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## Thank You, Next: An Analysis of Sweden's Non-Compliance with its Country-Specific Recommendations

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### Cover Page Footnote

This paper was originally written for a seminar course on European integration and the European Union at the University of Victoria in Victoria, Canada. I would like to thank Dr. Wade Jacoby of Brigham Young University for the helpful suggestions that he provided for this paper when it was presented at the 17th Claremont-UC Undergraduate Conference in Claremont, CA. I would also like to thank Dr. Valerie D'Erman and Dr. Daniel Schulz for their patience and advice throughout the process of developing this paper. Finally, I would like to thank my sister, Claire Thomson, for inspiring the title of this paper.

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# Thank You, Next: An Analysis of Sweden's Non-Compliance with its Country-Specific Recommendations

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## **ABSTRACT**

The Eurozone crisis forced the European Union (EU) to reconcile with the absence of supranational macroeconomic and fiscal coordination within its Economic and Monetary Union (EMU). Efforts to minimise this imbalance are seen in the creation of the European Semester, a comprehensive framework that includes the issuing of voluntary Country-Specific Recommendations (CSRs) by the Commission to EU member states. This paper analyses Swedish CSR compliance and argues that Sweden's persistent level of non-compliance is caused by contrasting positions that exist between the Swedish government and the Commission in the area of European macroeconomic integration. This contrast sees the Swedish government actively working to resist participation in supranational macroeconomic governance; the same policy area that the Commission is concurrently working to strengthen through the Semester. This paper also highlights the continued power that individual member states have to act in their domestic interests in the arena of European macroeconomic governance.

## **KEYWORDS**

European Semester, Sweden, Country-Specific Recommendations, European macroeconomic governance

## 1. INTRODUCTION

The European Union (EU) has experienced dramatic changes in its governance since the onset of the Eurozone crisis in 2009 (Hodson, 2018). This is especially seen in the EU's Economic and Monetary Union (EMU) (Hodson, 2018). Reforms to EMU following the crisis have led to a significant increase in the oversight role of the European Commission (the Commission, for short), the supranational governing body of the EU, as well as a strengthening of macroeconomic policy coordination and integration for all EU member states (Bauer & Becker, 2014; Carstensen & Schmidt, 2018; Hodson, 2018). One of the most important programs developed following the crisis is the European Semester, "an annual cycle of coordination and surveillance of the EU's economic policies" (European Commission, 2018a). The European Semester contains two vital structures, the Macroeconomic Imbalance Procedure (MIP) and Country-Specific Recommendations (CSRs), which both work to further bolster EMU against future crises (General Secretariat of the Council, 2018a).

Despite the Commission's stated intentions for these reforms, not all member states have been on board. This is especially seen in the case of Scandinavia (Denmark, Finland, and Sweden), where, despite being seen as "[t]he only notable geographical pattern [due to] a comparatively strong CSR implementation record," there is a great diversity in the amount of CSRs that have "No Progress" or "Limited Progress," with Sweden having the highest, and Finland the lowest (D'Erman, Haas, Schulz, & Verdun, 2018, p.11; Deroose & Griesse, 2014). Given that Sweden is the only Scandinavian EU member state without a formal relationship to the single currency area, this paper will look to analyse whether or not its relatively high levels of "No Progress" or "Limited Progress" CSRs are caused by its position outside of the Eurozone (European Parliament 2013; 2014; 2017; 2018). Therefore, this paper asks the research question:

***Does Sweden's position outside of the Eurozone have an effect on its CSR compliance?***

This paper will argue that Sweden's position outside of the Eurozone does have an effect on its level of compliance with its CSRs (European Parliament, 2013; 2014; 2017; 2018) and that this effect is caused by two reasons: one, Sweden's position outside of the Eurozone is purposeful and continuous; and two, the Commission's use of CSRs and the MIP is in a manner that works to further increase integration in the area of EMU.

