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INTRODUCTION

'Show me the money!' - The Changing Dynamics of Economic Governance in the European Union

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ABSTRACT
This introduction examines the ongoing transformation of economic governance in the European Union over the past decade. It argues that a series of crisis-driven reforms – most notably, the creation of the Recovery and Resilience Facility, the expansion of EU fiscal capacity, and the growing emphasis on industrial policy and economic security – have collectively reshaped the EU's macroeconomic framework. While these developments do not constitute a coherent grand design, their cumulative effect amounts to a significant shift in governance practices at both the EU and national levels. The article identifies key structural and political pressures underpinning this transformation, including sluggish growth, socio-economic inequalities, the green and digital transitions, geoeconomic competition, and rising political fragmentation. It highlights an increasing reliance on flexible, adaptive instruments and a strengthening of executive and technocratic authority. The contributions to the special issue introduced by this paper explore these dynamics in greater detail, offering insights into the evolving balance among integration, responsiveness, and legitimacy in EU economic governance.

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Introduction

The past decade has witnessed a reshaping of economic governance in the European Union (EU) – significant innovations and fundamental changes have occurred in the EU's approach to macroeconomic steering, fiscal policy and economic security. These momentous developments have taken place partly in response to various internal and external crises (Crespy *et al.*, 2024; Fabbrini & Capati, 2023; Quaglia & Verdun, 2023; Schmidt, 2020b). Notable among the elements of this transformative period are the adoption of, and the wider repercussions of, the Recovery and Resilience Facility (RRF)

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(Buti & Fabbrini, 2022; de la Porte & Heins, 2022; Howarth & Quaglia, 2021; Schramm *et al*., 2022); the significant enhancement of fiscal capacity at the European level (Hodson & Howarth, 2023; Laffan, 2025; Miró *et al*., 2023; Schlosser, 2019); the moves towards digital and green transitions, with the associated creation of new regulatory and fiscal mechanisms; the trend towards a new industrial policy and even the emergence of a European military-industrial complex (McNamara, 2024, 2026); together with various other instruments adopted in the context of the EU's geoeconomics turn (Bauerle Danzman & Meunier, 2024; Herranz-Surrallés *et al*., 2024). At the same time, there have been significant amendments to the architecture of Economic and Monetary Union (EMU), not least through the revision of the Stability and Growth Pact and the mainstreaming of the European Semester as an overarching framework through which the EU surveils member states' management of both national and EU spending (Vanhercke & Verdun, 2022). These disparate developments were not derived from a strategic plan, nor do they amount to a grand (re)design of EU economic governance. Nevertheless, the combined effect of these various reforms and innovations amounts to a transformation of the governance system – a transformation that warrants closer examination and provides the rationale for this special issue.

Crucially, this ongoing reshaping of European economic governance has affected both the EU and the national levels. The formulation and implementation of the National Recovery and Resilience Plans (NRRPs) (as part of the RRF), the use of EU funding to promote green and digital transitions as well as other structural reforms within the member states, the 'mainstreaming' of fiscal surveillance through the European Semester and a renewed impetus to enhance industrial policy – all of these developments have required new arrangements and responsibilities for EU institutions as well as deep changes in the decision-making and public management processes at the member state level. This has two broader implications: on the one hand, it demonstrates that the EU, as a multi-level governance polity, is evolving, specifically with respect to the relationship between Brussels and the EU's constituent units, the member states. On the other hand, in response to these 'intrusions' from the EU, novel dynamics in domestic politics increasingly re-frame how national governments and other actors influence institution-building and policy-making at the EU level. The contributions to this special issue explore both aspects of the reshaping of EU economic governance underway in this new era.

In the title of this special issue, we borrow the phrase 'Show Me the Money!' to describe this moment for the EU (with apologies to Cameron Crowe, the writer of the movie *Jerry Maguire* (USA Today, 2016)). The quote appears to be a fitting reference in the context of a discussion of changing EU governance: against the background of a Union that has historically been limited to a minuscule budget relative to its GDP, whereas the member states have been able to mobilise enormous fiscal resources to address the many challenges that had to be confronted. This traditional pattern may now be changing: the post-RRF EU is emerging as a polity that actually does have access to significantly greater amounts of money to show for it. At the same time, the member states, in the context of the European Semester and the monitoring of their NRRPs, have had to open their books systematically and comprehensively to the EU and – to extend the play with words – show the Commission where the money is going (Bokhorst & Corti, 2024; Borghetto *et al*., 2026; Zeitlin *et al*., 2025). This is a new degree of transparency and accountability that, among other issues, also raises far-reaching normative questions about the democratic legitimacy of EU decision-making and the changing nature of executive-legislative relations at the national level (Fromage & Herranz-Surrallés, 2022).

