

# Ideas as Focal Points: German preferences in the euro crisis

*David Schäfer*  
*PhD candidate*  
*Department of International Relations*  
*London School of Economics and Political Science (LSE)*

Paper for the EUSA Conference  
Miami, 4-6 May 2017

*Draft – please do not quote or cite without permission.*

## Introduction

German preferences in the euro crisis pose a puzzle. On the one hand, many have argued that the German government should have used its bargaining power to reform the eurozone and put it on a stable footing. European economies are highly interdependent and no other big eurozone country is as dependent on the functioning of the currency union as the German government. In order to be able to maintain these benefits, many experts expected a willingness of the German government to agree to a reformed and more genuine Economic and Monetary Union (EMU) in order to make the currency union work. Given the benefits the German government obtained from the single currency, it was commonly assumed that it would do whatever it takes to sustain the single currency (Tsoukalis, 1977; Stiglitz, 2016). On the other hand, some have argued that the only rational strategy was shifting adjustment costs to the periphery. In order to prevent burdens on the German taxpayer, there was no alternative to put pressure on the periphery to conduct reforms. A genuine EMU would only have made things worse and made Germany the paymaster. What, if any, proponents of this approach asked, would be the benefit of a currency union if it results in becoming a paymaster of the eurozone (Sinn, 2014; 282 German economists in FAZ, 2012)? Both camps stood in fierce opposition. Yet – what has driven German preferences in the euro crisis?

This article employs liberal intergovernmentalism to explain German preferences towards EMU reform. It is considered the baseline theory to explain grand bargains and invokes two explanatory factors with regard to domestic preferences: the producer groups in all trade-related issues and the fiscal position of a government in all exchange rate-related policy areas. Regarding the former, the impact of commercial interests is issue-specific and particularly strong in all trade-related policy-areas (Moravcsik, 1999, p. 24). Thus, trade patterns predict which policies for European integration a government is going to advocate. Yet, demands for regulatory protection, economic efficiency and fiscal responsibility constrain the extent to which governments can follow interest groups (Moravcsik, 1999, pp. 36–37). Therefore, the ‘macro-economic preferences of the ruling governmental coalition’ (Moravcsik, 1999, p. 3) and in particular fiscal considerations are expected to be particularly strong in all questions relating to the Economic and Monetary Union. Hence, another plausible predictor for the preferences of governments is their fiscal position. This paper seeks to disentangle these explanatory factors for the analysis of German preferences in EMU.

The analysis suggests that predictions of German preferences with liberal intergovernmentalism alone remain indeterminate. While trade patterns suggest a policy of fixing EMU and establishing a more genuine currency union, the fiscal position suggests shifting adjustment costs. Both

predictions are justified based on the premises of liberal intergovernmentalism, but contradict each other. Thus, this initial analysis does not yet explain why the preferences of the German governments reflect a policy of shifting adjustment costs.

The article seeks to fill this gap by supplementing liberal intergovernmentalism with an ideational approach. Whenever considerations based on the core factors such as trade patterns and the fiscal position result in different strategies, actors are likely to consult ideas to find policy advice. In the case of the euro crisis, internalised ideas of ordoliberalism and *Ordnungspolitik*<sup>1</sup> served as focal points and guided the German government towards a policy of shifting adjustment costs. The core claim of ordoliberalism is the *haftungsprinzip* ('principle of liability') (Eucken, 1951, pp. 279–285) which translates to the euro crisis management with the mantra of realigning control and liability. While fixing EMU corresponds to interests derived from German trade patterns, it conflicts with ordoliberal ideas as it would entail transfer mechanism and violate this principle. By contrast, a policy of shifting adjustment costs resonates much better with ordoliberal ideas. Hence, faced with more than one rational policy (depending on trade patterns and the fiscal position), ordoliberal ideas were the focal point guiding the German government towards this particular interpretation of its interests.

This paper contributes to the literature on ideas and in particular the interplay between interests and ideas. Early studies have used ideas and interests in a framework of competitive testing (Jupille *et al.*, 2003). While they showed that ideas matter, they failed to grasp the interplay between interests and ideas. Therefore, this paper sees more proximity to an integrative approach to interests and ideas. As Blyth pointed out, there are no interests without ideas (Blyth, 2003). This paper shows that internalised ideas of *Ordnungspolitik* provide a powerful explanation why the German government chose to pursue a policy of shifting adjustment costs as opposed to an equally rational policy of fixing EMU and assuming a greater share of the burden in exchange for a more stable economic and monetary union. Notably, the impact of ideas is helped by the constellation of fiscal position and trade, which results in contradictory policy advice. Hence, material factors being indeterminate is a scope condition for ideas to influence policies.

The analysis builds on a set of 84 interviews with negotiators of euro crisis policies from Germany, France, Italy, Spain and the Netherlands as well as the EU institutions. While the analysis is based on comments from German negotiators, the interviews with their peers from other member states

---

<sup>1</sup> Ordoliberalism and *Ordnungspolitik* are used interchangeably in this paper.

are useful to triangulate the information and assess whether German negotiators were perceived to be consistent to their self-assessment in the interviews.

The remainder of the paper begins with liberal intergovernmentalism as the first pillar of the explanatory framework. This is followed by an empirical part analysing the explanatory power of trade patterns and the fiscal position. Since this analysis is inconclusive, an ideational framework is used and empirically tested in the following sections. The conclusion puts these findings in perspective.

## Liberal Intergovernmentalism: The baseline theory for EU integration

Liberal intergovernmentalism considers individuals and private groups the fundamental actors in international politics (Moravcsik, 1997, pp. 516–517). They are rational gain-maximisers and promote differentiated interests (Moravcsik, 1999, pp. 19–24). The state is the ‘transmission belt’ (Moravcsik, 1997, p. 518) between the domestic and the international level (Moravcsik, 1999, p. 22). Henceforth, Moravcsik contends that ‘European integration resulted from a series of rational choices made by national leaders who consistently pursued economic interests – primarily the commercial interests of powerful economic producers and secondarily the macro-economic preferences of ruling governmental coalitions’ (Moravcsik, 1999, p. 3). Hence, the main explanatory variable for the formation of domestic preferences<sup>2</sup> is material interests, divided into commercial interests (i.e. interest group pressure) on the one hand and macro-economic preferences on the other hand.

With regard to the former, Moravcsik ‘assume[s] throughout that domestic producers influence policy’ (Moravcsik, 1999, p. 36). The impact of commercial interests is issue-specific and particularly strong in all trade-related policy-areas (Moravcsik, 1999, p. 24). Notably, liberal intergovernmentalism assumes that producers as the most powerful domestic interest group pressure the government in devising policies; in contrast to a purely economic explanation, economic gains on the aggregate level are less important (Moravcsik, 1999, pp. 38–41). For the sake of parsimony, the interests of producers are represented by their umbrella organisations

---

<sup>2</sup> State preferences are defined as ‘a set of fundamental interests defined across “states of the world”’ (Moravcsik, 1997, p. 519; Moravcsik, 1999, p. 20).

(Moravcsik, 1999, p. 36). In situations with competing interests, Moravcsik assumes that the government will follow the most powerful domestic interest group in order to secure the highest possible support for re-election.

Yet, the extent to which the government can follow interest-groups is constrained by demands for regulatory protection, economic efficiency and fiscal responsibility (Moravcsik, 1999, pp. 36–37). Moravcsik analyses the structure of the industry as well as perceptions of domestic actors and political cleavages to derive the macro-economic preferences that prevail in the government (Moravcsik, 1999, pp. 41–49). As Moravcsik points out, these fiscal considerations are particularly strong in all matters related to exchange-rate coordination for which ‘specific macroeconomic goals are more important, relative to direct commercial interests’ (Moravcsik, 1999, p. 43). Moravcsik invokes the ‘macro-economic preferences of the ruling governmental coalition’ (Moravcsik, 1999, p. 3) to explain the domestic preferences in these issues. Thus, in the case of the eurozone crisis liberal intergovernmentalism predicts that governments follow these macro-economic preferences (Schimmelfennig, 2015).