This paper will be structured as follows. The next section will briefly outline the major structures of the European Semester that are used in this paper (CSRs and the MIP). The third section will analyse Sweden's continued position outside of the Eurozone, and will incorporate both previous literature as well as primary research on CSR documents to show that this position is purposeful and continuous. The fourth section will highlight how the Commission has gained power through the Eurozone crisis, and will show that it continues to use its new position to implement the MIP in a way that further integrates macroeconomic governance at a supranational level; this is shown to be in direct conflict with the position of the Swedish government. The final section will conclude the arguments made.

## 2. DESCRIPTION OF CSR AND MIP FUNCTIONS AND PROCEDURES

The European Semester is comprised of several programs developed in order solve the main issues in EMU that both caused and exacerbated the Eurozone crisis (General Secretariat of the Council, 2018a) This section will provide a brief description of two of these reforms, CSRs and MIP, as they are the two major structures analysed in this paper. The General Secretariat of the Council (2018b) described CSRs as “documents that provide an analysis of each member state’s economic situation and recommend measures that each country should take over the coming 12 months.” Such recommendations are made following the Commission’s analysis of every member state’s national budget, assessing the budget and creating recommendations according to whether or not it is deemed to be in alignment with the Commission’s Annual Growth Survey.<sup>1</sup> It is crucial to highlight that, because of their nature as recommendations, CSRs are not directly enforceable by the Commission; however, the Commission does conduct an analysis of the implementation of these recommendations the following Semester cycle in order to offer an assessment of the individual CSRs of each country, as well as for the Eurozone as a whole (European Parliament, 2013; 2014; 2017; 2018). In their assessment, the Commission labels each CSR as being “Full Progress,” “Some Progress,” “No Progress,” and “Limited Progress”, and gives detailed reasoning as to the label that they have given (European Parliament, 2013; 2014; 2017; 2018). CSRs are grouped into three different categories: compliance with fiscal policy guidelines, compliance with macroeconomic policy guidelines, and general economic improvements (European Parliament, 2013; 2014; 2017; 2018). The first two categories of CSRs will be described in more detail, as they align with a member state’s compliance to specific EMU guidelines.

The first categorisation of CSRs is that of compliance to the Stability and Growth Pact (SGP), an agreement that works to ensure that member states set realistic budgetary goals and comply with both fiscal and macroeconomic procedures that are essential for the functioning of the Eurozone (General Secretariat of the Council, 2018b). The second categorisation of CSRs regards a member state’s macroeconomic policies, and whether or not such policies are in accordance with the MIP. As described by the Commission (2018c), “[t]he [MIP] aims to identify, prevent and address the emergence of potentially harmful macroeconomic imbalances that could adversely affect economic stability in a particular Member State, the euro area, or the EU as a whole.”<sup>2</sup> If the Commission determines that a member state has an imbalance, then it places that member state under an In Depth Review (IDR) in order to provide a more detailed analysis (European Commission, 2018d). It is through this IDR that any macroeconomic imbalances in a member state are labelled and categorized in terms of the potential threat that they pose to the economies of both the member state and the EU (European Commission, 2018d). For high severity imbalances, the Commission places a member state in an “excessive imbalance procedure” while lower severity imbalances aim to be corrected through CSRs (European Commission, 2018d). The difference between the “excessive imbalance procedure” and MIP CSRs is notable, because even

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1 The Annual Growth Survey (AGS) is one part of a group of documents that are created and published by the Commission which “set[s] the priorities” of EMU for the coming cycle of the Semester (European Commission, 2018b).

2 EUR-LEX (2018) defined “macroeconomic imbalances” as occurring “where certain aspects of a country’s economy are out of balance, for example, high levels of public or private debt, high unemployment, poor export performance, etc.”

though MIP CSRs may require further “specific monitoring” by the Commission, it is only when a member state is placed in the “excessive imbalance procedure” that it may face a possible threat of penalty for having macroeconomic imbalances (European Commission, 2018e). As the following two sections will show, this allows countries that only have minor macroeconomic imbalances to continue having them, without a serious threat of penalty from the Commission. This factor is important in a case such as Sweden; this is because Sweden is a member state that not only intentionally keeps out of the Eurozone (Lindahl & Naurin, 2005), but also shows significant levels of macroeconomic imbalance CSRs (European Parliament, 2013; 2014; 2017; 2018).