In order to examine this re-shaping of EU economic governance, this special issue of the *Journal of European Public Policy* has three main aims: first, to review the major recent reforms of EU economic policy and placing this assessment within context of the long-term evolution of the European integration project; second, to understand the overall impact of these changes in terms of reshaping the EU's economic governance model more generally; and, third, drawing the key lessons from this analysis and relating these findings to long-standing debates in the literature on EU policy-making, comparative politics and political economy.

The contributions to the special issue are organised around two main substantive developments: the implications of the NGEU project, on the one hand, and developments with regard to industrial policy and economic security, on the other. Thus, a number of papers examine the formulation and implementation of the NGEU – arguably the most transformative element in the current era. This involves investigating the design of the RRF at the EU level, as well as analysing the political issues surrounding its implementation in several key member states. Other papers address the emergence of a new, more expansive industrial policy within the EU's rising agenda of economic security, and the role of experts in the context of EMU's evolution. Taken together, the contributions constitute a comprehensive account of the important changes that EU economic governance has undergone over the past decade. Collectively, these studies facilitate an assessment of the degree to which the Union is prepared to confront the political, economic, and societal challenges it faces in the current era.

In this introduction, we first outline the main challenges the EU has been facing in recent years, comprising both the more structural issues of a socio-economic and geoeconomic nature, as well as the more directly political and security issues that impact economic reforms in the EU. The following section provides a concise yet comprehensive overview of the main drivers behind the reshaping of economic policy in the EU. This overview illustrates the conflicting pressures bearing on the EU's system of economic governance:

while some of these drivers may act as catalysts for reform, others are bound to undermine the EU's ability to adapt to the evolving economic and (geo)-political context. In other words, we seek to show how the reshaping of economic governance in the EU results from the simultaneous presence of pressures for change, on the one hand, and countervailing factors resisting fundamental reforms of the system, on the other. It is on this basis that the individual contributions to the special issue are introduced, presenting the findings of detailed analyses undertaken by the respective authors. After sketching the key findings from each article in this special issue, this introductory piece closes by identifying several cross-cutting conclusions and reflecting on the future outlook for EU economic governance.

EU economic governance under pressure

Although the system of EU economic governance demonstrated remarkable resilience during the sovereign debt crisis (Copelovitch *et al*., 2016; Howarth & Quaglia, 2015) and its institutional foundations were strengthened in response to the COVID-19-related economic crisis (Jones *et al*., 2021; Quaglia & Verdun, 2023), recent years have witnessed a growing number of social, economic, and political challenges that put pressure on the existing framework (Crespy *et al*., 2024; Ferrera *et al*., 2024; Nicoli & Zeitlin, 2024). Building on the existing literature and our own observations of these ongoing developments, in the following we briefly outline the nature of these challenges confronting the EU in the mid-2020s.

These current challenges broadly fall into two categories: on the one hand, socio-economic and geoeconomic developments that are largely structural, and, on the other hand, political challenges arising from the (lack of) leadership of political actors. This overview demonstrates the multifaceted nature of problems the EU is dealing with, and the difficulty of addressing these within the traditional framework of economic governance.

Achieving sustainable economic growth and overcoming persisting socio-economic inequalities

Multiple socio-economic challenges have affected the economic governance of the EU in the recent past. First, there is the widely recognised need to better promote *sustainable economic growth* (see, for example, Draghi, 2024; Letta, 2024). This implies identifying a path of economic growth that is sustainable in the medium- and long-term (as well as across generations), rather than, for example, the short-term boost in economic activity that occurred after the Covid-19 pandemic. This is a concern because – compared to its major international competitors, notably the US and China, but also the BRICS countries and other emerging economies – the EU has experienced persistently sluggish growth for prolonged periods of time over the past decades (Baccaro *et al*., 2022). This development also implied falling market shares for the European economy globally, which, in turn, means progressively less leverage for the EU's market power vis-à-vis global rivals.