Yet, in particular the creditor states were caught in a dilemma. On the one hand, it is rational to shift the crisis costs to the periphery, as Schimmelfennig argues (Schimmelfennig, 2015). He contends that ‘the distribution of costs and benefits is clear’ (Schimmelfennig, 2015, p. 184) and therefore it was a rational strategy of creditor governments to limit transfers to the periphery and enforce fiscal discipline and structural reforms (Schimmelfennig, 2015, p. 181). On the other hand, the German economy is highly interdependent and maintaining the currency union is a key factor for its welfare. Hence, a macro-economic preference can very plausibly also be derived from the trade patterns of a country. This would translate to a preference for sustaining EMU at almost any costs as the alternative – euro break-up – would incur even higher costs than moderate transfer payments. This leads to the following hypothesis on the domestic preference formation:

**Hypothesis 1:**

*The preferences of governments are determined by their trade patterns.*

**Hypothesis 2:**

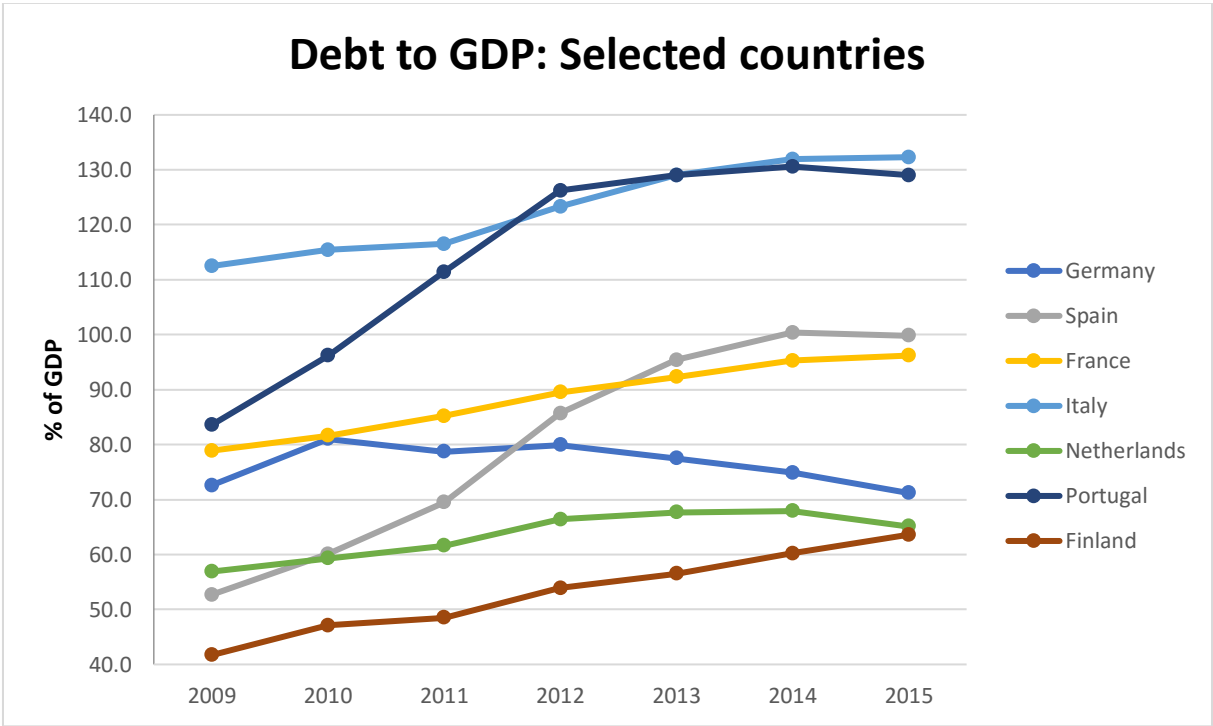
*The preferences of governments are determined by their fiscal position.*

We expect liberal intergovernmentalism to predict domestic preferences most successfully if both fiscal position and trade patterns suggest a unique policy choice (hence point in the same policy

direction) and this predicted policy matches the actual policy of the government. The government is likely to respond to align its preferences to these societal interests in order to increase its chances to be re-elected. However, this also logically leads to ways to falsify liberal intergovernmental. If a government’s policy does not match the predictions, the framework can be taken as falsified. More problematic is a case in which the fiscal position and trade patterns suggest different policies. This could still result in a clear prediction if one of the two is significantly more powerful than its counterpart. If, however, the fiscal position and the trade patterns appear of equal weight but point into different directions, liberal intergovernmentalism would be indeterminate.

### German Preferences: The impact of the fiscal position and trade patterns

This section turns to testing the hypotheses empirically. The fiscal hypothesis comes first and is followed by the hypothesis based on trade patterns; this is then followed by another section on the ideational frame. With regard to the fiscal hypothesis, Schimmelfennig pointed out that the most important characteristic to determine the macro-economic interest of governments in the eurozone is their fiscal position (Schimmelfennig, 2015, p. 181). Thus, a suitable indicator for their preferences is their debt to GDP ratio. It is commonly seen as the significant debt statistic as it expressed both the total debt and – over time – the deficit dynamics of a country.



*Figure 1: Debt to GDP ratio*

As the graph above demonstrates, the members of the Northern European coalition possessed of a more favourable fiscal position than their counterparts from Southern Europe throughout the crisis. Their debt to GDP ratio is consistently below those of governments from Southern Europe. Also, there is no clear trend towards an increase of their debts (with the exception of Finland) while Southern European member states struggle with high deficit numbers driving up their debt to GDP ratio. Starting from these numbers, any sort of mutualisation and risk-sharing, such as insurance or reinsurance mechanisms, shared debt liabilities, bail-out loans or a eurozone budget would constitute a risk to the favourable fiscal position of creditor states. A Europeanisation of liabilities for public or private (bank) debt would be an upgrade of competences potentially paving the way to a so-called transfer union in Europe (Howarth and Quaglia, 2013, p. 109). 282 German economists expressed this fear by pointing out in a joint statement that ‘if the economically strong countries agree to a shared liability for bank debts in principle, they will time and again be pressured to increase their liabilities’ (FAZ, 2012). Likewise, the verdict of influential German economists upon a joint public debt liability dubbed eurobonds was unequivocally negative: ‘in the long run they lead to disaster, because they pave the way to even higher debts for everyone’ (EurActiv, 2011). Providing assistance to the periphery was feared to ‘pull hitherto sound economies into the abyss’ (Sinn, 2012a). In this transfer union scenario, the core concern was moral hazard. If mutualised funds could be used to cover up the negative consequences of national policies, there was a fear that Southern European governments could be encouraged to pursue exactly these policies to the detriment of the other eurozone governments (Howarth and Quaglia, 2014, p. 129; Bonatti and Fracasso, 2013). Fiscal transfers were considered as the wrong response, as the economic Sinn demonstrated in a comment to the Spanish bail-out programme: ‘Spanish banks speculated on a continuing increase in real-estate prices (...). To compensate for the damage that their reckless behavior caused, they received €303 billion in extra credit through Target, the European Central Bank's interbank payment settlement system, and can now expect a further €100 billion in help from the European Financial Stability Facility. Much of this money will never return’ (Sinn, 2012a). Therefore, deriving macro-economic preferences from the fiscal position would unequivocally result in a course of action best captured by ‘put-your-own-house-in-order-policies’.

Such a policy would, however, run counter to macro-economic interests which follow from another structural characteristic of almost all creditor countries: persistent trade surpluses and a highly interdependent economy. The economic model of Germany (and other creditor states, such as the Netherlands) is strongly export-based and they benefit strongly from the single currency (Bonatti

and Fracasso, 2013; Johnston *et al.*, 2013; Hassel, 2011). No other country is as dependent as the German government on open markets and as much a beneficiary of fixed exchange rates. Their trade interdependence is remarkable.