### **3. SWEDEN’S POSITION OUTSIDE OF THE EUROZONE AND CSR COMPLIANCE**

#### **3.1. SWEDEN’S POSITION OUTSIDE OF THE EUROZONE**

Despite having been a member of the EU since 1995, Sweden has yet to join the Eurozone (European Commission, 2018f). However, because it does not have a formal opt-out, Sweden is legally obligated to join the Eurozone “once it meets the necessary conditions” (European Commission, 2018f). This means that Sweden has, and continues to, enact policies that prevent it from being qualified to join the Third Stage of EMU, the set of criteria that act both as the final preparatory stage, as well as the stage in which the single currency is introduced into a member state (European Central Bank, 2018). In order to gain a better understanding of this situation, it is important to look within Sweden in order to analyze the national actors at play.

The main group fighting against Sweden joining the euro is the Swedish voting public, who have exhibited a strong and persistent opposition to the EU’s common currency (Kuhn & Stoeckel, 2014; Lindahl & Naurin, 2005). This is seen both in the decisive rejection of the euro via a referendum in 2003 as well as in the continued rejection of the common currency, as found by Eurobarometer data from 2015–2018 (European Commission 2015; 2016; 2018g).<sup>3</sup> This strong public opposition was analysed by Lindahl and Naurin (2005), who looked to further understand Sweden’s relationship with the Eurozone in the context of the aftermath of the 2003 referendum. Interestingly, Lindahl and Naurin (2005) found that there was a significant “elite/public divide,” with the “elites” significantly more in favour of Eurozone membership compared to the “public” (p.66). Importantly, Lindahl and Naurin (2005) stated that this dichotomy “ha[s] given Sweden a ‘twin-face’ with respect to its relation towards the EU” (p. 66). The authors explained how the national government works around this relationship, and stated that “the main strategy of Swedish governments for dealing with this situation has been to employ a *politics of low visibility*, whereby the government continues to build relationships within the EMU governance arena, but does so in a way that minimizes the amount of “Europeanisation” seen within Sweden (Lindahl & Naurin, 2005, p.67). Given this dual nature of Sweden in regards to EMU, Lindahl and Naurin (2005) defined the Swedish government’s position as being that of “conscious outsidership,” and stated that, as this relationship is more strongly established within the context of Sweden’s membership to the EU, it has the possibility of “reconciling the elite/public cleavage” by allowing for a de-facto compromise between both parties involved (p.67).

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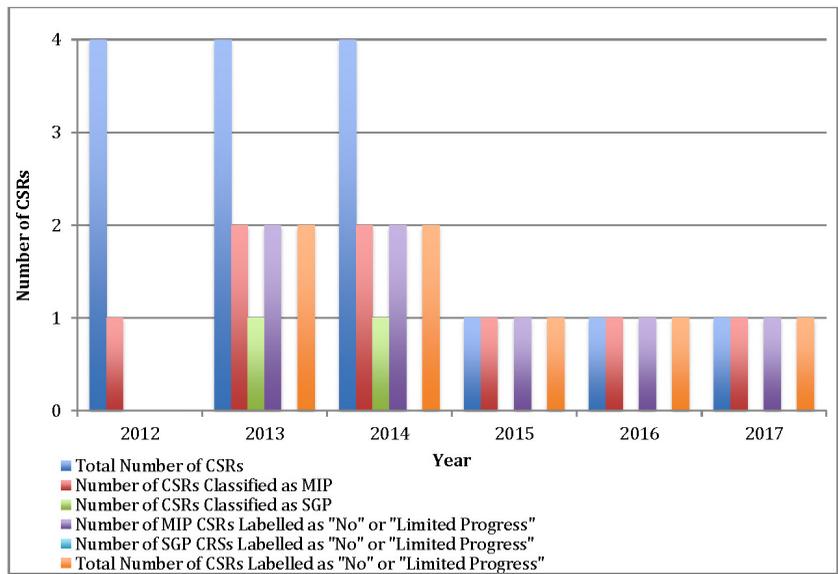
3 Lindahl and Naurin (2005) stated that the referendum resulted in “[a]most 56 percent (55.9) voted ‘No’ and only 42 percent voted ‘Yes.’ 2 percent were registered ‘blank’ votes” (p. 71).