At the same time, public investment and fiscal support are curtailed due to the expectation – even the binding provision – that economic growth should be fiscally sustainable. For example, there is the obligation on member states and the EU to repay the debts incurred to fund the NGEU package (Miró *et al*., 2023; Spielberger *et al*., 2025). Under the current rules, the repayment of EU borrowing used to raise the funds for the NGEU is due to start in 2028 and is projected to last until 2058. The loans are to be repaid by the borrowing member states, whereas the grants are to be repaid out of the EU budget by introducing additional EU own resources (i.e., new sources of revenue) for the EU budget (Fabbrini, 2022; Hodson & Howarth, 2023), even though at the time of writing no agreement has been reached on this issue, and the early debates about the 2028–2034 Multiannual Financial Framework are exhibiting deep divisions.

The second challenge concerns the persisting *socio-economic inequalities* across and within member states (Hopkin, 2020, 2024; Johnston & Regan, 2024). Having been a long-standing phenomenon, the presence of socio-economic inequalities has increased further within member states over recent decades (Blanchet *et al*., 2019). While this is a global phenomenon, its repercussions in the context of the EU have been particularly pronounced, given the EU's traditional reliance on the promise of prosperity to justify its raison d'être. Yet, in Europe, this problem has also intensified because the post-2009 sovereign debt crisis hit the periphery of the euro area first and foremost. While the affected member states received financial assistance and bail-outs from the EU, this also involved conditionality and obligations to embark on structural reforms in line with the fiscal adjustment programmes (Matthijs & McNamara, 2015; Walter *et al*., 2020) – conditions that had severe welfare impacts on the societies concerned (Crespy, 2020). The challenge here for the EU is that with the economic benefits of European integration not being universally shared – if, indeed, significant sections of the population in the member states perceive themselves as having been left behind by the twin processes of globalisation and European integration – then this has the propensity to fuel negative perceptions of European integration (Jones, 2009), and indeed anti-European sentiments and 'anti-system politics' more generally (Vasilopoulou & Talving, 2024).

Facilitating the dual green and digital transition

The third challenge concerns the perceived need to engage in a so-called *green transition* to address major environmental crises related to climate change, biodiversity loss, environmental risks, and the scarcity of natural resources. Addressing the climate crisis would require an ecological transition across a wide range of economic sectors, from agriculture to industry, finance, transport, and the service economy more broadly. Of particular importance, also in light of the EU's dependency on fossil fuels imported from third countries (Jerzyniak & Herranz-Surrallés, 2024), including Russia, is the energy transition, that is, the gradual shift from fossil fuels to renewable and less polluting energy sources, as well as the achievement of greater energy efficiency. While previous economic crises had put the brake on advancing environmental policy in the EU (Burns *et al*., 2020; Jordan & Gravey, 2021), the adoption of the NGEU made the green transition – including goals for environmental sustainability, climate action and biodiversity protection – a core pillar of the RRF (Miró *et al*., 2023). This led member states to include reforms and investments in green technologies, sustainable mobility, energy efficiency, renewable energy, and biodiversity in their NRRPs (see, for instance, Bokhorst & Corti, 2024; Guidi *et al*., 2023). However, NGEU funding earmarked for the green transition will end in 2026, and EU support for a continuation on this path towards ecological sustainability remains unclear at the beginning of that year.

The fourth challenge concerns the digital domain, and in particular the need to foster the digital transition and the responsible use of artificial intelligence in Europe while safeguarding the objective of the EU's 'digital sovereignty' (see, Donnelly *et al*., 2023; Falkner *et al*., 2024). Progress towards these objectives is considered essential with a view towards the EU's ability to promote greater strategic autonomy (Lavery, 2023). The idea of technological or digital sovereignty recognises the growing entanglement of economic and foreign policies in this domain (Broeders *et al*., 2023) – a balancing act that has proven to be particularly challenging for the EU. One prominent example in this context is the EU AI Act, adopted in August 2024, which established a risk-based mechanism for regulating generative AI platforms and protecting EU consumers from harmful content generated by AI (Almada, 2026). Hailed at its inception as 'the world's first comprehensive AI law', the regulation has been confronted with pushback hardly a year later. In late 2025, the Commission proposed delaying or watering down several key provisions of the act when it published a so-called 'digital omnibus' package as part of its wider simplification agenda – elements of a much wider de-regulation agenda that indicate a shift from concerns over civil rights and consumer protection to the dominant narrative about economic competitiveness (Avril, 2025). As of early 2026, the EU's resolve to continue the past agenda of digital regulation in the face of such internal and external opposition hangs in the balance.