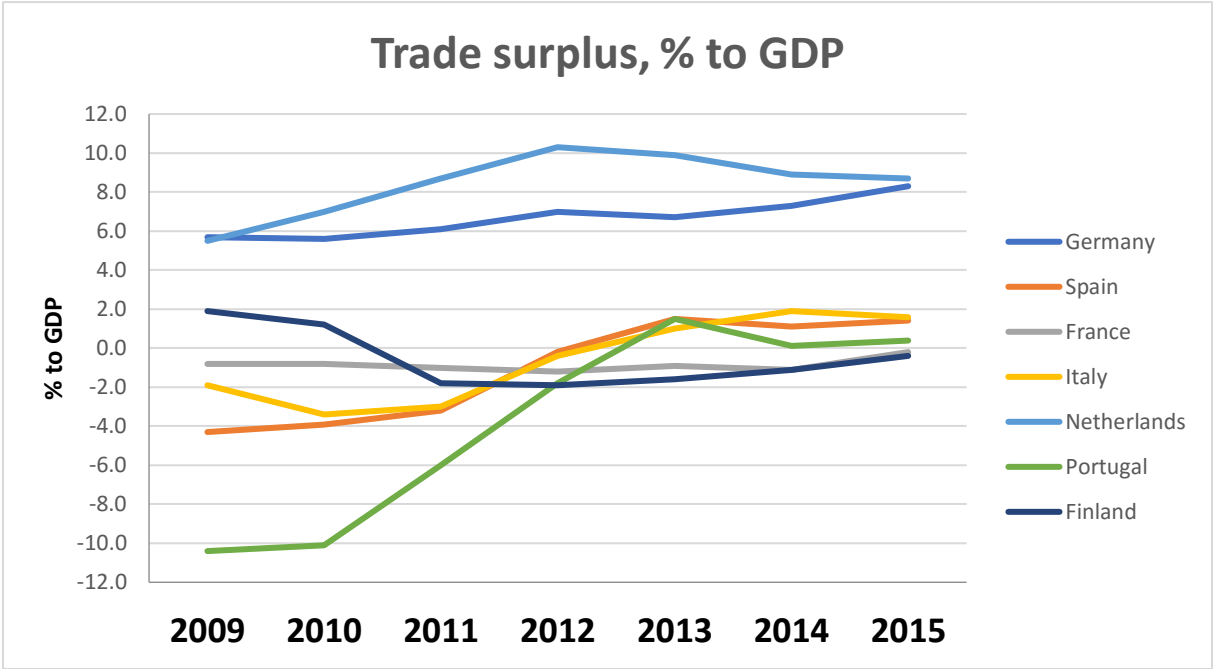


Figure 2: Trade surplus

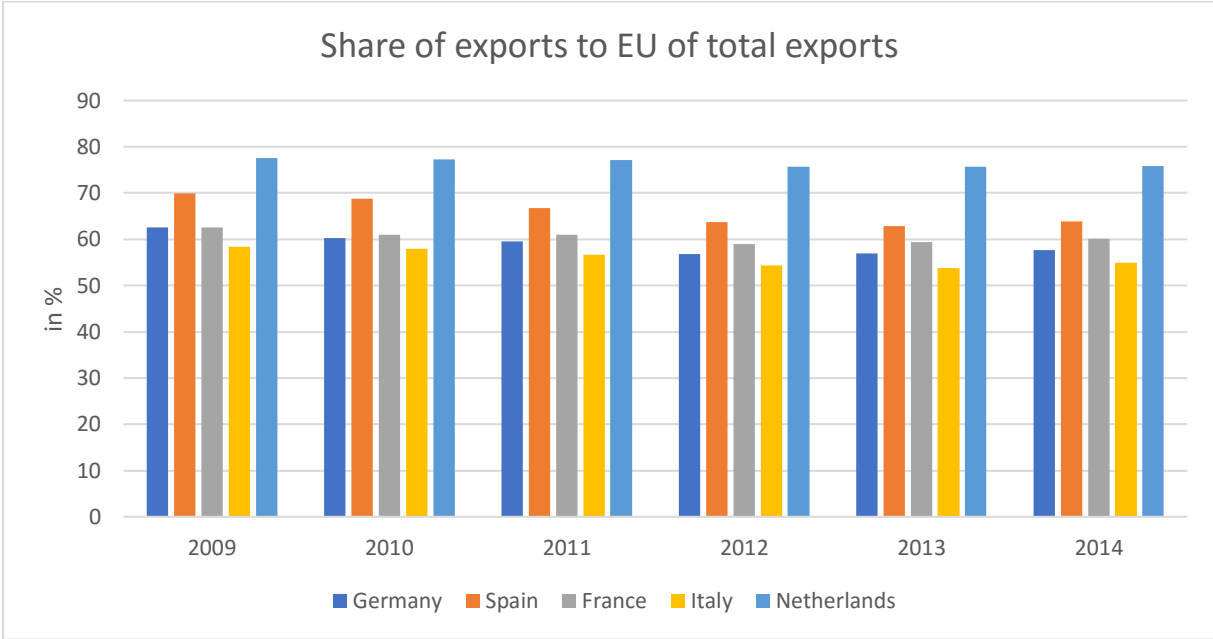


Figure 3: Share of exports to EU of total exports

Considering this trade dependency as a core feature of the economies of many creditor countries, there is a strong interest in sustaining EMU (Howarth and Quaglia, 2014, p. 127; Schimmelfennig,



2015, pp. 181–182). UBS estimated the costs of euro break-up with a GDP loss of 20-25% in the first year (Deo *et al.*, 2011). The German Finance Ministry expected a loss of 10% of GDP (Der Spiegel, 2012). These risks fundamentally transformed the policy options: in this line of thinking, the choice is no longer between banking union and no banking union, but between banking union and the *deutschmark*. This makes it questionable if shifting adjustment costs is indeed the only rational choice; successfully shifting the costs may eventually result in the worst payoff, i.e. the end of the currency area. Considering that many economists agree that the institutional design of EMU is fundamentally flawed in its current form (e.g. Schmidt, 2010, p. 210; Pisani-Ferry, 2012, pp. 9–13; De Grauwe, 2011; De Grauwe, 2013), the question is which institutional reforms are necessary to make EMU sustainable. In order to fix EMU, experts argued that either a fiscal union, banking union or a revised ECB mandate would be needed to put EMU on a stable footing (e.g. Glöckler *et al.*, 2016; Belke, 2013, pp. 56–57; De Grauwe, 2013).

Hence, based on a trade-based assessment of macro-economic preferences, a strategy of advocating institutional reform in the Economic and Monetary Union as a comparably cheap fix to sustain the common currency as the backbone of the German economy seems reasonable. Further benefits that are related to German trade patterns would be a more stable financial system in the euro periphery which is a structural recipient of investments from a country with trade surpluses like Germany. Considering the consequences of banking union, Gros estimated that ‘the long-run benefits might be higher for Germany than for countries with weak public finances’ (Gros, 2013, p. 2). While many feared that the pooled resources could be used to bail-out banks in the periphery with money from the German taxpayer, Gros argued that ‘[m]any of these investors might actually be German, given that the country is running such a large current account surplus’ (Gros, 2013, p. 2). Also likely would be efficiency gains, e.g. through a European bail-in regime which is tricky to introduce on the national level, let alone make effective (e.g. Véron, 2015, p. 24).

To be sure, it is contested among economists to what extent the North can actually deliver on stabilising EMU without being overwhelmed by these costs (e.g. 282 economists in FAZ, 2012; Heinemann and Illing, 2012). However, an example that demonstrates that moderate transfers were a realistic option for a creditor state is the Dutch government, whose fiscal position was as sustainable and the trade surplus as high as Germany’s. It sought to combine two different goals: limiting the size of transfers to the periphery while never losing out of sight what was absolutely necessary to make EMU sustainable. They were ‘not against risk-sharing *per se*. The question is when do you do it and how you do it’ (NCB2, 2016). Referring to banking union, one advisor to the prime minister remembered their considerations:

‘We embraced banking union. It was a *technical* solution which did not involve the taxpayer. Eurobonds would have been the *political* solution. And you could justify banking union much easier than eurobonds because of the vicious circle. It helped us to avoid the political solution (...). There is no regret for having put tough conditions. But we think that eventually it is good for us. We also think we should take the next step and have a deposit scheme’ (NMG1, 2016)

The Dutch government could use their German allies to pursue its goal of limiting transfers while aligning with the Southern coalition whenever the German government threatened with non-agreement or vetoed fundamental design features of a functional currency area. One Dutch central banker explained: ‘We do side with Germany on many issues, but we cannot afford to not move on’ (NCB2, 2016). It is plausible that advocating institutional fixes for EMU could be part of a rational strategy derived from the German government’s trade balance.

The analysis has shown that the fiscal position and trade patterns lead to testable propositions about the policy of the German government. Yet, it has also become evident that both predictors suggest different policies. In the most favourable scenario, shifting adjustment costs is successful and leads to a sustainable EMU membership of the South at (almost) no costs for Germany. However, observers have pointed to the risk that continued austerity and a permanent state of crisis is likely to be politically unstable in the long-term (Blyth, 2013). In a much less favourable but equally plausible scenario put-your-own-house-in-order policies fail to gain traction in the periphery. The least favourable outcome is likely to materialise: the break-up of the currency area. The attempt to square the circle (sustain EMU without transfer mechanism) and shift crisis costs to other EMU states carries a real risk of leading to the break-up of the single currency, causing much higher costs for the German government than moderate transfers. A plausible alternative is a policy based on German trade patterns. Its starting point is the realisation that the patterns of German trade make it imperative to sustain the eurozone. This preference suggests tackling the institutional flaws of the eurozone. Considering the lack of effectiveness of the effort to bring about reforms in the periphery, institutional reforms would carry the day even more. However, such a policy does not remain without risks; it could also potentially lead to overburdening creditor countries, resulting in transfer payments in a ‘more genuine’ EMU without actually solving the underlying structural problems in some peripheral countries.