In their study, Lindahl and Naurin (2005) also found that the Swedish public's opposition to the euro does not equal a generalised opposition to the EU, as the Swedish public, despite having such reservations about the single currency, are still in favour of EU membership as a whole. In examining these findings, Lindahl and Naurin (2005) stated that “[t]his result can also be interpreted as support for a position both as an EU membership insider and a euro-outsider in the EU context” (p.78) in that “Swedish voters are able to discriminate between effects in different policy fields” (p.77). This is useful when it is combined with more recent results from Kuhn and Stoeckel (2014), as these authors showed that the Swedish public differentiates in its support for the EU and support for the EU's “economic governance” in the context of post-Eurozone crisis reforms (p. 625).<sup>4</sup> In their article, Kuhn and Stoeckel (2014) found that Sweden has one of the lowest levels of support for “European economic governance” despite having a positive view of the European Union as a whole (p.633). Thus, when combining the findings of Lindahl and Naurin (2005) and Kuhn and Stoeckel (2014), it is apparent that, not only has Sweden's aversion to the Eurozone persisted since the 2003 referendum, but that there are three fundamental components to Sweden's position outside of the Eurozone: one, it is largely the Swedish public that has produced the continued public disdain for EU economic integration (including the single currency) seen in Sweden (European Commission, 2015; 2016; 2018g; Kuhn & Stoeckel, 2014; Lindahl & Naurin, 2005); two, the Swedish government has been able to develop the position of “[c]onscious [o]utsider” with regards to the euro (Lindahl & Naurin, 2005, p.67), thus allowing them to both satisfy “elite” demand for further integration and “public” aversion to increased “European economic governance” (Kuhn & Stoeckel, 2014, p.624; Lindahl & Naurin, 2005, p.66); and three, the Swedish public, despite having such negative opinions of “European economic governance,” has continued to support the EU in general (Lindahl & Naurin, 2005; Kuhn & Stoeckel, 2014, p.633).

Given these three takeaways, Sweden's selective ignorance of CSRs can be seen to be purposeful and continuous, given the Swedish government's “conscious outsidership” position that is outlined in Lindahl and Naurin (2005, p.67). This position sees the government as willing to implement CSRs that are of their own domestic interest or in the interest of the general European Union project, as long as Sweden remains outside of the “necessary conditions” needed to join Eurozone (European Commission, 2018f).

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4 EUR-LEX (2019) summarised “economic governance” by stating that “[t]he European Union has introduced a set of rules that aim to detect, prevent, and correct problematic economic trends such as excessive government deficits or public debt levels, which can stunt growth and put economies at risk. The EU's economic governance framework revolves around the European semester, its economic policy coordination system.” Kuhn and Stoeckel (2014) contextualized “European economic governance [as it applied to] the sovereign debt crisis, i.e., increased intergovernmental co-operation and supranational regulation and oversight” (p.625).

Figure 1: Amount of “No” or “Limited Progress” Swedish CSRs Per Year, 2012-2017<sup>5</sup>

**Source:** Author representation of classifications of CSRs as determined by European Parliament (2013; 2014; 2017; 2018).

Following research conducted by D’Erman et al. (2018) as well as Deroose and Griesse (2014), this paper conducted a primary analysis of the level of compliance of Sweden to its CSRs from 2012 through 2017, shown in Figure 1. This analysis highlighted two important findings. First, it was found that, in all years except for one (2012) in which Sweden was issued at least one CSR that was classified as MIP (‘MIP CSR’), all were classified as “No Progress” or “Limited Progress” (European Parliament, 2013; 2014; 2017; 2018). This finding contrasts with the fact that, when given at least one CSR classified as SGP (‘SGP CSR’), all were deemed to have either “Substantial Progress” (2013) or “Some Progress” (2014) (European Parliament, 2013; 2014; 2017; 2018). Therefore, a pattern can be seen whereby Sweden is not implementing MIP CSRs in the same way as SGP CSRs. Second, when analysing the topics of the MIP CSRs issued to Sweden, it was evident that in several years MIP CSRs were ‘repeated,’ in that they were issued more than once on the same policy area, and in some cases, repeated entirely.<sup>6</sup> This is an important finding, as it suggests that the Swedish government is selectively choosing which MIP CSRs to implement—these ‘repeat’ CSRs are issued by the Commission over multiple Semester cycles, yet continue during this time period to have low compliance (European Parliament, 2013; 2014; 2017; 2018).

