., Fuest, C., Giavazzi, F., Marimon, R., Martin, P., & Pisani-Ferry, J. (2020, 05/04/2020). COVID-19 economic crisis: Europe needs more than one instrument. https://voxeu.org/article/covid-19-economic-crisis-europe-needs-more-one-instrument

Blavoukos, S., & Pagoulatos, G. (2008). The limits of EMU conditionality. Fiscal adjustment in Southern Europe. *Journal of public policy*, *28*(2), 229-253.

Bremer, B., Genschel, P., & Jachtenfuchs, M. (2020). Juncker's Curse? Identity, Interest, and Public Support for the Integration of Core State Powers. *JCMS: Journal of Common Market Studies*, *58*(1), 56-75. https://doi.org/https://doi.org/10.1111/jcms.12980

Closa, C., & Maatsch, A. (2014). In a spirit of solidarity? Justifying the European Financial Stability Facility (EFSF) in national parliamentary debates. *JCMS: Journal of Common Market Studies*, *52*(4), 826-842.

Corsetti, G., & Erce, A. (2020). Maturity, seniority and size. Make sure the ESM's pandemic crisis support is fit for purpose! https://voxeu.org/article/make-sure-esm-s-pandemic-crisis-support-fit-purpose?qt-quicktabs_cepr_policy_research=0

Crespy, A., & Schmidt, V. (2014). The clash of Titans. France, Germany and the discursive double game of EMU reform. *Journal of European Public Policy*, *21*(8), 1085-1101.

Di Mascio, F., Natalini, A., Ongaro, E., & Stolfi, F. (2020). Influence of the European Semester on national public sector reforms under conditions of fiscal consolidation: The policy of conditionality in Italy 2011–2015. *Public Policy and Administration*, *35*(2), 201-223. https://doi.org/10.1177/0952076718814892

Eurogroup. (2020a). Eurogroup Statement on the Pandemic Crisis Support. https://www.consilium.europa.eu/en/press/press-releases/2020/05/08/eurogroup-statement-on-the-pandemic-crisis-support/

Eurogroup. (2020b, 09/04/2020). Remarks by Mário Centeno following the Eurogroup videoconference of 9 April 2020. https://www.consilium.europa.eu/en/press/press-releases/2020/04/09/remarks-by-mario-centeno-following-the-eurogroup-videoconference-of-9-april-2020/

European Central Bank. (2020, 12.03.2020). ECB Banking Supervision provides temporary capital and operational relief in reaction to coronavirus. https://www.bankingsupervision.europa.eu/press/pr/date/2020/html/ssm.pr200312~43351ac3ac.en.html

Electronic copy available at: https://ssrn.com/abstract=4000612

European Commission. (2020a). *Draft Template for the Response Plan pursuant to Articles 13(3) and 14(2) ESM Treaty*. https://ec.europa.eu/info/business-economy-euro/economic-and-fiscal-policy-coordination/financial-assistance-eu/funding-mechanisms-and-facilities/european-stability-mechanism-esm_en

European Commission. (2020b). State aid: Commission gives green light to the Pan-European Guarantee Fund to enable up to €200 billion financing for companies affected by the coronavirus outbreak in 21 Member States.

European Commission. (2021a). *SURE. Disbursements under various bond maturities*. https://ec.europa.eu/info/sites/default/files/about_the_european_commission/eu_budget/sure_disbursements_table_7th_issuance_v2.pdf

European Commission. (2021b). *SURE. Taking Stock After Six Months* (COM(2021) 148 final).

European Council. (2020). *Council Regulation (EU) 2020/672 of 19 May 2020 on the establishment of a European instrument for temporary support to mitigate unemployment risks in an emergency (SURE) following the COVID-19 outbreak*. https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32020R0672&from=EN

European Investment Bank. (2020). *Fact Sheet. The Pan-European Guarantee Fund in Response to COVID-19*.