Managing the geoeconomic turn

The EU is facing formidable *geoeconomic* challenges arising from the revival of great power rivalry, notably, by China and Russia, but also a more protectionist stance in the US, especially during the Trump administrations, the waning of multilateralism (Lake *et al*., 2021), and the use of coercive economic instruments by third countries (Lavery, 2023; Schmitz & Seidl, 2023). In response to these external developments as well as the changing political mood in key member states (notably, France and Germany) of the EU and the appointment of a 'geopolitical' European Commission (the von der Leyen Commission I, followed by von der Leyen Commission II), the governance of economic policies in the EU has taken a geoeconomic turn (Herranz-Surrallés *et al*., 2024). Thus, the EU has begun to advance what it has labelled as 'Open Strategic Autonomy' (see, Gehrke, 2022; Juncos & Vanhoonacker, 2024), seeking to limit its dependency on third countries (or private actors therein) in key economic areas, so as to reduce its vulnerability to deliberate or undeliberate disruptions of cross-border flows of goods and services (e.g., access to critical materials and global supply chains) and/or the adoption of measures by third countries to induce the EU to follow certain courses of action (i.e., economic coercion) (Schmitz & Seidl, 2023). The geoeconomic turn also implies the EU's tackling of economic distortions and unfair competition from third countries as well as facilitating the digital and green transition (Jerzyniak & Herranz-Surrallés, 2024), also through EU industrial policy (Di Carlo & Schmitz, 2023; McNamara, 2024) and a more proactive use of trade and competition policy instruments (Bauerle Danzman & Meunier, 2024; Freudlsperger & Meunier, 2024). To address the challenges discussed above, the EU needs to substantially increase public investments, as noted, for instance, in both the Letta Report (2024) and the Draghi Report (2024) (Moschella & Quaglia, 2025).

Moving from the realm of economic security to security *tout court*, further challenges are abound. While the EU has been relatively united in its response to Russia's full-scale invasion of Ukraine through successive rounds of economic and financial sanctions against Russia (Quaglia & Verdun, 2024), more generally there has been a growing degree of disunity around major global conflicts. Hungary's Prime Minister Viktor Orban's repeated use of the veto, or threats thereof, with respect to sanctions on Russia or financial support to Ukraine have become common-place, but in addition there was also Belgium preventing the use of Russia's frozen assets and Poland objecting to grain imports from Ukraine – instances which demonstrated that also other member states would be willing to depart from the common position on Ukraine when narrowly-defined national interests were at stake. In a similar vein, the asymmetrical nature of energy dependence on Russia has fostered varied responses from the member states, with those relying more heavily on Russian gas and oil imports less willing to forego them in response to the attack on Ukraine. And whereas Germany made a concerted effort to wean itself off Russian gas and oil after February 2022, other member states continued to rely heavily on such imports – with the corresponding diversity of views in the European Council on how to address these vulnerabilities in the future (Siddi, 2022).

Coping with rising Euroscepticism and growing ideological cleavages

In addition to these socio-economic challenges facing the EU, there are political challenges that weaken its governance of economic policies. To some extent, these challenges primarily stem from the limited political will to tackle the pressing economic problems facing the EU, as well as the faltering unity of purpose among member states and EU institutions more generally. These weaknesses of leadership in the EU imply that reforms, when they occur, more often than not result in short-term solutions and involve unintended consequences, rather than achieving the strategic vision that more profound problem-solving would require. This is one of the reasons behind the 'failing forward' observation in the context of EU crisis-management (Howarth & Quaglia, 2021)