These discoveries have considerable value to the central thesis of this paper, as this evidence of a continued selective ignorance of MIP CSRs strongly supports this paper’s argument that Sweden’s position outside of the Eurozone is purposeful; that the Swed-

5 While all CSRs were included in the “Total number of CSRs,” only those that were explicitly classified as either MIP or SGP were included in their respective “classified as” sets. The data table (Table 1) for this graph can be found in Appendix B.

6 An example of a ‘repeated’ MIP CSR for Sweden can be found in Appendix A.

ish government is choosing to not adopt policy recommendations in order to maintain its position outside of the common currency area. These findings also support the position of Sweden as a “[c]onscious [o]utsider” (Lindahl & Naurin, 2005, p.67) as seen in the ability of the Swedish government to implement MIP CSRs at a much lower rate compared to SGP CSRs. However, it is important to note that this analysis in itself is incomplete, as it does not fully explain why it is MIP CSRs that are being selectively ignored by the Swedish government. Therefore, the next section will look to highlight the Commission’s role in the European Semester, specifically regarding the MIP and CSRs, in order show that the Commission is using the MIP in order to further integrate European macroeconomic governance at a supranational level. This analysis will then show that the Commission’s position is at a fundamental conflict with that of the Swedish government’s role as a “[c]onscious [o]utsider” (Lindahl & Naurin, 2005, p.67).

#### **4. ROLE OF COMMISSION AND THE MIP IN INCREASING EUROPEAN MACROECONOMIC INTEGRATION**

The Commission has been able to significantly increase its ability to supervise and exercise authority in the area of EMU in the reforms that have occurred in the aftermath of the Eurozone crisis (Bauer & Becker, 2014; Carstensen & Schmidt, 2018; Hodson, 2018). While Carstensen and Schmidt (2018) made it clear that neither intergovernmental nor supranational actors triumphed in absolute terms during the Eurozone crisis, it is worthwhile to highlight that they found that, coming out of the crisis, the Commission had “shift[ed] its major point of influence from the agenda-setting role [...] toward a role of expert implementer of economic governance reforms and provider of new ideas and interpretations” (p.13). Interestingly, the authors also stated that “[t]he Semester [...] has given the Commission unprecedented oversight authority and enforcement powers with regard to member state governments’ budgets” (Carstensen & Schmidt, 2018, p.9). This statement is even more important when put in the context of the Commission’s political motivations during this period of the crisis, as the authors used Deroose (2018) to argue that the Commission had already looked to increase its authority in the area of macroeconomic surveillance, and used the crisis as a way to realise this goal (as cited in Carstensen & Schmidt 2018, p.9-10). Both of these arguments are interesting in the context of this paper, as they show that, not only has the Commission increased its macroeconomic governance role through the European Semester, but that it has done so with a deliberate political motive. Thus, these findings support the argument that the Commission has worked through the establishment of post-reform policies to purposefully increase the level of control that the supranational bodies of the EU have in EMU integration. Furthering the argument are Bauer and Becker (2014), who went as far as to label the Commission “[t]he unexpected winner” of the Eurozone crisis (p. 213).

