



Austerity and its alternatives in the European parliament: from the Eurozone crisis to the COVID-19 crisis

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Abstract

This article examines the role of the European parliament (EP) in providing ideational alternatives to austerity in the context of the Eurozone crisis and the COVID-19 crisis. Despite the EP's limited formal role in EU economic governance, it is a key site for democratic debate and contestation. Analyzing EP debates about austerity allows us to understand the possibilities and limitations for ideational change at the EU level from the perspective of supranational party politics. Through a longitudinal analysis (2012–2021) of EP resolutions on the European Commission's Annual Growth Surveys, the article asks how ideational battles around austerity have unfolded between the EP's political groups and what factors have shaped the EP's positions. Theoretically, the article draws on the literature on ideational political economy and discursive institutionalism. The article argues that instead of providing alternatives, the EP and its Committee on Economic and Monetary Affairs have contributed to the ideational hold of austerity due to the weakness of the alternatives of the center-left and their compatibility with austerity. Party-political and institutional factors, such as broad left/right compromises and a strict division of labor between the EP's committees, further constrain ideational change.

Keywords Austerity · Economic ideas · European parliament · COVID-19 · Eurozone crisis

Introduction

Austerity has been described as a “seductive and dangerous idea” (Blyth 2013). This idea had a key role in the European Union's (EU) reaction to the economic crisis of 2007–08 and the Eurozone crisis, which involved strengthening the EU's fiscal rules in a manner that aimed to turn fiscal constraint into a permanent situation across the EU (McBride 2016; Schmidt 2020). In contrast, the EU's reaction to the COVID-19

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crisis—the €750 billion recovery plan and a temporary suspension of fiscal rules—suggests a break from past ideas and policies (Buti and Fabbrini 2022). The strength of austerity as an economic idea and the lack of ideational alternatives have been seen as one reason for the hold of austerity in the EU (Blyth 2013; Bremer and McDaniel 2020). This article examines the role of the European parliament (EP) and its political groups in providing alternatives to austerity from the Eurozone crisis to the COVID-19 crisis. The objective is to map the different ideational bases of austerity and their alternatives within the EU's representative institution with the view of assessing the possibilities and extent of ideational change.

The EP has been marginalized in the EU economic governance with limited powers to hold the European Commission and the Council accountable and influence policy priorities (Schmidt 2020; Crum 2018). Yet, as the “democratic watchdog of EU economic governance” (Crespy and Schmidt 2017: 110), it remains an important site for democratic debate and contestation regarding the EU's economic policy priorities. The EP is an arena where ideas about austerity and its alternatives are expressed, debated, negotiated, and made accessible to the public and where existing policies can be legitimized or challenged. The EP therefore provides an important context for analyzing the emergence and circulation of new economic ideas that could lead to policy change. However, the EP is not a unified actor, and its possibilities to provide alternatives are constrained by the conflicts and compromises between its political groups (e.g., Hix et al. 2007; Kantola et al. 2022). EP debates about austerity thus allow us to understand the possibilities and limitations for EU-level ideational change from the perspective of supranational party politics.

The main research question is: how have ideational battles around austerity unfolded between the EP's political groups, and what factors have shaped the EP's positions? The article approaches these battles through the EP's resolutions drafted by the Committee on Economic and Monetary Affairs (ECON) on the Annual Growth Surveys (AGS). These are the agenda-setting documents of the policy-coordination cycle European Semester that coordinate member states' budgetary and economic policies and monitor their budgets. These resolutions are well-suited for the analysis of ideational struggles and change. While non-binding, they are the EP's main tool to comment on the EU's economic priorities. Drafted annually since 2012, they allow for a longitudinal analysis of EP and political group positions. Theoretically, the article draws on the literature on ideational political economy (Blyth 2013; Matthijs 2016) and discursive institutionalism (Carstensen and Schmidt 2016).

The article contributes to discussions on the persistence of austerity in the EU by showing the strength of austerity as an economic idea within the EP and its ECON committee. The article suggests that the austerity-oriented outcomes are connected to the weakness of ideational alternatives that are compatible with austerity. Party-political and institutional factors, such as left/right coalitions and a strict division of labor between the EP's committees, further constrain ideational change. The article also adds new perspectives to research on the EP's role in the EU's post-crisis economic governance by drawing attention to the ideational struggles that have contributed to the compromises about economic governance legislation (e.g., Bressanelli and Chelotti 2018; Roger et al. 2017). The first section discusses the EU's crisis responses. The second section outlines the theoretical framework, and the third



section describes the methods and data. The analysis is divided into three parts: The first provides examines the EP's positions and their change over time, the second maps the ideational bases of austerity and the alternative economic ideas of the EP's political groups, and the third assesses political and institutional barriers for change.