European Stability Mechanism. (2020). *Term Sheet. ESM Pandemic Crisis Support*.

Ferrera, M., & Burelli, C. (2019). Cross-National Solidarity and Political Sustainability in the EU after the Crisis. *JCMS: Journal of Common Market Studies*, *57*(1), 94-110. https://doi.org/10.1111/jcms.12812

Fleming, S., Khan, M., & Brunsden, J. (2020, 7 April 2020). Euro members face moment of truth in pandemic battle. *Financial Times*. https://www.ft.com/content/f847b6c5-0442-467b-89ef-8576b3e58f0e?shareType=nongift

Galgóczi, B. (2016). The Southern and Eastern Peripheries of Europe. Is Convergence a Lost Cause? In B. Laffan, J. M. Magone, & C. Schweiger (Eds.), *Core-Periphery Relations in the European Union. Power and Conflict in a dualist economy* (pp. 117-129). Routledge.

Gerhards, J., Lengfeld, H., Ignácz, Z. S., Kley, F. K., & Priem, M. (2018). How strong is European solidarity? *BSSE Working Paper No 37*.

Guttenberg, L. (2020). *Time to come home. If the ESM is to stay relevant, it should be reinvented inside the EU* (https://www.bertelsmann-stiftung.de/de/publikationen/publikation/did/time-to-come-home-en

Guttenberg, L., Grund, S., & Odendahl, C. (2020). Sharing the fiscal burden of the crisis-A Pandemic Solidarity Instrument for the EU. https://voxeu.org/article/pandemic-solidarity-instrument-eu#:~:text=%20Sharing%20the%20fiscal%20burden%20of%20the%20crisis%3A,Pandemic%20Solidarity%20Instrument.%20We%20propose%20a...%20More%20

Hall, P. A. (2012). The Economics and Politics of the Euro Crisis. *German Politics*, *21*(4), 355-371. https://doi.org/10.1080/09644008.2012.739614

Hall, P. A. (2017). Varieties of capitalism in light of the euro crisis. *Journal of European Public Policy*, 1-24. https://doi.org/10.1080/13501763.2017.1310278

Hodson, D. (2013). The Little Engine that Wouldn't: Supranational Entrepreneurship and the Barroso Commission. *Journal of European Integration*, *35*(3), 301-314. https://doi.org/10.1080/07036337.2013.774779

Höpner, M., & Lutter, M. (2018). The diversity of wage regimes. Why the Eurozone is too heterogeneous for the Euro. *European Political Science Review*, *10*(1), 71-96.

Höpner, M., & Schäfer, A. (Eds.). (2008). *Die politische Ökonomie der Europäischen Integration*. Campus.

