Among the many things of the pre-Corona world that seem to have aged faster since the eruption of the pandemic is the macroeconomic commitment to fiscal restraint. This commitment to fiscal restraint, together with that of price stability, is a central backbone of the Washington Consensus. The belief that governments should pursue sound finances by avoiding excessive deficits and debts has been a defining feature of economic policy in the EU since the early 1990s. However, in the last weeks, many pundits have forecast the decline of this principle in light of the massive fiscal (as well as monetary) stimuli that the post-COVID recovery will require: states will show 'if-they-want-they-can' behaviour, which overcomes the 'there-is-no-alternative' argument, and therefore after COVID it will be more difficult to sustain negating the possibility of a greater role for state intervention in macroeconomic demand management. If the state can bail out ailing companies shocked by the pandemic, why did the state not 'bail out' 15% of the Spanish workforce that was unemployed amid the last recovery?

Will this sequence of 'emergency Keynesianism' rapidly followed by austerity be repeated this time?

Of course, an obvious reply to this perspective of change serves as a reminder that a new Keynesian era was also heralded by many immediately after the 2008 financial meltdown, with world leaders such as Sarkozy announcing 'the end of capitalism as we know it'. However, particularly in the EU, this Keynesian period fell as fast as it had risen, and from late 2009 onwards, a massive wave of austerity programmes swept public finances throughout Europe, particularly but not only in the euro's periphery. A rapid consensus among the academic community was formed: a new era of permanent or pervasive austerity had started.
Will this sequence of 'emergency Keynesianism' rapidly followed by austerity be repeated this time? Or course, a key element in elucidating an answer to this question is the differential nature of the euro and Corona crises: while the first involved clear asymmetrical impacts, the second will probably be more symmetrical; while the first was mainly a crisis of demand, the Corona crisis has also affected supply; or while the 2008 financial crisis was preceded by a period of economic boom, the Corona crisis comes after a very weak recovery,

at least in Europe.
However, beyond these important factors, another element in elucidating the degree of possible change in the dominant paradigms through which fiscal policy responses will be enacted in the EU is related to the fact that the main EU institutions, particularly the European Commission, had already started to revise their approach to fiscal policy since 2014. This article reviews this process.

Changing perceptions on austerity in the post-euro crisis context

The revision of the 'fiscal austerity doctrine' among EU institutions primarily came out of the evident poor results that harsh fiscal consolidation delivered in Southern Europe between 2010 and 2013, and particularly in Greece. Among the Troika institutions, the opening salvo in this regard was launched by the International Monetary Fund (IMF). As Ben Clift has incisively studied in his book The IMF and the Politics of Austerity (2018), the IMF's views on austerity substantially evolved over the course of the Eurozone crisis. A turning point in this evolution was the publication of the 2012 World Economic Outlook. In it, the IMF included an information 'box' suggesting that austerity was more harmful to economic growth than previously argued by various agencies. The reason was that negative fiscal multipliers were larger than previously believed. The IMF's criticism of austerity as implemented in the EU was at that moment publicly rejected by Directorate-General for Economic Financial Affairs of the European Commission and the ECB, an episode known informally within policy circles as "battle of the boxes". The culmination of this intra-Troika debate was the article published in 2013 by the chief economist of the IMF, Oliver Blanchard, together Daniel Leigh, admitting that "forecasters significantly underestimated the increase in unemployment and the decline in domestic demand associated with fiscal consolidation".

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Subsequently, in the following months, different EU leaders progressively converged towards IMF positions and assumed mistakes in how fiscal consolidation had been implemented in the euro periphery. For instance, in early 2013, the president of the Eurogroup, Jean Claude Juncker, severely criticised in his farewell speech as president of the Eurogroup in the

European Parliament the austerity approach applied in Southern Europe: to the surprise of those MEPs accustomed to hearing him for years defending that austerity was the only way, Juncker acknowledged having "many doubts" about the pace of the spending cuts "imposed" in Southern Europe, stating that the adjustments in Europe were designed to fall on the weakest. Or later, in November 2015, the EU Court of Auditors, in a report assessing the Commission's intervention in the Greek financial crisis, concluded that the austerity programmes' macroeconomic assumptions were poorly justified while lacking "a broader strategy for the country".