EU's crisis responses: from austerity to investment?

Austerity as economic policy commonly refers to measures to cut debts and deficits through reductions of public expenditure and increases of tax revenue (Konzelmann 2014: 703). After the 2007–2008 economic crisis, austerity gained ground at the EU level after a short period of fiscal stimulus. The crisis was eventually constructed as a question of fiscal profligacy of certain countries to be solved by tightening the belt rather than through EU-level systemic solutions (Matthijs and McNamara 2015). The new economic governance rules adopted in the 2010s deepened and broadened the system of budgetary surveillance and further limited governments' possibilities for expansionary policies (Schmidt 2020). The rules-based response has been interpreted as constitutionalizing austerity as an enforced norm that applies beyond crises (McBride 2016). The European Semester, the focus of the EP debates analyzed in this article, has been instrumental in imposing austerity. The policy recommendations given by the Commission and the Council focused on fiscal restraint, at least in the early 2010s (Haas et al. 2020).

Over the 2010s, the EU has taken some steps away from austerity. The Commission began to interpret the rules flexibly, and under President Juncker its policies shifted from fiscal consolidation to structural reform and investment (Crespy and Schmidt 2017; Schmidt 2020: 179–182). The Commission also acknowledged the need to strengthen some welfare state protections, drawing on the social investment paradigm (de la Porte and Natali 2018). Also, the European Semester shifted from “social retrenchment” to “social investment” (Crespy and Vanheuverzwijn 2019). However, the country-specific recommendations on improving public services and social protection were still undermined by the fiscal rules (ibid.) and a commodifying logic that subsumes social goals to the economy and the labor market (Cope-land 2020). The COVID-19 crisis, which saw the EU's €750 billion recovery package and the temporary suspension of fiscal rules, appears to have pushed austerity further back (Buti and Fabbrini 2022). However, financial support was conditional on the neoliberal structural reforms recommended in the context of the European Semester (Bekker 2021).

Economic ideas shaping austerity and its alternatives

In this shifting landscape, the article examines the EP's positions and the struggles between its political groups from the perspective of economic ideas. Ideational political economy scholars have shown the importance of economic ideas and theories in shaping conceptions of crises, legitimizing policy responses, and persuading actors (e.g., Ban 2016; Blyth 2013; Carstensen and Schmidt 2016).



The settlement on austerity in Europe after the financial and Eurozone crises was connected to the appeal of specific economic theories and ideas and their dissemination (Blyth 2013; Helgadóttir, 2016; Matthijs 2016). The strength of austerity has also been connected to weak ideational and political alternatives. European social democratic parties have not provided fully-developed alternative policy programs and have even legitimized austerity (Bremer and McDaniel 2020; Schmidt and Thatcher 2014).

The proponents and critics of austerity have engaged with different economic ideas and theories that have influenced their problem representations and policy solutions. The main ideational foundations of austerity and some of its ideational alternatives as identified in previous research are outlined below. Although not conclusive of all the different ideas circulating in the EU political space, these selected approaches provide a comprehensive framework for mapping austerity-related struggles in the EP (Table 1).

Austerity as an economic idea is best seen as an ideational cocktail with various ideational justifications for different actors (Blyth 2013; Bremer and McDaniel 2020). Previous research has seen ordoliberalism and the idea of expansionary austerity as the most important ideational basis of EU austerity. German ordoliberalism stipulates that markets perform best when governments establish a strong legal and institutional framework for their functioning, maintain price stability, and practice fiscal restraint (Nedergaard and Snaith 2015; Matthijs 2016). In this line of thinking, which shaped the creation of the European Monetary Union (EMU), uncertainty about public finances is seen as a constraint on economic growth that should be tackled with strict deficit and debt control (Matthijs 2016). As states cannot be trusted to keep deficits at bay, EU-level rules and automatic sanctions are needed, and austerity emerges as the only policy to bring states that have broken the rules back to conformity (Blyth 2013: 141–142).

The idea of expansionary austerity, in turn, suggests that severe spending cuts can foster economic growth. Ideational political economy scholars have traced this idea back to Italian economists, such as Alberto Alesina, who argued that democratic politics builds up deficits and debt and concluded that fiscal adjustment should focus on cuts in the welfare state (Alesina 1987; Helgadóttir, 2016: 399–400). These economists also suggested that adjustments that relied on spending cuts instead of tax increases could be growth-enhancing (Blyth 2013: 169–171; Helgadóttir, 2016: 400; Dellapiene-Avellada 2015: 394). Although the idea of expansionary austerity has been empirically questioned, it was influential

Table 1 Ideational foundations of austerity and ideational alternatives

Ideational foundations of austerity	Ideational alternatives to austerity
Ordoliberal austerity	Demand and wage-led growth
Expansionary austerity	Social investment
Social democratic austerity	Caring economy
	Green transformation



in EU-level debates and helped to shift attention from fiscal stimulus to fiscal consolidation in the early 2010s (Blyth 2013; Dellapiene-Avellada 2015; Helgadóttir, 2016).