In their article, Bauer and Becker (2014) found that, through the Eurozone crisis, the Commission has increased the “breadth (in terms of policy areas)” and “depth (in terms of competence)” of its implementation responsibilities in the areas of both “[e]conomic policy surveillance” and “[c]oordination of national policies” (p.225). Importantly, the authors worked to show how these new roles are materialised in the context of the European Semester, and found that there has been a significant increase in “interpretive authority” in the area of the MIP (Bauer & Becker, 2014, p.220). Bauer and Becker (2014) explained that this increased “interpretive authority” has allowed the Commission to gain significant po-

litical influence as to the detecting of macroeconomic imbalances (p.220). Bauer and Becker (2014) also showed that the Commission, despite its newly established role, was reluctant to issue strong penalties against member states that have macroeconomic imbalances; this, as the authors state, “can be read as either [the Commission] being hesitant to move towards sanctions or deliberately using its discretion to emphasize its ‘softer’ reform policies” (Bauer & Becker, 2014, p.220). This argument carries significant importance, as it shows that there is considerable room for the Commission to inject its political motivations into both the implementation and evaluation stages of the MIP (Bauer & Becker, 2014). When connected back to the arguments made by Carstensen and Schmidt (2018), it can be argued that the Commission is using the MIP process not just as a program for correcting imbalances, but also as a tool for exercising its goals in furthering macroeconomic integration at the supranational level.

Hodson (2018) looked specifically at the MIP through a “legalization” perspective in order to determine whether or not the MIP is being used as a tool of integration (p. 1611).<sup>7</sup> In his analysis, Hodson (2018) echoed the findings of Carstensen and Schmidt (2018) as well as Bauer and Becker (2018) in the increased role of the Commission in both the implementation and evaluation stages of the MIP, and found that, overall the MIP “entails a modest increase in legalization” (p.1620). However, Hodson (2018) made it clear that, while there are strong arguments towards taking this finding “one step further” and seeing it as a direct increase in integration, there is also a considerable case against such a direct relationship (p.1620). Additionally, Hodson (2018) also highlighted that, despite such increases in the power of the Commission, the European Council, made up of the heads of state/government of each member state, still holds the ultimate authority. Despite these counterarguments, the fact that Hodson (2018) outlined the validity for European integration to be seen through the perspective of “legalization” (p. 1623), gives strong credibility to the argument that the MIP is, at least indirectly, involved in increasing the level of macroeconomic integration at the supranational level. Crucially, it is in these increases in both supranational governance and increased integration where Sweden’s lack of compliance with its CSRs can be better understood.

The increased role of the Commission in the area of EMU governance, as well as its use of the MIP for political objectives, is incredibly important in understanding both how and why Sweden is selectively ignoring several of the CSRs that it is issued. When taking into account the continued public disdain towards both the euro (European Commission, 2015; 2016; 2018g) and more generally, “European economic governance” (Kuhn & Stoeckel, 2014, p. 633), and combining it with the increased push for supranational macroeconomic integration from the Commission (Bauer & Becker, 2014; Carstensen & Schmidt, 2018; Hodson, 2018) it is clear that the Lindahl and Naurin (2005) classification of the Swedish government as a “[c]onscious [o]utsider” (p.67) is still strongly applicable. This position is seen in the ability of Sweden to selectively ignore the CSRs that would integrate it further into EMU, as this would cause the Swedish government to be operating against public opinion. Furthermore, it is seen that, due to the use of the MIP as a tool for increasing EU macroeconomic integration (Hodson, 2018), the Swedish government has a

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7 Hodson (2018) defined “legalization” as “conceptualiz[ing] institutionalized co-operation between states along three dimensions: obligation, which measures the extent to which states are bound by the rules governing co-operation; precision, which concerns the ambiguity of these rules; and delegation, the extent to which authority over the interpretation of these rules rests with a third party” (p.1612).

stronger incentive to specifically avoid implementing MIP CSRs, as it is in this policy field where Swedish citizens exhibit considerable opposition towards increased integration (European Commission, 2015; 2016; 2018g; Kuhn & Stoeckel, 2014; Lindahl & Naurin, 2005). This incentive is exacerbated by the fact that MIP CSRs carry little cost if they are not implemented, given their nature as recommendations that are already characterised as lower risk in regards to macroeconomic imbalances. Therefore, by not implementing MIP CSRs, not only is the Swedish government able to continue with its program of not deepening its integration into EMU, but it is able to do so at a relatively little potential economic cost; this allows them to maintain their position as a “[c]onscious [o]utsider” to the Eurozone (Lindahl & Naurin, 2005, p.67).