One explicitly political challenge concerns the rise of *Euroscepticism* and *anti-system politics*, which have contributed to the ascent of protest, populist, and far-right parties in Europe (De Vries & Hobolt, 2020; Hopkin, 2020). These parties have taken office in several member states, or have become major opposition forces, straining the political consensus around European integration, globalisation and the liberal economic order (Braun *et al*., 2019; Winzen, 2020). In turn, this has triggered political contestation, a 'legitimacy crisis' in the EU (Schmidt, 2020a) and the growth of dissensus over liberal democracy in Europe more generally (Coman *et al*., forthcoming in 2026). Such dissensus also hampers the conclusion of intergovernmental agreements at the EU level, as national governments' ability to compromise is weakened by the presence of anti-European parties and the politicisation of EU issues at the domestic level. This is a latent trend across most EU member states, but it is particularly significant in Germany, given the country's importance in EU economic policy. In that regard, the rising vote share here for parties of the Far Left and of the Far Right, which generally take a contrarian view on European integration, as well as the fundamental divisions between the Centre-Left and the Centre-Right on issues of public debt and fiscal resources, all have combined to create a hostile environment for debates about EU economic reform in the future (Hobolt & Rodon, 2020).

A further political challenge, closely related to the previous point, is the persistent *disagreement among member states* over how to address the many problems facing the EU. The EU's response to the pandemic was characterised by the reconfiguration of political alliances within the EU, beyond the 'old' North/South divide that was evident during the sovereign debt crisis (Matthijs & McNamara, 2015; Schimmelfennig, 2015). By contrast, during the Covid-19 pandemic, Germany shifted its position on core domains of EU economic governance, displaying greater flexibility and moving closer to the position of France on several aspects (Becker, 2023). Indeed, a renewed Franco-German axis played a pivotal role in shaping the negotiations of the NGEU package (Schramm & Krotz, 2024). Arguably, the intergovernmental agreement reached on the NGEU was also facilitated by the departure of the UK, following Brexit, and the fact that the so-called 'Frugal Four' grouping of countries (Austria, Denmark, the Netherlands and Sweden) supported the main thrust of the RRF, although with several important provisos (Bokhorst & Schoeller, 2024; de la Porte & Jensen, 2021).

Yet, this coming together and the unity of purpose among member states in the face of the global pandemic and its anticipated economic impact proved to be short-lived. After the pandemic, disagreements among EU member states concerning important issues of internal economic governance have resurfaced. These include, for example, the protracted debates about the reform of the Stability and Growth Pact, and about the desirability of a new 'own resource' contributing to the EU budget, as well as about the relatively more technical issues of relaunching a Capital Markets Union (re-branded as Savings and Investments Union, see Howarth & Quaglia, 2026), or the creation of a common European safe asset. More fundamentally, there appears to be a deep ideological divide over one of the defining issues of EU economic governance today: whether or not there can and should be the possibility of public debt becoming a more generalised feature of the EU's fiscal capacity. It is a question that has loomed large over discussions about the EU's future finances ever since the agreement on the NGEU had been reached, with some believing that that had set a precedent that would enable greater fiscal flexibility at the EU level in the future, while others – Germany and the 'Frugals' – firmly insisting that it had been an exceptional and temporary measure that should not detract from the EU's long-standing commitment to the constitutional prohibition of incurring debt (Howarth & Schild, 2021).

What is more, these profound disagreements concerning EU economic governance and fiscal capacity not only pit national governments against one another but also stem from *cleavages between political parties at both the national and the EU levels.* With regard to the latter, it was remarkable that the German liberals in the European Parliament made a point of voting *against* the re-election of Ursula von der Leyen (despite the support of the pan-European RENEW group) in protest at her lack of explicit opposition to future public debt for the EU (Süddeutsche Zeitung, 2024). Against the background of the reduced voting share of the EU mainstream parties after the 2024 elections and the more fragile support for the European Commission in the European Parliament – the Commission President von der Leyen faced no less than four motions of censure in the first year of her second term – such divisions within traditional 'grand coalition' further weaken the EU's ability to take decisive action on economic policies.

Taken together, this range of formidable challenges for the EU and the fragile integrity of its political system inevitably impacts also on key aspects of EU governance. These factors have driven the EU's willingness and ability to adapt its economic governance system, leading to the gradual, if not outright transformative, changes indicated at the beginning of this paper. In the following section, we outline how the various contributions discuss the manner in which the EU and the member states have responded to these pressures.

The contributions to the special issue

The contributions to this special issue interrogate various aspects of the process of reshaping the economic governance of the EU. Several articles present in-depth research into the impact of the new fiscal capacity of the RRF, the implementation of NRRPs in a range of member states, and the implications that this process has had for relations between different levels of governance, while other contributions analyse significant developments in other key areas of EU economic policy, notably, industrial policy and EMU. Below the contribution each paper makes to a better understanding of the broader transformation process is summarised, looking first at the papers addresing the implications of the RRF and its implementation, before turning to the other contributions focused on changes with respect to monetary policy, industrial policy and economic security.