The alternatives to austerity circulating in the EU political space have also been based on different economic ideas and theories. They differ regarding how extensively they challenge dominant understandings and the social and economic order: Some merely adjust the parameters of the status quo; others reimagine the economy to create more socially just or sustainable societies (Bear and Knight 2017). The main alternative to austerity in Europe has relied on demand and growth-oriented Keynesian ideas. The general Keynesian alternative supporting counter-cyclical spending in crisis times suggests that state spending is required to generate demand and public investment and thereby revive growth. It also sees wage increases as important aspects of internal demand and growth.

The social investment paradigm has provided an alternative that directly addresses the social retrenchment caused by austerity (Nolan 2013; de la Porte and Natali 2018). This paradigm that builds on human capital theory has offered a platform for arguing for the critical role of social spending in productive capacity and economic growth (e.g., Morel et al. 2012). While social investment approaches come in different forms, they often focus on policies that enhance human capital development, ease labor-market transitions, and enhance work-life balance (Hemerijck 2017). They often entail a conceptual distinction between social spending that can be regarded as investment and spending that cannot (Nolan 2013: 463). Therefore, from the perspective of social justice, the alternative provided by the social investment paradigm is limited. Indeed, scholars have shown that social investment has been part of a distinct ideational foundation of austerity, typical for the European social democrats (Bremer and McDaniel 2020). This social democratic austerity, which also involves New Keynesianism and supply-side economics, legitimizes austerity by appealing to maintaining “our social model” and pledging to invest in education, childcare, and active labor-market policies while cutting other public spending (ibid.: 8–9).

The idea of a caring economy that draws on feminist economics provides a more far-reaching social justice alternative. This alternative exposes the narrow understanding of the economy characteristic of the economic theories underpinning austerity, which invisibilizes and devalues social reproduction, that is, the unpaid and monetized activities regarding the maintenance of life and the labor force (Heintz 2019; Hoskyns and Rai 2007). It entails the idea that the “productive” economy relies on reproductive labor and life-maintaining public services, benefits, and institutions. Visions of the caring economy put forward by scholars and activists in the aftermath of the financial and COVID-19 crises put care as a value and activity at the center of the economy and challenge the hierarchy between productive and reproductive labor (e.g., Ilkkan 2013; Pearson and Elson 2015; De Henau and Himmelweit 2021). They call for investments in care that go beyond human capital enhancement and labor-market activation, create work and well-being for everyone, and promote gender equality.

Ideas connected to green transformation that draw on theories of a green/environmental state and post-growth (e.g., Eckersley 2020; Duit et al. 2016) provide a



sustainability-focused ideational alternative to austerity. After the financial and economic crisis, different national and supranational initiatives aimed at simultaneously solving the economic and environmental crises through a structural shift toward a sustainable economy. While some green alternatives to austerity merely call for more investment in green technologies and call for green growth, others argue for a fundamental shift, where sustainability must replace growth as the main goal of economic policy and all decision-making (Eckersley 2020; Haberl et al. 2011).

Researching ideational struggles in the EP

Previous research on austerity-related contestations within the EP has identified lines of conflict based on quantitative voting data. Although economic issues have been traditionally divisive on the left/right axis (Hix et al. 2007), the pro-/anti-EU division has become more emphasized after the economic crisis (Otjes and van der Veer 2016). Interview-based research has shown that in the case of the post-crisis economic governance legislation, the pro-European groups agreed to set aside ideologically contentious issues such as austerity to act as “responsible legislators” and save the European project (Bressanelli and Chelotti 2018; O’Keeffe et al. 2016; Roger et al. 2017).

This article studies intra-institutional ideational battles and their outcomes through a constructivist, institutionalist approach (e.g., Carstensen and Schmidt 2016; Schmidt 2010). This approach concerns the content of ideas and their representation through framings and problem representations and the processes and actors that convey ideas. It is sensitive to the institutional context, such as the formal and informal decision-making rules that may marginalize some ideas and actors while enabling others (e.g., Waylen 2014).

Whereas previous research on the EP and austerity has focused on economic governance legislation, this article studies the annual AGS resolutions through which the EP comments on the priorities of the European Semester. Due to their non-legislative character that entails less pressure to compromise, these resolutions are well-suited for analyzing ideational conflicts. Two EP committees draft their own AGS resolutions. The ECON committee addresses fiscal and macroeconomic policies, and the Committee on Employment and Social Affairs (EMPL) focuses on social and employment aspects. This article focuses on ECON because it is the EP’s formal voice in fiscal and economic policy. ECON is socially and economically more conservative than EMPL, which is likely to make it resistant to alternative economic ideas (Elomäki and Gaweda 2022; Yordanova 2009).