Electronic copy available at: https://ssrn.com/abstract=4000612

Jacoby, W., & Hopkin, J. (2020). From lever to club? Conditionality in the European Union during the financial crisis. *Journal of European Public Policy*, *27*(8), 1157-1177.
Janse, K. A., & Ruhl, S. (2020). Why the Covid-19 credit line still makes sense. *ESM Blog*. https://www.esm.europa.eu/blog/why-covid-19-credit-line-still-makes-sense
Jeanne, O., Ostry, J. D., & Zettelmeyer, J. (2008). A theory of international crisis lending and IMF conditionality. *IMF Working Paper*(236).
Jeanne, O., & Zettelmeyer, J. (2001). International bailouts, moral hazard and conditionality. *Economic Policy*, *16*(33), 408-432.
Johnson, M., Ghiglione, D., & Fleming, S. (2020, 19 March 2020). Giuseppe Conte calls on EU to use full financial firepower. *Financial Times*. https://www.ft.com/content/2038c7cc-69fe-11ea-a3c9-1fe6fedcca75
Khan, M. (2020, 27 March 2020). EU leaders enter a virtual, parallel reality *Financial Times*. https://www.ft.com/content/106df6e1-484c-47f9-ac17-76a5d75c43d6
Levy, J. S. (2008). Case studies: Types, designs, and logics of inference. *Conflict Management and Peace Science*, *25*(1), 1-18. https://doi.org/10.1080/07388940701860318
Magone, J. M., Laffan, B., & Schweiger, C. (2016). The European Union as a dualist economy. Understanding core-periphery relations. In J. M. Magone, B. Laffan, & C. Schweiger (Eds.), *Core-periphery relations in the European Union. Power and conflict in a dualist political economy* (pp. 1-16). Routledge.
Matthijs, M. (2016). Powerful rules governing the euro: the perverse logic of German ideas. *Journal of European Public Policy*, *23*(3), 375-391. https://doi.org/10.1080/13501763.2015.1115535
Matthijs, M., & Blyth, M. (2015). *The future of the Euro*. Oxford University Press, USA.
Merkel, A. (2020). "Was gut für Europa ist, war und ist gut für uns". Süddeutsche Zeitung, Le Monde, La Stampa, La Vanguardia, The Guardian, Polityka.
Mertens, D., & Thiemann, M. (2019). Building a hidden investment state? The European Investment Bank, national development banks and European economic governance. *Journal of European Public Policy*, *26*(1), 23-43.
Müller, T., & Schulten, T. (2020). *Ensurig fair short-time work. A European Overview* (https://www.etui.org/sites/default/files/2020-06/Covid-19%2BShort-time%2Bwork%2BM%C3%BCller%2BSchulten%2BPolicy%2BBrief%2B2020.07%281%29.pdf
Pröbstl, J. (2020). ESM loans or Coronabonds: A legal analysis from the German perspective. https://voxeu.org/article/legal-perspective-esm-loans-and-coronabonds
Rainews. (2020, 12 July 2020). Warum Italien sich schwer tut, Geld aus dem ESM anzunehmen. *Rainews*. https://www.rainews.it/tgr/tagesschau/articoli/2020/07/tag-Giuseppe-Conte-ESM-Italien-EU-Kommission-Rettungsschirm-Merkel-68bf2b33-0d45-4dd1-916e-4a9158ec90b2.html
Regan, A. (2017). The imbalance of capitalisms in the Eurozone: Can the north and south of Europe converge? [journal article]. *Comparative European Politics*, *15*(6), 969-990. https://doi.org/10.1057/cep.2015.5
Sacchi, S. (2015). Conditionality by other means: EU involvement in Italy's structural reforms in the sovereign debt crisis [Article]. *Comparative European Politics*, *13*(1), 77-92. https://doi.org/10.1057/cep.2014.42
Scharpf, F. W. (2016). Forced Structural Convergence In The Eurozone. Or A Differentiated European monetary Community. *MPIfG Discussion Paper*, *16/15*.
Schelkle, W. (2017). *The political economy of monetary solidarity. Understanding the euro experiment*. Oxford University Press.
Sepos, A. (2016). The centre-periphery divide in the Eurocrisis. A theoretical approach. In J. M. Magone, B. Laffan, & C. Schweiger (Eds.), *Core-Periphery Relations in the European Union. Power and Conflict in a Dualist Political Economy* (pp. 35-56). Routledge.

Electronic copy available at: https://ssrn.com/abstract=4000612

Streeck, W., & Elsässer, L. (2016). Monetary disunion. The domestic politics of euroland. *Journal of European Public Policy*, *23*(1), 1-24. https://doi.org/10.1080/13501763.2015.1080287

Tesche, T. (2020). The European Union's response to the coronavirus emergency: an early assessment. *LSE 'Europe in Question'Discussion Paper Series*, *157*.