Igor Guardiancich *et al*. (2025) examine the EU's capacity to influence policy change in its member states by focusing on how EU conditionality under the RRF has affected the effectiveness of the European Semester. Their findings suggest that the amount of RRF funding received relative to GDP is a significant factor in determining compliance with Country-Specific Recommendations, thereby underpinning domestic reform efforts. Other factors also play a role, notably a higher problem load and sector-specific challenges, such as those in the energy field. Taken together, the evidence from the RRF phase indicates that a more incisive European Semester is institutionally and politically feasible, an insight that is particularly relevant in light of the post-pandemic return to more traditional fiscal and surveillance rules.

Andrea Capati *et al*. (2026) point out that the implementation of the RRF – which arguably marked a transformative development in EU economic governance – has proceeded in the member states with remarkably little contestation. Their article examines this puzzle of the RRF's 'quiet implementation' at the national level, drawing on an analytical framework that contrasts democratic legitimacy (the involvement of parliaments, political parties and subnational authorities) with technocratic legitimacy (executive authority and delegation to experts), it analyses two critical cases – Spain and Italy. As the largest recipients of RRF funding, both are highly exposed to EU conditionality and have generally been characterised by a history of high public debt, fragmented party politics, government instability and strong regional authority. The authors find that – against expectations – in neither case any meaningful contestation emerged. The analysis demonstrates that this outcome stems from domestic institutional arrangements that foster depoliticisation by centralising decision-making within the executive and limiting parliamentary as well as subnational involvement in the implementation process – dynamics that prime ministerial offices could strategically exploit. The authors conclude by linking these findings to wider patterns of RRF implementation and EU economic governance, specifying the conditions under which executives can shield large-scale spending programmes from political debate.

Joan Miró and Ana Fernández-Pasarín (2026) revisit the nature of NRRPs as tools of EU economic governance by conceptualising them as contracts that establish legally binding mutual obligations between the contracting parties to carry out specific tasks within defined time frames. Specifically, these authors investigate under what conditions modifications to the original NRRPs were accepted by the European Commission and the Council. Their findings suggest that the flexibility built into the RRF regulation regarding 'objective circumstances' was, in practice, interpreted rather broadly in monitoring the implementation of the NRRPs. As a result of this flexibility, national governments were able to modify NRRPs with considerable political discretion. This paper speaks to the broader literature on EU economic governance, interinstitutional dynamics and incomplete contracting in EU integration arguing that contractual governance under the RRF combines adherence to agreed commitments and performance-based discipline with adaptability.

Eugenia Heldt and Sophie Meunier (2026) explain the shift of EU industrial policy from a market-oriented approach to a securitised approach. They argue that external pressures – the weaponization of economic interdependence and security-driven industrial policies by China and the United States – enabled the European Commission to reframe industrial policy through a security lens, making interventionist measures politically acceptable despite long-standing opposition from market-liberal member states. This piece brings together the literatures on European integration, securitisation and industrial policy by demonstrating how external pressures enable supranational entrepreneurship in domains, such as industrial policy, formally reserved to states. It focuses notably on the bureaucratic, procedural, and coalition shifts through which securitisation has transformed the governance of EU industrial policy. It also spells out how instruments shift between market and security justifications depending on the political context.

Paul Schure and Amy Verdun (2026) examine how experts view EMU, finding that a large majority believe it has benefited the Euro Area, but is not sustainable in its current form. Any of three potential changes would make EMU sustainable in the view of these experts: first, having stronger mechanisms to enforce structural reforms in member states; second, more automatic stabilisers at the EU level, and third, if EMU evolved into a fully-fledged fiscal union, including fiscal powers at the EU level. This piece contributes to the literature on epistemic communities and socialisation by identifying 'expert consensus' in this domain. Although there are still differences among them, experts see a need for deeper integration to make the euro sustainable. They overwhelmingly believe that fiscal union would establish a sustainable EMU.

While the contributions to this special issue cover a heterogeneous set of domains, a number of general conclusions can be drawn from these individual studies. These overarching observations are presented in following section which also includes some reflections on the future outlook for EU economic governance in these turbulent times.