The analysis extends from the EP’s first AGS resolution in 2012–2021. Three types of data are triangulated to arrive at a thick description. First, 10 draft reports written by the Members of the European parliament (MEPs) in charge of the files, 3174 amendments made by MEPs and political groups to these reports, and nine adopted resolutions (one was voted down) are used to identify political group positions and trace their impact on EP-level outcomes. Second, transcriptions of plenary debates on these resolutions demonstrate political groups’ public-oriented positions. Finally, 13 semi-structured interviews with MEPs and political group staff engaged



with the resolutions in the 2014–2019 term (see list before references) complement document data with insights on negotiations and conflicts. The interviews, conducted in 2018–2020, addressed political groups' priorities, conflicts between the groups, and policy-making processes. They focused on the main political groups that participate in committee negotiations. In line with the constructivist approach and due to the limited number of interviews, the interviews are approached as narratives of the interviewees rather than objective descriptions of the process.

The EP documents were analyzed with the help of the qualitative analysis program ATLAS.ti. The coding framework designed deductively and inductively covered the following dimensions: stance on austerity (for/against), rationales for austerity, critique of austerity, and alternatives to austerity. Austerity was defined as references to fiscal consolidation and the strict application of fiscal rules. A quantitative analysis of the codes is not enough to identify economic ideas and their prevalence. Thus, an in-depth interpretative analysis of the coded segments was conducted, focusing on framings and problem representations that convey economic ideas and struggles over meaning (e.g., Bacchi 2009). Given the focus on political groups, national and regional differences within the political groups were not systematically analyzed.

The indispensability of austerity in EP positions

The adopted resolutions constructed austerity as an indispensable part of the EU's economic policy, showing the strength of austerity as an economic idea and policy in the EP and its ECON committee. The nine adopted resolutions included over 80 supportive references to austerity. That the social, economic, and political critique of austerity was almost non-existent further illustrates the hold of austerity. The few critical references were undermined or contradicted by the preceding or following statements. For instance, the 2021 resolution adopted in the COVID-19 context urged the member states and the Commission “not to repeat mistakes of the past in response to the economic crisis”— while calling in the same paragraph for “replenishing fiscal buffers over time” (EP 2021: 4).

The support for austerity extended beyond the Eurozone crisis. Still in 2015— around the time when the Commission shifted its emphasis from austerity to investment (Crespy and Schmidt 2017)—the EP stressed that “most Member States need to continue to pursue growth-friendly fiscal consolidation” (EP 2015: 8). Over the years, however, calls for austerity became more indirect, and references to fiscal responsibility and sound public finances replaced references to consolidation. The EP also stressed the strict implementation of fiscal rules. It insisted “on the importance of applying fiscal rules” (EP 2015: 10) and called for “consistent implementation and compliance with Union fiscal rules” (EP 2018: 5). Although the resolutions included wording on “existing flexibility clauses” (EP 2017: 10) and called for combining fiscal rules with “growth-enhancing investment” (EP 2013: 7), the EP did not require reforming the rules before the Commission announced a review in 2019. Based on the AGS resolutions, the EP and its ECON committee were not



agenda-setters in moving away from austerity; they merely adapted to shifts taking place. □□

The ideational underpinnings of the EP’s austerity-oriented positions were mixed. Ordoliberalism was the main ideational basis. Across the research period, the EP justified austerity through the need to conform to the EU’s fiscal rules. For instance, in 2017, the EP noted that “following the assessment of the 2017 [draft budgetary plans], eight Member States are considered to be at risk of non-compliance; considers that the agreed fiscal adjustment paths need to be adhered to” (EP 2017: 12). Similarly, it suggested that “for many member states [taking into account their respective positions vis-à-vis the Stability and Growth Pact requirements] implies pursuing growth-friendly fiscal consolidation” (EP 2016: 10). The idea of expansionary austerity was visible in how austerity and fiscal prudence were framed as an essential part—although not the only element—of growth. Explicit references to spending cuts leading to growth were, however, few and focused on the early years. For instance, in 2013, the EP argued that “consolidations based on cutting unproductive expenditure rather than on increasing revenue tend to be more lasting and more growth-enhancing in the medium term” (EP 2013: 6). The positions also carried elements of social democratic austerity (Bremer and McDaniel 2020), as when the sustainability of public finances was framed as a question of “the future of our welfare states” (EP 2019: 6).