Game theorists have already demonstrated that actors likely face problems when evaluating different courses of action under uncertainty. The Folk theorem describes repeated games in which there is incomplete information. The information deficits constrain actors in their calculation of the costs and benefits of different courses of action. Without being fully certain about the payoff-matrix, the utility calculations of actors may suggest various policies as equally rational (Friedman,

1971; Fudenberg and Maskin, 1986). The problem of incomplete information weighs in even more heavily if there is much interdependence among actors. The policies of other governments influence the distribution of costs and benefits, but anticipating let alone steering their policies is difficult. Situations as described in the Folk theorem have much historical relevance. Governments have often faced situations in which evaluating the rationality of their actions was not obvious and straightforward. Charles Kindleberger points to this dilemma in his seminal study on trade policies in the Great Depression (Kindleberger, 1973). In the midst of a recession, governments had two choices: they could keep trade afloat or protect their domestic producers. They eventually adopted protectionist policies and imposed barriers to imports from other states. Yet, other governments swiftly adjusted and started to ban imports as well. The result of the seemingly rational decision to protect domestic producers was the breakdown of international trade. Eventually, each government ended up worse-off than with open trade policies: ‘When every country turned to protect its national private interest, the world public interest went down the drain, and with it the private interests of all’ (Kindleberger, 1973, pp. 290–291).

This analysis revealed a similar dilemma for German preferences in the euro crisis. Two different strategies appear rational, but uncertainty obscures their consequences and makes it difficult to evaluate their costs and benefits. This results in liberal intergovernmentalism being indeterminate. Neither the fiscal position nor preferences based on trade patterns appear significantly more plausible than their counterpart. Yet, if distributional consequences cannot be anticipated, no clear course of action can be predicted.

## Internalised ideas as focal points: Road maps for governments?

Considering this level of uncertainty, ideas are a plausible driver for policies. Uncertainty is a recognised scope condition for the impact of ideas on policies (Goldstein and Keohane, 1993, p. 13; Puetter, 2012, p. 165). Actors are forced to take decisions, but the consequences are difficult to anticipate. It is likely that actors resort to ideas to compensate the incomplete information. A further reinforcing factor is a crisis situation which often goes hand in hand with policy failures (Goldstein and Keohane, 1993, p. 13). Ideas are also prone to be used to deal with cognitively complex subjects (Niemann, 2006, p. 473), such as market behaviour and crisis management. The presence of these scope conditions<sup>3</sup> and the difficulties to establish a unique hypothesis for macro-

---

<sup>3</sup> Further scope conditions that were met are intense and sustained contact among policy-makers (Beyers, 2005, p. 911; Checkel, 2005, pp. 10–11; Lewis, 2005, pp. 945–948; Puetter, 2012, p. 165) and a negotiation setting insulated from the public (Lewis, 2005, pp. 945–948; Checkel, 2005, p. 813; Niemann, 2006, p. 473). The former was met because the negotiations took place among the regular Treasury officials in the Council (and their ministers). The latter was met because of the secret nature of the negotiations (even though the case was significantly covered in the press).

economic preferences make it reasonable to consider the ideational literature as part of the theoretical framework. Within the ideational literature, taking ideas as focal points appears particularly suitable for situations with large fragmentation of material interests. According to Goldstein and Keohane, ideas are likely to become focal points if there is no unique equilibrium (Goldstein and Keohane, 1993, p. 17). An idea as focal point causes actors to prefer one set of preferences over another one. It limits choice because it ‘logically excludes other interpretations of reality or at least suggests that such interpretations are not worthy of sustained exploration’ (Goldstein and Keohane, 1993, p. 12). Actors resort to focal points and are open to them in order to increase efficiency (Goldstein and Keohane, 1993, p. 12). The information provided by focal points leads actors to assume that one choice is more gain-maximising than competing ones (Goldstein and Keohane, 1993, p. 18). These qualities of the focal point concept help to solve the dilemma that comes with the fragmentation of material interests. With more than one preference being a rational preference, focal points help us to predict which preferences actors are likely to pursue.

On a conceptual level, the literature distinguishes two<sup>4</sup> types of ideas. Cognitive ideas (Schmidt, 2008, p. 306), by some also referred to as causal ideas (Goldstein and Keohane, 1993, p. 10), make claims about cause and effect relationships. They reduce uncertainty by providing a road map that guides policy-makers to a better understanding of the situation and how to attain a specific objective (Goldstein and Keohane, 1993, pp. 12–13). The second type of beliefs are normative ideas (Schmidt, 2008, p. 306), synonymously called principled ideas by Goldstein and Keohane (1993, p. 9). Their claims are value-based. They translate more abstract ideas into concrete policy choices. Normative ideas reduce uncertainty and guide policy-makers by providing them with the goals to be attained (Goldstein and Keohane, 1993, p. 9).<sup>5</sup>

The impact of ideas is most visible if new ideas rise and gain traction among policy makers. Especially in crisis situations, governments are open to new ideas, decoupled from policy failures of the past. Policy entrepreneurs skilfully spin and promote them within administrations or

---

<sup>4</sup> A third type of ideas is ideas as worldviews. They are intertwined with the identities of people and their perspective of the world at a very general level (Goldstein and Keohane, 1993, p. 8). They are not used any further in this theory framework as the worldviews among EU governments do not vary significantly. Hence, the lack of variation on the variable renders it useless as explanatory variable.

<sup>5</sup> Normative or cognitive ideas operate at three levels of generality. Public philosophies are the most general level. They contain worldviews with ‘general principles of knowledge and society’ (Schmidt, 2008, p. 306). They are internalised by actors and rarely contested (Schmidt, 2008, p. 306). Programmes are a more specific level of ideas as they consist of programmatic paradigms that provide the general principles of policies. They define problems and hereby set out the goals, methods and instruments of policies (Schmidt, 2008, p. 306). Policies are the most specific level of ideas. They are underpinned by broader worldviews and programmatic beliefs and contain concrete solutions to problems (Schmidt, 2008, p. 306).

powerful actors (Kingdon, 1984). They ‘change the direction and flow of politics’ (Schneider and Teske, 1992, p. 737).

Yet, no less important are ‘old’ or internalised ideas. Ideas that are internalised and taken for granted by policy-makers operate below the surface; yet, by no means are they less powerful (Checkel, 2005, pp. 812–813). If ideas are internalised (Checkel, 2005, pp. 812–813), specific policies are adopted semi-automatically because they are deemed appropriate in a specific institutional environment due to their fit to pre-existing beliefs (March and Olsen, 1998, pp. 951–952). They ‘specify policy in the absence of innovation’ (Goldstein and Keohane, 1993, pp. 12–13). For instance, ideas that were promoted within institutions as a response to powerful interests are often still embedded after the material interests have vanished or changed (Goldstein and Keohane, 1993, p. 21). An important carrier of internalised ideas are institutions where internalised ideas are often reproduced for instance through effects of socialisation (Checkel, 2005; Beyers, 2005; Lewis, 2005). Administrations regulate to what extent policy-makers are exposed to ideas (Hall, 1989a, pp. 11–12). If an idea resonates with internalised beliefs and administrative cultures, it has administrative viability<sup>6</sup> (Hall, 1989b, p. 371; Goldstein and Keohane, 1993, p. 20). Internalised ideas can serve as focal points whenever policy-makers are caught in-between equally rational solutions.

If we consider internalised ideas as focal points, ordoliberalism and *Ordnungspolitik* are plausible focal points in the case of Germany. The literature assigns it a long track-record in influencing German preferences. Nedergaard and Snaith describe ordoliberalism as ‘dominat[ing] the German politico-economic landscape’ (Nedergaard and Snaith, 2015, p. 1100). It is a frequent element in the discourse of key decision-makers (Van Esch, 2014, p. 294; see also Olender, 2012, p. 5). These insights allow us to derive a hypothesis on the impact of ordoliberalism as focal point:

### **Hypothesis 3:**

*In situations characterised by much uncertainty, the preferences of the German government follow ordoliberal ideas as focal point.*

If ordoliberal ideas serve as focal point for German preferences, we would expect the following evidence. First, we would expect that ordoliberalism provides a sufficient explanation for German crisis policies. This would be the case if German policies in the crisis correspond to ordoliberal ideas. Second, we would expect that policy-makers in administrations refer to ordoliberalism when

---

<sup>6</sup> Administrations may even form an epistemic community that shares a particular set of normative and cognitive beliefs to advance a particular policy (Haas, 1992, p. 3). Epistemic communities are defined as a ‘network of professionals with recognized expertise and competence in a particular domain and an authoritative claim to policy-relevant knowledge within that domain or issue area’ (Haas, 1992, p. 3).

they explain the crafting of policies. Competing ideas and proposals would be discussed much less favourably. If ordoliberal policies are treated as common-sense and without alternative, we would have the strongest possible evidence for their internalised character. Third, we would also expect that high-level politicians justify their policies publicly with reference to ordoliberal ideas. While one cannot fully exclude that these references are the result of strategic considerations and the desire to mask other considerations, this evidence can nevertheless be considered reasonably strong in favour of the hypothesis.