## 5. CONCLUSION

This paper has attempted to understand the relationship between Sweden’s place outside of the Eurozone and its relatively high rate of “No Progress” or “Limited Progress” CSRs (European Parliament, 2013; 2014; 2017; 2018). Using research that shows that Sweden has a long-standing and strong public sentiment against the integration in the area of “European economic governance” (Kuhn & Stoeckel, 2014, p. 624; Lindahl & Naurin, 2005), this paper argued that Sweden’s position outside of the Eurozone is both purposeful and continuing. Additionally, through primary research conducted on Sweden’s CSRs, it was found that the Swedish government has specifically and repeatedly ignored MIP CSRs. In order to further understand this phenomenon, the increased role of the Commission through post-crisis reforms was examined in order to show that the MIP has acted as a tool within which the Commission is able to work to increase the level macroeconomic integration at the supranational level (Bauer & Becker, 2014; Carstensen & Schmidt, 2018; Hodson, 2018). Crucially, it is through both the purposeful and continued position of the Swedish government keeping Sweden outside of the Eurozone, as well as the actions of the Commission in working to increase the level of macroeconomic integration in the EU, in which the relationship between Sweden and its CSRs is better understood. This is due to the nature of both actors being in fundamental conflict with one another, as the Swedish government, working in the interest of the Swedish public, is acting to prevent its macroeconomic governance from being visibly controlled by supranational actors, while the Commission is using post-reform programs such as MIP to increase EU macroeconomic governance in this exact way. This underlying rift between the Swedish government, representing the interests of the Swedish public, and the Commission is what is seen in Sweden’s selective ignorance of its CSRs.

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**APPENDIX A**

The following is an example of a ‘repeat’ CSR. The CSRs given in this Appendix are CSR 1, the only CSR that Sweden received for the years 2015–2017, inclusive. The bolded text is from the original document, while the underlined text is the author’s own, done as a way to highlight the ‘repeated’ nature of the CSRs. Source: European Parliament (2017, p.87; 2018, p. 111).

2015: “**Address the rise in household debt** by adjusting fiscal incentives, in particular by gradually limiting the tax deductibility of **mortgage interest payments** or by increasing recurrent **property taxes**, and by increasing the pace of mortgage amortisation. **To alleviate the structural under-supply of housing, foster competition in the construction sector**, streamline the planning and appeals procedures for construction and revise the rent-setting system to allow more market-oriented rent levels.”

2016: “**Address the rise in household debt** by adjusting fiscal incentives, in particular by gradually limiting the tax deductibility of **mortgage interest payments** or by increasing recurrent **property taxes**. Ensure that the macro-prudential authority has the legal mandate to implement measures to safeguard financial stability in a timely manner. **Foster investment in housing and improve the efficiency of the housing market**, including by introducing more flexibility in setting rental prices and by revising the design of the capital gains tax to facilitate more housing transactions.”

2017: “**Address risks related to household debt**, in particular by gradually limiting the tax deductibility of **mortgage interest payments** or by increasing recurrent **property taxes**, while constraining lending at excessive debt-to-income levels. **Foster investment in housing and improve the efficiency of the housing market**, including by introducing more flexibility in setting rental prices and revising the design of the capital gains tax.”

**APPENDIX B**

*Table 1: Data table of CSR data from the European Parliament (2013; 2014; 2017; 2018)*

Year	Total Number of CSRs	Number of CSRs Classified as MIP	Number of CSRs Classified as SGP	Number of MIP CSRs Labeled "No" or "Limited Progress"	Number of SGP CSRs Labeled "No" or "Limited Progress"	Total Number of CSRs Labeled "No" or "Limited Progress"
2012	4	1	0	0	N/A	0
2013	4	2	1	2	0	2
2014	4	2	1	2	0	2
2015	1	1	No Specific CSR	1	No Specific CSR	1
2016	1	1	No Specific CSR	1	No Specific CSR	1
2017	1	1	No Specific CSR	1	No Specific CSR	1

*Source:* Author coding of European Parliament data (2013; 2014; 2017; 2018).