Like the Commission, the EP increasingly paired austerity with growth-enhancing investment, including public investment. However, the resolutions framed public investment as complementary to austerity, not an alternative to it. This vision of investment-friendly austerity involved social and green elements, illustrating the combability of some alternative ideas with a pro-austerity position (cf. Bremer and McDaniels 2020). Education and active labor-market policies were framed as investments early on, and green transformation was increasingly seen as worthwhile public investments. In contrast, investment in social policies beyond education was only mentioned once: “investments in areas such as infrastructures, childcare, social housing, education, training, health, research, digital innovation and circular economy can increase productivity and/or employment” (EP 2018: 5). This illustrates the limited room for the caring economy alternative that transforms understandings of the economy.

Divergent political group positions: austerity and its alternatives

The EP’s positions are always compromises. Analysis of the political group positions reveals a broader range of alternative ideas—and even stricter support for austerity. At the end of the research period, the political groups were, in order of size, the center-right European People’s Party (EPP), the center-left Progressive Alliance of Socialists and Democrats (S&D), the liberal Renew Europe Group (preceded by Alliance of Democrats and Liberals for Europe, ALDE), the radical right populist and hard Eurosceptic Identity and Democracy (ID, preceded by Europe for National and Freedom, ENF), Greens/European Free Alliance (Greens/EFA), the increasingly conservative and Eurosceptic European Conservatives and Reformists (ECR), and



the left and modestly Eurosceptic the Left in the European Parliament (GUE/NGL). As expected, ideational battles around austerity mainly took place on the left/right axis. The EPP, the liberals, and the ECR defended spending cuts and strict fiscal rules throughout the 2010s in both committee work and plenaries. Many social democratic and green MEPs accepted austerity, and the Eurosceptic groups on the left and the right were the loudest critics of austerity. The ideational alternatives were weak and mainly proposed by the greens, the social democrats, and the left.

Ideational foundations of austerity

The austerity-related views of the EPP, the liberals, and the ECR were stricter than those of the Commission in the AGSs. Echoing the views about the fiscal profligacy of the South as the cause of the Eurozone crisis (Matthijs and McNamara 2015), these groups constructed austerity, like the EPP MEP Darius Rosati in the plenary debate on AGS 2015, as “a necessary reaction to excessive spending and irresponsible budgets.” Austerity was constructed as a priority for all member states: “each member state has the responsibility to introduce structural reforms aimed at fiscal consolidation” (Alain Cadec, EPP, amendment 116 to the AGS 2015 report). Good economic times were not a reason to end austerity; on the contrary, “the improvement in the economic situation and low interest rates provide an opportunity to [...] consolidate national budgets” (Markus Ferber, EPP, amendment 23 to the AGS 2020 report).

The EPP, liberals, and the ECR were also strict about the fiscal rules: They drew attention to the member states breaching the rules, called for compliance, and urged the Commission to ensure implementation. They firmly rejected proposals to change fiscal rules to make room for public investments: “Public ‘green investment’ must be treated under Stability and Growth Pact just like any other public spending” (Esther de Lange, EPP, amendment 172 to the ASGS 2020 report). During the COVID-19 crisis, these groups called for a quick return to fiscal rules: “We have to think about how and within what time frame we can tighten up the fiscal rules again” (Caroline Nagtegaal, Renew Europe, plenary debate on AGSG 2021).

Ordoliberalism was the most prominent ideational basis for these claims, underpinning the views of all pro-austerity groups across the research period. In draft reports, amendments, and debates, they emphasized that the economy needed rules to function and that austerity was necessary to conform to the EU’s fiscal rules. Only the EPP relied on the idea of expansionary austerity. For instance, EPP MEP Werner Lange stated in an amendment to the AGS 2013 report that “a broad consensus has been emerging on the need for fiscal consolidation as prerequisite for long term growth from theoretical and empirical economics literature.” Similarly, EPP MEPs framed the accelerating growth as proof that austerity worked. MEPs from crisis countries, like Ireland and Portugal, praised the results of adjustment programs, illustrating how austerity united the EPP over debtor/creditor cleavages.

Like the adopted resolutions, the pro-austerity groups increasingly combined austerity with the acknowledgment that some forms of public spending were necessary for growth. This was not a move toward expansionary policies. The groups



constructed a strict boundary between unproductive expenditure and public investment, calling for “shifting unproductive expenditure toward growth-enhancing investments” (Markus Ferber, EPP, Amendment 322 to the AGS 2016 report). Social spending was explicitly constructed as bad for the economy: “too high social expenditure and current expenditure in several countries, instead of investing in projects focusing on research and innovation, might further anchor them within a middle-income trap” (Darius Rosati, EPP, amendment 191 to the AGS 2016 report). Such statements reflect the distinction between the productive and reproductive sectors of the economy typical of mainstream economic thinking that ignores the economic input of public provisioning, as the proponents of the caring economy alternative have pointed out (Heinz 2019; Hoskyns and Rai 2007). Social spending, for instance, on care services, was thus subjected to a double cut to consolidate public finances *and* fund public investments. Despite rejecting most social spending, the EPP and the liberals embraced spending on education. Green investment, in contrast, had hardly any role in the EPP, liberal, and ECR positions.