## Ordnungspolitik and German Preferences: A powerful idea

First ideas of ordoliberalism, also known as Freiburg School of economics, *Ordnungspolitik* ('politics of order') or *Stabilitätskultur*<sup>7</sup> (stability culture) were developed in the interwar period. The term ordoliberalism emerged in the 1950s when the concept diffused in academic circles and among policy-makers (Siems and Schnyder, 2014, p. 379). It remains a powerful economic theory in Germany, a country that is often portrayed as an outlier in terms of economic thought because of the almost complete absence of Keynesian economic thought (Hall, 1989c).<sup>8</sup> The impact of economists on policies is promoted by the particularities of the German knowledge regime.<sup>9</sup>

After many decades of ordoliberal thought, there is some ambivalence about what 'ordoliberalism' actually is (Jacoby, 2014a; Ptak, 2004).<sup>10</sup> It is undisputed that ordoliberalism is a broad church (Jacoby, 2014a; 2014b; Sally, 1996; Young, 2014). However, the following core aspects of ordoliberalism are fairly uncontested. The first cornerstone of ordoliberalism is the principle of liability. According to the *Haftungsprinzip* (Eucken, 1951, pp. 279–285), whoever takes a risk deserves to get the benefits, but also needs to be liable for incurred losses. The principle translates to financial regulation with the demand that 'banks must be allowed to fail' (FAZ, 2012), as 279 German economists put it in a public statement. The same holds true for sovereigns which is why

---

<sup>7</sup> These terms are used interchangeably in this paper.

<sup>8</sup> The internationalisation of the German economics discipline since the 1990s has challenged the academic predominance of ordoliberalism. Survey data suggests that research *on* ordoliberalism is increasingly marginalised (Süddeutsche Zeitung, 2015; see also FAZ, 2008) but *attitudes* of German economists remain strongly ordoliberal and differ significantly from those of economists in both Southern and Northern Europe (De Ville and Berckvens, 2015).

<sup>9</sup> The finance and economics ministries both have a permanent board of academic advisors which regularly provide expertise (Bundewirtschaftsministerium, 2016; Bundesfinanzministerium, 2016). The well-known *Sachverständigenrat* advises the government publicly and 'made a significant contribution to the dominance of monetarist thought in Germany' (De Ville and Berckvens, 2015, p. 36). Public statements from economists have increased their weight in the public debate (e.g. FAZ, 2012; Sinn, 2012b).

<sup>10</sup> The variety of ordoliberal thought partially explains why some ordoliberals have turned against government policies in the euro crisis which others classify as ordoliberal (e.g. Jacoby, 2014a).

ordoliberals advocate a sovereign default mechanism for the eurozone (e.g. Fuest *et al.*, 2015). Violations of the principle of liability are assumed to lead to irresponsible behaviour and moral hazard of governments and banks alike (Siems and Schnyder, 2014, p. 386; see also FAZ, 2012; Sinn, 2009). The principle of realigning liability and control is described as ‘sacrosanct’ (Nedergaard and Snaith, 2015, p. 1101) for ordoliberals.

Second, an important corrector to domestic policies of governments is markets. If governments risk stability with unsustainable policies, it is assumed that markets signal through rising interest rates for sovereign bonds that corrective action is needed. Therefore, market forces should not be restrained, but used to stabilise the economy in a market-conforming framework (Siems and Schnyder, 2014, pp. 380–382). The wrong perception of the periphery’s sovereign risk is considered a core reason of the crisis (Buti and Carnot, 2012, p. 901).

Third, in order to credibly establish the principle of liability, a strong state acts as the ‘guardian of the competitive order’ (Eucken, 1951, p. 327). In contrast to neoliberals, a strong state and state interventions belongs to ‘the core claims of ordoliberalism’ (Siems and Schnyder, 2014, p. 380). However, in contrast to socialists these interventions are not market-constraining, but market-conforming (Müller-Armack, 1947, p. 90; see also Bibow, 2009, p. 168). The state sets a framework for efficient markets<sup>11</sup>, but does not assume economic activity itself (Röpke, 1950, p. 181; Eucken, 1951, p. 255; see also Bibow, 2009, p. 168). Given the emphasis on an incentive-driven framework, a red line for ordoliberals was the fear of a so-called transfer union. The above-cited 279 German economists warned that ‘the socialisation of debt is no sustainable solution to the current problems’ (FAZ, 2012). A mutualisation of resources is only possible if governments give up sovereignty to an extent that makes moral hazard impossible (Howarth and Quaglia, 2013, p. 111), i.e. if liability and control is aligned. Bail-outs, which were critically assessed by ordoliberals, are only feasible if they come with extensive conditionality to prevent moral hazard (Sachverständigenrat, 2011, p. 144; see also Olender, 2012, p. 9; Siems and Schnyder, 2014, pp. 385–388).

Fourth, a fundamentally important pillar in a market-conforming framework for ordoliberals is an independent central bank (Eucken, 1951, pp. 288–289; see also Howarth and Rommerskirchen, 2013, p. 753). Therefore, ordoliberals staunchly fought against any measures that could impinge on its independence (Berghahn and Young, 2013, p. 776).

The evidence suggests that ordoliberal ideas do matter as a point of reference in the German public administration. Ordoliberalism is considered a ‘basic value’ (Nedergaard and Snaith, 2015, pp.

---

<sup>11</sup> More specifically, an action is market-conforming if it does not restrict the three most fundamental market forces: the tendency to reduce costs, to reduce profits in the long run and to increase profits in the short run (Siems and Schnyder, 2014, p. 380; see also Eucken, 1951, p. 255).

1106–1107) in German ministries. The Finance and the Economics Ministry in Germany are known to be strongholds of ordoliberal beliefs in Germany (Segers and Van Esch, 2007, p. 1092; Bulmer, 2014, p. 1257; Kaltenthaler, 2002, p. 72; Nedergaard and Snaith, 2015, p. 1097). There is a ‘strong tradition’ in the Foreign Ministry (Nedergaard and Snaith, 2015, p. 1097). The Bundesbank represents the ‘central domestic institutional embodiment of a distinctive German “ordoliberal” tradition of Economics’ and the Federal Constitutional Court is ‘a guardian and ultimate arbiter of ordoliberal beliefs’ (Nedergaard and Snaith, 2015, p. 1097). Overall, ‘ordoliberal values are ingrained in the world-view (“basic values”) of top civil servants in Berlin’ (Nedergaard and Snaith, 2015, p. 1107).