Concluding remarks

The reshaping of EU economic governance discussed in this special issue has been situated within the evolving internal and external context and the wide range of socio-economic and (geo)political challenges facing the Union. While numerous and diverse, these risks and pressures have prompted various reforms, institutional innovations and a broader rethink of the EU's economic model – a process of reshaping economic governance that is still ongoing in the mid-2020s.

These developments – conceptualised in this paper as the EU's 'show me the money!' moment – have affected the relationship between the EU and its member states, as well as the relationship between public authority and market capitalism. It has involved a shift from macroeconomic austerity and negative conditionality to a 'carrot and stick' approach, embodied by the NGEU-RRF, which incentivises reforms and investments in the member states in collaboration with the EU-level authorities. A new form of European industrial policy, which has been linked to debates not just about economic security, but also to the attainment of greater strategic autonomy in defence procurement, has moved a minor EU policy to the centre stage, at least in terms of ambition. More broadly, these moves also entailed deepening integration with respect to core state powers (Genschel & Jachtenfuchs, 2014) even in the absence of any formal delegation of authority. At the same time, observers concur that with respect to EMU, even if this domain weathered the storms of the 2010s rather well, significant further reforms towards fiscal union are needed.

Taken as a whole, the contributions to this special issue provide interesting cross-cutting insights that further inform our knowledge of the ongoing reshaping of EU economic governance. The research presented here demonstrates the multifaceted nature of this process of change: innovations at the EU level combined with novel dynamics within the member states; ever-greater complexity and increasing reliance on expertise and technocratic governance going hand in hand with the manner in which EU and national executives dominate the decision-making at the expense of legislatures; and the need to view developments across various sectoral domains – macroeconomic steering, monetary policy, fiscal integration, market regulation, industrial policy and economic security – in relation to one another in order to appreciate the comprehensive nature of the way in which economic governance in the EU is being transformed. This overarching perspective demonstrates that the changing dynamics in EU economic governance are indeed transformative, albeit not as the outcome of a grand design but rather as a result of a series of more gradual changes that have occurred over recent years across a multitude of policy sectors and governance domains.

Three broader points can be highlighted at the end of this overview: first, crises – economic, geopolitical, or institutional – create windows of opportunity for deeper European integration and the rebalancing of authority toward the EU level. The emergency response to the pandemic in particular provided the conditions for the introduction of unprecedented fiscal instruments and a more incisive European Semester; geopolitical competition facilitated the securitisation of industrial policy; and expert consensus on EMU sustainability reflects lessons drawn from repeated systemic shocks.

Second, the EU is experimenting with ways to influence national policies, using conditionality, contracts, and surveillance as substitutes for formal authority. The inter-level relationship here is driven by a cooperative attitude among executives in both Brussels and national capitals, which exercises the formal arrangements with various degrees of flexibility. As part of this process, there is a coexistence (and, at times, tension) between rules and discretion, whereby the EU increasingly relies on adaptive governance, that is, formal rules that are intentionally incomplete and politically reinterpreted over time. This sort of institutionalised flexibility is a feature, not a bug – a way to ensure that ambitious programmes and spending targets can be met.

Finally, a related observation across the various contributions is the further strengthening of executive dominance and the ever-greater reliance on technocratic solutions in managing the complexity of EU economic governance.

Whether by design (in order to de-politicise reform processes and minimise the potential for contestation) or by default (as a consequence of the high levels of technical expertise required), economic governance is firmly in the hands of executive decision-makers and technocratic experts, with little involvement of legislative institutions.

Considering all this, in the mid-2020s, the EU appears in many ways to be better equipped institutionally than before to address the numerous internal and external challenges it has to confront. The toolbox of instruments, mechanisms, and know-how for steering the economy in turbulent times has significantly improved. Yet, as indicated above, there are also countervailing forces at work that constrain ongoing reform processes and limit the effectiveness of EU economic governance in confronting market forces, national parochialism and external threats. The relative lack of political leadership and the largely absent effort to involve citizens and democratic representatives remain a fundamental weakness in the face of the momentous changes and widening turbulence in global politics and world markets. Significant changes have reshaped economic governance in various ways, as the contributions to this special issue show, yet much of this has been 'under the hood' and in a piecemeal fashion. For the time being, a grand vision or long-term strategy concerning the future of EU economic governance remains elusive.

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