Importantly, many Greens/EFA and S&D MEPs also accepted austerity as part of the policy mix. MEPs from these groups suggested that some spending cuts were necessary. In the early 2010s, S&D criticized the timing (“pro-cyclical”), pace (“too fast”), and extent (“excessive”) of cuts rather than austerity as such. For instance, S&D MEP Maria João Rodrigues stated in the plenary debate on AGS 2014: “Of course, we need to pursue the fiscal rebalancing of our budgets, but in such a way that we do not undermine this pro-growth move and the strategic investment we need to address.” However, both groups attempted to frame taxation as an alternative consolidation tool for spending cuts. For instance, a Greens/EFA amendment to the AGS 2013 report noted that “consolidation strategy should also target the revenue side of the budgets of the Member States.”

Ideational alternatives to austerity

Euro-sceptic MEPs were the most vocal critics of austerity. In a unified voice, the left GUE/NGL described the Commission’s policies as a violent neoliberal program aiming to destroy welfare states to benefit the rich and businesses. GUE/NGL focused on the social impacts of austerity: rising income inequality, reduced social rights, and cuts in public services. In the 2021 debate, the group’s co-president Aubrey Manon framed the austerity-related recommendations of the European Semester as a cause of the collapsing healthcare systems during the pandemic: “People have died because of your austerity. Remember the 63 times the European Commission has called on national governments to cut back on their public health systems.” Austerity divided the right-wing Euro-sceptic groups, illustrating the diverging economic policy positions of their national parties (cf. Cavallaro et al. 2018). Their critique was driven by Euro-scepticism. For instance, in the AGS 2015 plenary debate, EFDD MEP Patrick O’Flynn represented austerity as a sign that “[t]his currency union has failed.”

Given their partial acceptance of austerity, the center-left groups S&D and the Greens-EFA were more subdued in their critique. While they also acknowledged



the social impacts of austerity, they mainly mobilized technocratic economic arguments: Austerity was economically inefficient because it curbed investment, subdued demand, and slowed growth. The EU's fiscal rules were framed as part of the problem: They curtailed public investment and prevented counter-cyclical policies.

The Eurosceptic MEPs from the right rarely complemented their critique with proposals for change. Alternatives to austerity were, therefore, mainly provided by the S&D, the Greens/EFA, and the GUE/NGL. These expansionary alternatives drew on the Keynesian idea of the importance of counter-cyclical policies, public investment, and internal demand as drivers for growth. The groups also proposed alternatives focused on social justice and sustainability.

The most prominent of these alternatives could be characterized as a broad social investment approach extending beyond education. S&D was the main proponent of this alternative, supported by GUE/NGL. Somewhat surprisingly, social investment hardly figured in the Green/EFA's rhetoric. Over the 10 years, green MEPs made only two amendments requiring more social spending. S&D MEPs drew attention to the role of social spending in economic growth and productivity and challenged the tendency of the center-right to cast social spending as unproductive, as shown in the following amendment:

Stresses that public investments on human capital and social infrastructure are of the utmost importance; considers that Europe's long economic crisis has highlighted the strong need to facilitate public and private investment in areas such as education, innovation and research and development, which are crucial factors for a more competitive European economy; underlines the crucial role of public spending on education and life-long learning, as well as the development of long-term care facilities and affordable and flexible childcare facilities. (Pedro Silva Pereira, S&D, Amendment 215 to the AGS 2019 report.)

This amendment shows how the MEPs, in line with the social investment paradigm, called for investment in education and human capital. At the same time, they expanded common understandings of what counts as social investment by calling for more public spending on long-term care, social benefits, and other social policies that theorists of social investment often see as unproductive (Nolan 2013). Although the supply-side logic typical of the social investment paradigm remained dominant, some MEPs expanded complemented arguments about human capital with arguments about the negative economic consequences of inequality and poverty: "impoverishment of the population, job insecurity, low wages, rising living costs and a deteriorating welfare state can act as a significant drag on sustainable and inclusive economic growth" (Paloma López Bermejo, GUE/NGL, amendment 168 to the AGS 2019 report).