The presence of ordoliberalism is not confined to policy-makers in the administrations. The speeches and public discourse of high level representatives of the government echo core themes of ordoliberalism. The Chancellor Angela Merkel emphasised the importance of competitiveness, sound money and national policy failures, all recurring themes of ordoliberalism:

‘Our signpost out of the crisis can only be a rigorous analysis of its causes. These are the lack of competitiveness of some euro countries, fundamental errors in how Economic and Monetary Union is constructed, and that’s the over-indebtedness of sovereigns. These problems are made at home, and we need to be committed to solve those problems made at home.’ (Merkel, 2012)

This analysis included a rejection of Keynesian fiscal stimuli:

‘Those who know me are aware that I want improvements in competitiveness, I want solid finances and above all a situation where the euro is stable, in other words investors in the currency have confidence that they will get their money back one day. (...) Without growth, this will not work. But growth cannot just mean more public spending.’ (Merkel, cit. in Reuters, 2013)

As Merkel put it, ‘Europe needs a stability culture’ (Merkel, 2010). In this framework to be set, ‘[t]here should never be a misfit between control and liability. Control and liability needs to go hand in hand. Joint liability requires sufficient control in the first place’ (Merkel, 2012). Therefore, ‘more Europe’ does not mean more liability-sharing, but more control: ‘The EU institutions, the EU commission included, should get more instruments to exercise control. Otherwise it would be impossible for a currency union to work’ (Merkel, cit. in EU Observer, 2012). The principle of liability does not only apply to state-state relations, but also state-market relations. ‘We are guided by the conviction that the financial sector should shoulder an appropriate share of the costs to resolve the financial crisis’ (Merkel, 2012) because ‘[w]ho takes a risk also needs to be liable for the losses – and not the taxpayer’ (Merkel, 2014). Schäuble seconded that ‘[w]e will ensure that it is no longer the taxpayer who takes the risk, but the financial industry’ (Schäuble, 2014). Therefore, markets should not be self-regulated, but need a strong state:

‘The key lesson of the crisis (...) is that self-regulation and light-touch supervision just do not work in the financial sector. Without adequate rules and careful policing, the interests of individuals and those



of the system will invariably diverge. Left to its own devices, the market will self-destruct' (Schäuble, 2012)

In light of the analysis, it remains the core question whether ordoliberalism also influences German policies in the crisis. While the sections above demonstrated that it is internalised in ministries, it has not yet been shown whether its influence reaches as far as influencing policies. According to the literature, ordoliberal ideas do matter for policies. Bonatti and Fracasso argue that the German government 'has adhered tightly to many features of (...) the economic theory of ordoliberalism' (Bonatti and Fracasso, 2013, p. 1028). Olender concurs that ordoliberalism 'informed [the government's] preference formation and its strategic response (...) to address the crisis' (Olender, 2012, p. 8). Its influence is evidenced by measures such as the fiscal compact (Berghahn and Young, 2013, pp. 774–775; Olender, 2012, pp. 8–9). The commitment to ordoliberal core principles is also evident when considering the main crisis responses of governments in the euro crisis and German preferences towards it.

At first sight, the abolition of the no-bail-out principle is a measure difficult to reconcile with ordoliberal ideas. Yet, considering that the European Stability Mechanism has by no means become a vehicle for a transfer mechanism, but operates with a strict conditionality requirement, it adheres to the overall principle to realign control and liability. An analysis of banking union reveals that the very origin of banking union is the result of realigning control and liability. While Southern European governments advocated a mechanism for direct bank recapitalisations at the decisive Euro Summit in June 2012, it was the German government which insisted on the creation of a joint banking supervisor in order to resolve the problem of a misfit between responsibility and liability (Ludlow, 2012; Glöckler *et al.*, 2016, p. 8). Concerns about a mismatch between liability and control were a key driver for German preferences. The government staunchly advocated this principle consistently throughout the negotiations (Schäfer, 2016). Probably the clearest indication of the influence of the ordoliberal ideas on the German analysis of the problem and solutions to it is the fiscal compact (Behr and Helwig, 2012, p. 7). Despite mixed evidence for fiscal profligacy as the cause of the euro crisis (Johnston and Regan, 2014, p. 5; Hancké, 2012, pp. 9–10), reinforcing constraints on the fiscal policy of national governments was one of the top priorities of the German government. It was justified with an explicit reference to the ESM: since granting ESM loans results in partly shared liabilities, the fiscal compact serves as an additional safeguard to prevent moral hazard and realign control and liability (Bundesfinanzministerium, 2015). Consequently, only those eurozone governments which ratified the fiscal compact could obtain an ESM loan (TSCG, 2012). These policies do match the policy prescriptions of ordoliberal ideas which is evidence in favour of the focal point hypothesis.

A counter-argument to the ideational hypothesis would argue that it is indeed the fiscal hypothesis and not the ideational hypothesis which explains German preferences. According to this logic, it is a purely theoretical consideration which renders the fiscal hypothesis indeterminate (because it is contradicted by the trade hypothesis). Hence, if one were not to explain the outcome with liberal intergovernmentalism but with the fiscal position as such, the latter would not be rendered indeterminate but explain the outcome very convincingly. Since both hypothesis suggest a similar policy, further evidence beyond the outcome needs to be considered to determine which hypothesis explains German preferences more convincingly. A suitable source of evidence is the discourse of policy-makers. It allows us to gain more insights in the background of policies and thus enables us to distinguish between both hypothesis. The bigger part of the evidence gained from interviews with policy-makers supports the focal point hypothesis. One of the highest officials in the finance ministry acknowledged:

‘We firmly believe in *Ordnungspolitik*. We begin thinking about it when we shave us in the morning. And when we leave our offices late in the evening, we still think about *Ordnungspolitik*. It is the soul of this house.’ (GFM8, 2016)

Ordoliberal beliefs are embedded in the ministry, as one official explained: ‘Some follow a purer doctrine than others, but it's a joint doctrine’ (GFM5, 2015). The ordoliberal commitment in the ministry takes the shape of an internalised belief that reproduces as an institutional culture:

‘There is no question we’ve got an ordoliberal culture in this house. Only a few here have actually read Eucken or Müller-Armack and many don’t know much about the broader theory of ordoliberalism. But we certainly all agree on *Ordnungspolitik*.’ (GFM7, 2016)

The internalised beliefs have weathered changes in the leadership: ‘*Ordnungspolitik* is a common attitude in the ministry. This did not even change when Peer Steinbrück was finance minister’ (GFM8, 2016; see also Nedergaard and Snaith, 2015, p. 1097).

Interviewees reacted with outright dismissal to competing perspectives: ‘These beautiful advices from the US... I mean, they don’t understand Europe. They don’t understand that moral hazard is an issue here’ (GFM7, 2016; almost identical: GC1, 2015). One of his colleagues got upset when confronted with the advice of mainstream economists to turn EMU into a fully-fledged monetary union: ‘If I hear that advice... I can only say that it is not a secret that the Chancellor is very sceptical towards economists. And here you see why’ (GC2, 2015). The IMF’s critique of the export-driven German model was not judged any more favourable: ‘The IMF criticizes us for more than 20 years, but it doesn't matter who is in government here we just ignore them’ (GFM4, 2015). The resistance towards competing beliefs goes hand in hand with an awareness of being outside the economic mainstream:

‘We are also aware that there is a general trend in economics towards global demand management and Keynesianism. That really irks us. Because it corresponds to the short-termism of the South.’ (GFM7, 2016)

This stance led to exasperation on the side of the counterparts to the Germans. One member of the European Council remembered that ‘[f]or the Germans economic policy is pretty much a matter of moral philosophy with growth being a reward for virtuous reforms before’ (MEC2, 2015). A Southern European finance minister remarked that ‘in their way of thinking a surplus is morally good and a deficit morally bad’ (SEC2, 2016). An official from the French Treasury remembered that ‘[i]t was very difficult to convince them with economic arguments’ (FT1, 2015). This evidence supports the ideational hypothesis more strongly than the fiscal hypothesis. While core elements of ordoliberalism such as realigning control and liability feature prominently in the discourse, the logic of fiscal consideration only appears here and there. Thus, on balance the focal point hypothesis explains German preferences more successfully than the fiscal hypothesis.

## Conclusion

This article attempted to solve the puzzle of German preferences. Observers of German policies were deeply divided between two groups: a large group of academics suggested a policy of shifting adjustment costs to the periphery. Tackling the root of the problem meant increasing competitiveness in the periphery of the eurozone. Yet, a number of scholars assessed this policy self-defeating. They considered austerity and structural reforms as destabilising and ineffective to solve the underlying institutional flaws of the currency union. Hence, a more complete eurozone including some forms of risk-sharing and mutualisation would have been a necessary prerequisite to ensure the German government can maintain the benefits of being part of the currency union. Institutional reforms of the eurozone and moderate transfer payments were inevitable if putting at risk the very German interest in maintaining EMU was to be avoided.

This article invoked liberal intergovernmentalism to solve this puzzle. Yet, liberal intergovernmentalism fails to solve this dilemma as based on its theoretical framework, both policy choices appear rational. On the hand, liberal intergovernmentalism identifies trade as a key driver for European integration. This predictor results in a hypothesis suggesting that the German government prioritises fixing EMU as the backbone of its trade. It is therefore willing to take a higher share of the costs for sustaining EMU. On the other hand, policy issues with fiscal implications are likely to be determined by what Moravcsik terms the ‘macro-economic preferences of the ruling governmental coalition’ (Moravcsik, 1999, p. 3). One would then expect that

governments act according to their fiscal position. Considering the favourable fiscal position of the German government, one would expect it to reject risk-sharing and mutualisation. Both hypotheses are justified based on liberal intergovernmentalism as the euro crisis has many implications for *both* trade and fiscal policy of the member states. Yet, as they point in different directions, liberal intergovernmentalism is indeterminate.