Theodoropoulou, S. (2015). National social and labour market policy reforms in the shadow of EU bail-out conditionality The cases of Greece and Portugal. *Comparative European Politics*, *13*(1), 29-55. https://doi.org/http://dx.doi.org/10.1057/cep.2014.40

Thygesen, N., Beetsma, R. M., Bordignon, M., Debrun, X., Szczurek, M., Larch, M., Busse, M., Gabrijelcic, M., Jankovics, L., & Malzubris, J. (2021). Fiscal support for a sustainable recovery in the euro area. https://voxeu.org/article/fiscal-support-sustainable-recovery-euro-area

Vandenbroucke, F., Andor, L., Beetsma, R. M., Burgoon, B., Fischer, G., Kuhn, T., Luigjes, C., & Nicoli, F. (2020). The European Commission's SURE initiative and euro area unemployment re-insurance. *VoxEU: Research-based Policy Analysis and Commentary from leading Economists*.

Vandenbroucke, F., Burgoon, B., Kuhn, T., Nicoli, F., Sacchi, S., van der Duin, D., & Hegewald, S. (2018). *Risk Sharing When Unemployment Hits. How Policy Design Influences Citizen Support For European Unemployment Risk Sharing* (

Vasilopoulou, S., & Talving, L. (2020). Poor versus rich countries. A gap in public attitudes towards fiscal solidarity in the EU. *West European Politics*, *43*(4), 919-943.

Wallaschek, S. (2020). Framing solidarity in the Euro crisis: A comparison of the German and Irish media discourse. *New Political Economy*, *25*(2), 231-247.

Walter, S., Ray, A., & Redeker, N. (2020). *The politics of bad options. Why the Eurozone's problems have been so hard to resolve*. Oxford University Press.

Electronic copy available at: https://ssrn.com/abstract=4000612

LEIBNIZ INSTITUTE
SAFE
Sustainable Architecture for Finance in Europe

Recent Issues

No. 332	Gyozo Gyöngyösi, Judit Rariga, Emil Verner	The Anatomy of Consumption in a Household Foreign Currency Debt Crisis
No. 331	Ruggero Jappelli, Loriana Pelizzon, Alberto Plazzi	The Core, the Periphery, and the Disaster: Corporate-Sovereign Nexus in COVID-19 Times
No. 330	Jan Krzyzanowski, Uwe Walz	Bank Regulation, Lending and Patenting: Evidence from the EBA Capital Exercise
No. 329	Jana Eisenkopf, Steffen Juranek, Uwe Walz	Responsible Investment and Stock Market Shocks: Short-Term Insurance and Persistent Outperformance Post-Crisis?
No. 328	Hoang Ha Nguyen Thi, Alfons Weichenrieder	C and S Corporation Banks: Did Trump's Tax Reform Lead to Differential Effects?
No. 327	Fincap team	Non-Standard Errors
No. 326	Wenhui Li, Peter Ockenfels, Christian Wilde	The Effect of Ambiguity on Price Formation and Trading Behavior in Financial Markets
No. 325	Alperen A. Gözlügöl	The Clash of 'E' and 'S' of ESG: Just Transition on the Path to Net Zero and the Implications for Sustainable Corporate Governance and Finance
No. 324	Massimiliano Caporina, Michele Costola	Time-Varying Granger Causality Tests for Applications in Global Crude Oil Markets: A Study on the DCC-MGARCH Hong Test
No. 323	Alexandre Corhay, Thilo Kind, Howard Kung, Gonzalo Morales	Discount Rates, Debt Maturity, and the Fiscal Theory
No. 322	Gianluca Anese, Marco Corazza, Michele Costola, Loriana Pelizzon	Impact of Public News Sentiment on Stock Market Index Return and Volatility
No. 321	Ignazio Angeloni, Johannes Kasinger, Chantawit Tantasith	The Geography of Banks in the United States (1990-2020)
No. 320	Sebastian Steuer, Tobias H. Tröger	The Role of Disclosure in Green Finance
No. 319	Erik Theissen, Christian Westheide	Call of Duty: Designated Market Maker Participation in Call Auctions

Electronic copy available at: https://ssrn.com/abstract=4000612