This social alternative to austerity emerging in the ECON committee contained some elements of the caring economy approach. Most importantly, it challenged the persistent hierarchy and boundary between social and economic issues typical of EU policies (Copeland 2020) and mainstream economic thinking (Heintz 2019). Some S&D and GUE/NGL MEPs stressed that social issues like inequality should be seen as economic issues, and social policies should be seen as economic policies. As suggested by an S&D MEP in the AGS 2018 debate, "the social is not just an expense



but can also be an engine of the economy.” Yet this alternative fell short of making visible the fundamental role of care and social reproduction in the functioning of economies at the heart of the caring economy approach. It reproduced the narrow understanding of the economy as the monetized economy that invisibilizes unpaid reproductive labor.

As could be expected, the main alternative of the Greens/EFA focused on green transformation. From the beginning of the research period, the group emphasized the need for green investment to ensure environmental sustainability and tackle the climate crisis. Also, MEPs from the political left increasingly made amendments in this regard, resulting in the green alternative gaining prominence over time. However, in this vision of green transformation emerging from the AGS debates, a change in economic policy priorities and understandings of the economy that has been an important part of the idea of green transformation (Eckersley 2020) was overshadowed by green growth.

The S&D and the Greens/EFA also called for a reform of the EU’s fiscal rules to make room for public investment. During the second half of the research period, both groups explicitly called for excluding some public investments from the deficit rule. The most far-reaching proposal was made by S&D MEP Aurore Lalucq in the 2020 draft report, where she called for “a golden rule aimed at implementing sound fiscal policy on an equal footing with investment within the EU policy objectives” covering “the investment foreseen for the realization of the Green Deal, the Digital Revolution, the SDGs and the EPSR, including expenditure aimed at reducing poverty and inequality related to social protection, health services and long-term care, and education and training” (EP 2020: 6). The draft report not only required differential treatment for public investments in fiscal rules; it also radically expanded understandings of public investment that exclude the day-to-day delivery of public services (Heintz 2019).

Political and institutional barriers for ideational change

Comparing the adopted texts to political group positions reveals that the critique and alternatives were rarely given proper consideration in negotiations. This final section scrutinizes the political and institutional barriers behind the austerity-focused outcomes.

One barrier is the EP’s compromise-oriented policymaking dynamics dominated by the grand coalition of the EPP and the S&D. As EP scholars have pointed out, the main pro-EU groups are pressured to appear as responsible legislators and reach compromises on ideologically divisive issues, such as austerity (Bressanelli and Chelotti 2018; Ripoll Servent 2018; Roger et al. 2017). Although the EP’s power balance shifted across the research period, all AGS resolutions were adopted by a coalition of the EPP and the S&D, which often included the pro-austerity liberals. Apart from the S&D, the groups critical of austerity were rarely part of the coalition. This reduced the visibility of critique and alternatives, as there are few incentives to accommodate the views of groups that will not vote in favor of a report (interviews 5, 11). The responsibility for pushing



for alternative economic ideas in the negotiations was thus on the S&D, which accepted austerity to some extent. Moreover, S&D can be expected to be more willing to compromise than the other critical groups, given its key role in EP coalition-building.

Based on the interviews, key deals about the reports were made in informal talks between the S&D and the EPP. In these talks, every word was carefully weighted to get the right balance, and previous reports were used as a yardstick to ensure that the compromises did not move the balance too left or too right. (Interviews 3, 4, 5, 8.) In these negotiations, the EPP's strict defense of austerity posed a challenge to integrating alternative economic ideas and policy proposals. EPP interviewees portrayed critiques of austerity and reforming the SGP as red lines (Interview 8). Documents confirm that these issues were too controversial to be included in the resolutions. The S&D and Greens/EFA proposals to make room for public investment in fiscal rules were systematically rejected. For instance, the pro-austerity groups made numerous amendments to remove the previously mentioned S&D proposal about a golden rule for public investment from the draft report. In contrast, the S&D turned EPP proposals that all member states should practice austerity into recommendations for countries with high debts and deficits only. For the S&D, this was an acceptable compromise: as stated by one interviewee, "of course we have to be prudent when we talk about countries with large deficit and debt" (Interview 5).

The boundary drawn between "the economic" and "the social" in the ECON committee further restricted the inclusion of alternative economic ideas regarding social investment and a caring economy. This boundary was compounded by the institutional division of labor regarding the European Semester, where social and employment aspects are separated from fiscal and macroeconomic aspects and delegated to the EMPL committee. This boundary and the related institutional division reflect and reinforce mainstream economic ideas that separate the social from the economic and see social policies and care services as a social rather than an economic matter (cf. Cavaghan and Elomäki 2022; Heintz 2019). Based on the interviews, the EPP particularly policed the economic/social boundary and was strict about the ECON committee's mandate (Interview 4; 8). Based on amendments and plenary speeches, liberal and ECR MEPs shared this sentiment.