This gap in liberal intergovernmentalism is solved, however, by considering the concept of ideas as focal points. The Folk theorem captured situations in which actors face the choice between two or more equally rational solutions. Garrett and Weingast demonstrated that in these situations characterised by the absence of a unique equilibrium, ideas can serve as a focal point and guide actors towards a one specific equilibrium among a range of equally rational equilibria (Garrett and Weingast, 1993). There is strong evidence that the belief of *Ordnungspolitik* was a focal point for German policy-makers and politicians to navigate through the two main contradictory material interests. It is an internalised belief and has had remarkable influence in eurozone negotiations. The research has shown that it is also a core belief among policy-makers during the euro zone crisis. The core claim of *Ordnungspolitik* is the principle of liability *haftungsprinzip* (Eucken, 1951, pp. 279–285). Translated to the euro crisis, it considers realigning control and liability as of utmost importance. This stands in some conflict to the goal of fixing EMU as according to most experts, reaching this goal requires a more genuine EMU with at least some financial transfers. Yet, the *haftungsprinzip* resonates with a policy of shifting adjustment costs. Since it is national policies which led to a low competitiveness in the countries that were most severely hit by the crisis, the principle of liability suggests that it is also national governments which bear the costs of their behaviour. This is easy to bring in line with a policy of conditionality, but very hard to reconcile with fixing EMU. These results suggest that *Ordnungspolitik* was the focal point guiding the German government towards a policy of restricting liability-sharing and mutualisation.

A potential counter argument could put emphasis on the match between German preferences and predictions that are based on the fiscal position. Indeed, if one does not approach the question from the perspective of liberal intergovernmentalism, but only consults the fiscal position as a stand-alone explanatory factor, it is no longer indeterminate and provides a sufficient explanation of German preferences. Therefore, this paper also analysed the discourse to distinguish between the impact of the fiscal position and ordoliberal ideas. This analysis revealed that policy-makers themselves explain the rationale of their policies with *Ordnungspolitik* as guiding principle. Thus on balance the evidence provides more support to the ideational hypothesis than for the impact of the fiscal position.

This paper speaks predominantly to scholars interested in the interplay between interests and ideas. In contrast to ‘thick’ constructivists, it does not consider ideas as constitutive for preferences (Finnemore and Sikkink, 2001). Yet, it does borrow from constructivists the notion of ideas as being internalised (Checkel, 2005). While actors pursue ideas in a rational and gain-maximising manner, uncertainty constraints their ability to evaluate courses of actions. In these situations, actors are likely to resort to ideas to mitigate the effect of uncertainty. Ideas can then serve as focal points which help to decide on one course of action among a range of equally rational ones. Yet, while much of this approach fits in the rationalist literature, it goes beyond the rationalist standard narrative of ideas as being epiphenomenal to interests and power. Ideas do have a decisive impact on the outcome, as the powerful idea of *Ordnungspolitik* has demonstrated.

It remains to be seen which effect the future course of the euro crisis may have on German policies. While internalised ideas are rarely subject to close scrutiny and by definition not subject to a thorough cost-benefit balance, there are factors which possibly weaken the influence of *Ordnungspolitik*. A new outbreak of the crisis or a sustained change of the leadership as well as changes in the macro-economic research agenda are only a few factors which could undermine ordoliberal ideas in the German finance ministry. Whether the ordoliberal consensus weathers the decades to come or eventually comes to a halt is certainly one of the core questions about eurozone governance.

## List of Interviewees

<b><i>Acronym</i></b>	<b><i>Position</i></b>	<b><i>Date</i></b>	<b><i>Place</i></b>
<b>European Council</b>			
MEC1	Member of the European Council	January 2016	<i>Not disclosed</i>
MEC2	Member of the European Council	September 2015	<i>Not disclosed</i>
SEC1	Sherpa of a member of the European Council	June 2015	<i>Not disclosed</i>
SEC2	Sherpa of a member of the European Council	January 2016	<i>Not disclosed</i>
SEC3	Sherpa of a member of the European Council	September 2015	<i>Not disclosed</i>
SEC4	Sherpa of a member of the European Council	June 2016	<i>Not disclosed</i>
<b>Cabinet of the President of the European Council</b>			
CPEC1	Senior official	June 2015	<i>Not disclosed</i>
CPEC2	Senior official	November 2015	<i>Not disclosed</i>
CPEC3	Official	September 2015	<i>Not disclosed</i>
<b>European Commission</b>			
COM1	Official	June 2015	Brussels
COM2	Official	August 2015	Brussels
COM3	Official	June 2015	Brussels
COM4	Official	October 2015	Brussels
COM5	Official	June 2015	Brussels
COM6	Official	June 2015	Brussels
COM7	Senior Official	August 2015	Brussels
COM8	Senior Official	June 2015	Brussels
COM9	Senior Official	July 2015	Brussels
COM10	Official	June 2015	Brussels
COM11	Official	June 2015	Brussels
COM12	Official	June 2015	Brussels
<b>European Central Bank</b>			
ECB1	Senior Official	June 2015	Frankfurt
ECB2	Senior Official	June 2015	Frankfurt
ECB3	Senior Official	September 2015	Frankfurt
ECB4	Senior Official	June 2015	Frankfurt
ECB5	Official	August 2015	Frankfurt

ECB6	Senior Official	September 2015	Frankfurt
ECB7	Official	September 2015	Frankfurt
<b>European Parliament</b>			
EP1	Member of Parliament	June 2015	Brussels
<b>Council of the European Union (Legal Service)</b>			
CEU1	Senior Official	November 2015	Brussels
CEU2	Senior Official	September 2016	Brussels
<b><u>GERMANY</u></b>			
<b>Chancellery</b>			
GC1	Senior Official	August 2015	Berlin
GC2	Official	August 2015	Berlin
<b>Finance Ministry</b>			
GFM1	Official	June 2015	Berlin
GFM2	Official	August 2015	Berlin
GFM3	Senior Official	October 2015	Berlin
GFM4	Official	June 2015	Berlin
GFM5	Official	June 2015	Berlin
GFM6	Official	June 2015	Berlin
GFM7	Senior Official	January 2016	Berlin
GFM8	Senior Official	January 2016	Berlin
GFM9	Senior Official	October 2015	Berlin
<b>Central Bank</b>			
GCB1	Senior Official	May 2016	Frankfurt
GCB2	Senior Official	May 2016	Frankfurt
<b><u>FRANCE</u></b>			
<b>Office of the Prime Minister</b>			
FOPM1	Senior Official	January 2016	Paris
<b>Treasury</b>			
FT1	Official	September 2015	Paris
FT2	Senior Official	September 2015	Paris
FT3	Official	June 2015	Paris
FT4	Senior Official	June 2015	Paris
FT5	Senior Official	September 2015	Paris
<b>Foreign Office</b>			
FFO1	Official	September 2015	Paris

<b>Central Bank/Bank supervisor (ACPR)</b>			
ACPR1	Senior Official	September 2015	Paris
ACPR2	Senior Official	September 2015	Paris
<b><u>ITALY</u></b>			
<b>Office of the Prime Minister</b>			
IOPM1	Official	September 2015	Rome
IOPM2	Senior Official	January 2016	Rome
<b>Treasury</b>			
IT1	Official	September 2015	Rome
IT2	Official	June 2015	Rome
IT3	Senior Official	November 2015	Rome
<b>Foreign Ministry</b>			
IFM1	Official	September 2015	Rome
<b>Central Bank</b>			
ICB1	Official	September 2015	Rome
ICB2	Senior Official	September 2015	Rome
ICB3	Senior Official	September 2015	Rome
<b><u>SPAIN</u></b>			
<b>Office of the Prime Minister</b>			
SOPM1	Senior Official	September 2015	Madrid
<b>Treasury</b>			
ST1	Official	October 2015	Madrid
ST2	Senior Official	September 2015	Madrid
ST3	Official	June 2015	Madrid
ST4	Senior Official	September 2015	Madrid
ST5	Senior Official	January 2016	Madrid
ST6	Senior Official	September 2015	Madrid
ST7	Senior Official	September 2015	Madrid
ST8	Official	September 2015	Madrid
ST9	Official	June 2015	Madrid
<b>Bank Resolution Fund (FROB)</b>			
FROB1	Official	September 2015	<i>By phone</i>
<b><u>THE NETHERLANDS</u></b>			
<b>Ministry for General Affairs</b>			