Introducing flexibility in the Stability and Growth Pact

Negative retrospective evaluation of the performance of fiscal consolidation programmes in Southern Europe thus played an important role in the progressive erosion of the support towards austerity. However, other unexpected macroeconomic developments probably played an even greater role. Among them, we can list a prolonged period of weak growth leading to a large output gap; persistently ultra-low interest rates; or the absence of inflation despite low rates and massive monetary stimuli.
In light of these developments, the European Commission started by 2014 to struggle for a relative shift of fiscal policy in Europe. Such a shift in the Commission's approach culminated in its 2016 Communication Towards a Positive Fiscal Stance for the Euro Area. In it, the Commission set out the case for a more expansionary and discretionary fiscal policy inside the euro area in order to support aggregate demand. At the same time, the Commission regretted that this shift in policy orientation was significantly constrained by "the limits of the EU's fiscal framework", in which "the rules can proscribe high deficits (also to avoid high debt) but they can only prescribe the reduction of budgetary surpluses, without imposing it". In fact, the Commission went as far as to suggest the need to avoid strict compliance with the requirements of the SGP: "a full delivery of the fiscal requirements contained in the country-specific recommendations of the Council would lead, on aggregate, to a moderately restrictive fiscal stance for the euro area as a whole in 2017 and 2018, while the economic situation would seem to call for an expansionary fiscal stance". For the Commission, the trade-offs implied in the EU fiscal surveillance framework "ultimately require political judgement".

the aforementioned set of policy reforms indicate a progressive ideational shift at the top of the EU's *institutional architecture that is likely to have impacts on the post-COVID fiscal policy discussions.*

The use of this 'required political judgement' had been previously clarified by the Commission in an interpretative Communication issued in 2015, entitled Making the Best Use of Flexibility within the Existing Rules of the Stability and Growth Pact. In it, the Commission articulated its "new approach" towards fiscal discipline on the basis of three flexibility clauses that justified the temporary deviation from the MTO (i.e. the deficit target) or the path towards it. The "cyclical conditions clause", which takes into account cyclical fluctuations of the economy in order to modulate the fiscal effort; the "investment clause", which stipulates that Member States' expenditures on EU-linked investments shall not be counted in deficit calculation; and the "structural reform clause", which excludes the costs of structural reforms, if they are "major" and "fully implemented", from deficit calculations. All three new clauses provided a "margin of interpretation" for the Commission in applying the preventive arm of the SGP. In the first semester of 2020, these emergency clauses have been what the Commission has invoked in order to allow for the deviations from the fiscal targets in order to fight the COVID downturn.

Ideational change in the Commission

However, one should not overestimate the changes in fiscal policy implied by these reforms. First, they were marginal reforms of the SGP that did not touch its main austerity-oriented rules and benchmarks. Secondly, fiscal policy remains in the hands of member states inside the euro area, so that the Commission's room for manoeuvring in this field is limited given the stark opposition to expansionary fiscal policy by Northern Member States. However, the set of policy reforms mentioned above indicate a progressive ideational shift at the top of the EU's institutional architecture that is likely to have impacts on the post-COVID fiscal policy discussions.

In order to better trace this ideational shift, during the last spring of 2019 I interviewed Commission officials of the Directorate General for Economic and Financial Affairs (DG ECFIN) and DG Employment working in the European Semester. The findings of the small-scale survey and interviews I made of these officials can be consulted in an article that has just been published in the Review of International Political Economy. In a future policy focus, I will present and discuss some of these findings. For the moment, I would like to conclude this article with an excerpt from one of these interviews, in which a high official of the DG ECFIN

reflects upon the changes that occurred inside the Commission with regards fiscal policy, and more interestingly, about the causes — which appear as overtly political, despite the Commission being a technocratic body — of these changes:
"The advantage I have is that I have worked in the DG ECFIN in two stages. And I have seen a huge difference between the DG that I left in 2014 and the one I came back to at the end of 2017. In 2014, it was a DG that repeated practically only one mantra: economic rigour and structural reforms. When I came back, the economic, budgetary rigour part was still there, but now I see more flexibility, and then a concept that was introduced was inequality and cohesion, which were not considered before. I'm not sure if this corresponds to the concept of politicization that you are using, but it comes from the electoral results that we have had. I mean, the fact that the Eurosceptic parties gained ground made people here add concepts to the economic debate that had previously not been considered. For example, inequality, cohesion, the need for a degree of convergence within the EU. That is to say, the political reasoning was: if we don't include these concepts in the European agenda, the project could really break down".

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