The rejection of social issues by the political right caused a struggle over the very concept of social investment in the ECON committee. For instance, EPP, liberal, and ECR MEPs tried to remove references to social investment from an S&D draft report that highlighted "the importance of investments in human capital and other social investments" and urged "increased focus on social investment" (EP 2016: 6). The concept was removed, despite its presence in the Commission's AGS. The compromise on social justice alternatives settled what both sides agreed on—investing in education and human capital. In contrast, in the EMPL committee, social investment is a widely used concept (Elomäki and Gaweda 2022). This illustrates how the institutional setting restricts the emergence of alternative economic ideas. In the EP, social justice alternatives to austerity thus face a double hurdle that involves party-political contestations and institutional conflicts.



Conclusions

This article examined the unfolding of ideational battles around austerity in the EP from the Eurocrisis to the COVID-19 crisis and assessed their outcomes. The resilience of austerity in Europe has been connected to the strong hold of austerity as an economic idea that is connected to, among other things, broad ideational justifications and the lack of ideational alternatives. Although the EP lacks a formal role in EU economic governance, as the EU's representative institution and a key location for democratic and political debate, it can disseminate alternative economic ideas in the EU public sphere—or legitimize the status quo. Based on a discursive, longitudinal analysis of EP resolutions on the Commission's AGS that set the economic policy priorities for the EU in the context of the European Semester, the article shows that the EP and its ECON committee have not been agenda-setters in ending austerity. Instead, they have consistently pushed for austerity for debt and deficit countries, held on to fiscal rules, and resisted ideational change regarding social investment. The article argued that these austerity-oriented outcomes were based, on the one hand, on the weakness of ideational alternatives within the EP and their compatibility with austerity, and on the other hand, political and institutional barriers for ideational change.

The weakness of alternatives was evident in their scarcity and the limited challenge they posed to dominant economic ideas. The article showed that during the 2010s, the Eurosceptic MEPs were the loudest critics of austerity in the EP. Despite being critical of its economic and social impacts, the mainstream center-left groups accepted austerity in some forms and contexts. Moreover, their alternative policy programs, based on Keynesian ideas about pro-cyclical policies, investment-led growth, and the growth-enhancing character of social and green investment, were compatible with dominant understandings of the economy and economic goals. More transformative alternatives circulating in the European political space, such as caring economy approaches that challenge the boundary between the productive and reproductive sectors of the economy or green transformation approaches that question the goal of economic growth, have hardly emerged. This illustrates the constraints of the EP and its ECON committee as arenas for developing alternative economic ideas.

In committee work, the alternatives put forward by S&D, Green, and GUE/NGL clashed with the strict pro-austerity positions of the EPP, liberals, and the ECR that were mainly underpinned by ordoliberal ideas and, to a lesser extent, expansionary austerity. In the negotiations, critiques of austerity and references to broad social investment were rooted out, and calls for austerity were complemented with superficial references to investment in education and green technologies. This illustrates the difficulty of combining progressive ideas with the need to appear as a responsible coalition-builder, as well as the combability of the weak ideational alternatives with austerity. The EP's institutional division of labor, whereby social aspects of the European Semester belong to the EMPL committee, legitimized the exclusion of social investment and caring economy perspectives



in the ECON committee. The emergence and dissemination of alternative economic ideas was thus constrained by both party-political and institutional factors.

Many interviewees framed the political compromises on the AGS reports as necessary for the EP to have a voice in EU economic governance—even if only through own-initiative reports without direct impact on policy priorities. Yet, due to the compromises and the institutional division of labor, the EP's voice silenced the injurious impacts of austerity on social justice and sustainability and maintained, rather than challenged, the narrow understandings of the economy that play a key role in the ideational justifications of austerity. Political groups' positions and the content of compromises are not, of course, set in stone, and changes in the EP's composition and further changes in the EU's economic policy agenda may open room for more progressive outcomes.

Interviews

- Interview 1: EPP MEP 28.11.2018.
- Interview 2: ALDE staff 29.1.2019.
- Interview 3: S&D MEP 29.1.2019.
- Interview 4: EPP staff 25.2.2019.
- Interview 5: S&D MEP 26.2.2019.
- Interview 6: Greens/EFA MEP 19.3.2019.
- Interview 7: EP staff 20.3.2019.
- Interview 8: EPP MEP 23.3.2019.
- Interview 9: Greens/EFA staff 15.5.2019.
- Interview 10 S&D staff 15.5.2019.
- Interview 11: GUE/NGL staff 15.6.2019.
- Interview 12: EPP MEP 4.3.2020
- Interview 13: Greens-EFA MEP 29.5.2020.

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