NMGA1	Senior Official	June 2016	The Hague
NMGA2	Senior Official	September 2016	The Hague
<b>Treasury</b>			
NT1	Official	June 2016	The Hague
NT2	Senior Official	September 2016	The Hague
<b>Central Bank</b>			
NCB1	Official	June 2016	Amsterdam
NCB2	Senior Official	June 2016	Amsterdam
NCB3	Official	June 2016	Amsterdam
NCB4	Official	June 2016	Amsterdam
<b><u>OTHERS</u></b>			
TT1	Researcher, think tank	September 2015	<i>By phone</i>
EBF1	Official at European Banking Federation (EBF)	June 2015	Brussels
BDB1	Official at Bundesverband Deutscher Banken (BDB)	June 2015	Berlin

## Bibliography

- Behr, T. and Helwig, N. (2012) 'Constructing a German Europe? Germany's Europe Debate Revisited'. , Vol. FIIA Briefing Paper, No. 99.
- Belke, A. (2013) 'Towards a Genuine Economic and Monetary Union: Comments on a Roadmap'. *Politics and Governance*, Vol. 1, No. 1, pp. 48–65.
- Berghahn, V. and Young, B. (2013) 'Reflections on Werner Bonefeld's 'Freedom and the Strong State: On German Ordoliberalism' and the Continuing Importance of the Ideas of Ordoliberalism to Understand Germany's (Contested) Role in Resolving the Eurozone Crisis'. *New Political Economy*, Vol. 18, No. 5, pp. 768–778.
- Beyers, J. (2005) 'Multiple Embeddedness and Socialization in Europe: The Case of Council Officials'. *International Organization*, Vol. 59, No. 4, pp. 899–936.
- Bibow, J. (2009) 'On the Origin and Rise of Central Bank Independence in West Germany'. *European Journal of the History of Economic Thought*, Vol. 16, No. 1, pp. 155–190.
- Blyth, M. (2003) 'Structures Do Not Come with an Instruction Sheet: Interests, Ideas, and Progress in Political Science'. *Perspectives on Politics*, Vol. 1, No. 4, pp. 695–706.
- Blyth, M. (2013) *Austerity: The History of a Dangerous Idea* (Oxford: Oxford University Press).
- Bonatti, L. and Fracasso, A. (2013) 'The German Model and the European Crisis'. *Journal of Common Market Studies*, Vol. 51, No. 6, pp. 1023–1039.
- Bulmer, S. (2014) 'Germany and the Eurozone Crisis: Between Hegemony and Domestic Politics'. *West European Politics*, Vol. 37, No. 6, pp. 1244–1263.
- Bundesfinanzministerium (2015) 'Fra-gen Und Ant-wor-ten Zum Eu-ro-päi-schen Sta-bi-li-täts-me-cha-nis-mus (ESM)'.
- Bundesfinanzministerium (2016) 'Wissenschaftlicher Beirat'.
- Bundeswirtschaftsministerium (2016) 'Beiräte Beim Bundesministerium Für Wirtschaft Und Energie'.
- Buti, M. and Carnot, N. (2012) 'The EMU Debt Crisis: Early Lessons and Reforms'. *Journal of Common Market Studies*, Vol. 50, No. 6, pp. 899–911.
- Checkel, J. T. (2005) 'International Institutions and Socialization in Europe: Introduction and Framework'. *International Organization*, Vol. 59, No. 4, pp. 801–826.
- De Grauwe, P. (2011) *The Governance of a Fragile Eurozone* (Brussels: CEPS).
- De Grauwe, P. (2013) *Design Failures in the Euro Zone: Can They Be Fixed?* (London: LSE 'Europe in Question').
- De Ville, F. and Berckvens, D. (2015) *What Do Eurozone Academics Think about EMU Reform? On Broad Support and German Exceptionalism* (Bruges: College of Europe).
- Deo, S., Donovan, P. and Hatheway, L. (2011) *Euro Break-Up: The Consequences* (London: UBS Investment Research).

- Der Spiegel (2012) 'Finanzministerium Rechnet Mit Katastrophalen Folgen Für Deutsche Wirtschaft Nach Möglichem Zusammenbruch Des Euro', *Der Spiegel* ( 24 June 2012).
- EU Observer (2012) 'Merkel: Eurozone Needs More EU Supervision', *EU Observer* ( 5 June 2012).
- Eucken, W. (1951) *Grundsätze Der Wirtschaftspolitik [1990]*, 6th edition, (Tübingen: J.C.B. Mohr).
- EurActiv (2011) 'German Economists Say "Nein" to "disaster" Eurobonds' ( 18 August 2011).
- FAZ (2008) 'Das Verwaiste Erbe Der Freiburger Schule' ( 19 June 2008).
- FAZ (2012) 'Der Offene Brief Der Ökonomen Im Wortlaut' ( 5 July 2012).
- Finnemore, M. and Sikkink, K. (2001) 'Taking Stock: The Constructivist Research Program in International Relations and Comparative Politics'. *Annual Review of Political Science*, Vol. 4, pp. 391–416.
- Friedman, J. W. (1971) 'A Non-Cooperative Equilibrium for Supergames'. *The Review of Economic Studies*, Vol. 38, No. 1, pp. 1–12.
- Fudenberg, D. and Maskin, E. (1986) 'The Folk Theorem in Repeated Games with Discounting or with Incomplete Information'. *Econometrica*, Vol. 54, pp. 533–554.
- Fuest, C., Heinemann, F. and Schröder, C. (2015) 'A Viable Insolvency Procedure for Sovereigns in the Euro Area'. *Journal of Common Market Studies*, Vol. 54, No. 2, pp. 301–317.
- Garrett, G. and Weingast, B. R. (1993) 'Ideas, Interests and Institutions: Constructing the EC Internal Market'. In Goldstein, J. and Keohane, R. O. (eds) *Ideas & Foreign Policy: Beliefs, Institutions, and Political Change* (Ithaca: Cornell University Press), pp. 173–206.
- Glöckler, G., Lindner, J. and Salines, M. (2016) 'Explaining the Sudden Creation of a Banking Supervisor for the Euro Area'. *Journal of European Public Policy*, Vol. 10.1080/13501763.2016.1184296.
- Goldstein, J. and Keohane, R. O. (1993) 'Ideas and Foreign Policy: An Analytical Framework'. In Goldstein, J. and Keohane, R. O. (eds) *Ideas & Foreign Policy: Beliefs, Institutions, and Political Change* (Ithaca: Cornell University Press), pp. 3–30.
- Gros, D. (2013) *The SRM and the Dream to Resolve Banks without Public Money* (Brussels: CEPS).
- Haas, P. M. (1992) 'Introduction: Epistemic Communities and International Policy Coordination'. *International Organization*, Vol. 46, No. 1, pp. 1–35.
- Hall, P. A. (1989a) 'Introduction'. In Hall, P. A. (ed) *The Political Power of Economic Ideas: Keynesianism Across Nations* (Princeton, New Jersey: Princeton University Press), pp. 3–26.
- Hall, P. A. (1989b) 'Conclusion: The Politics of Keynesian Ideas'. In Hall, P. A. (ed) *The Political Power of Economic Ideas: Keynesianism Across Nations* (Princeton, New Jersey: Princeton University Press), pp. 361–391.
- Hall, P. A. (ed) (1989c) *The Political Power of Economic Ideas: Keynesianism Across Nations* (Princeton, New Jersey: Princeton University Press).

- Hancké, B. (2012) *World's Apart? Labour Unions, Wages and Monetary Integration in Continental Europe* (Vienna: Institute for Advanced Studies).
- Hassel, A. (2011) *The Paradox of Liberalization: Understanding Dualism and the Recovery of the German Political Economy* (London: LSE).
- Heinemann, F. and Illing, G. (2012) *Stellungnahme Zur Europäischen Bankenunion*.
- Howarth, D. and Quaglia, L. (2013) 'Banking Union as Holy Grail: Rebuilding the Single Market in Financial Services, Stabilizing Europe's Banks and "Completing" Economic and Monetary Union'. *Journal of Common Market Studies*, Vol. 51, No. Annual Review, pp. 103–123.
- Howarth, D. and Quaglia, L. (2014) 'The Steep Road to Banking Union: Constructing the Single Resolution Mechanism'. *Journal of Common Market Studies*, Vol. 52, No. S1, pp. 125–140.
- Howarth, D. and Rommerskirchen, C. (2013) 'A Panacea For All Times? The German Stability Culture'. *West European Politics*, Vol. 36, No. 4, pp. 750–770.
- Jacoby, W. (2014a) 'The Politics of the Eurozone Crisis: Two Puzzles Behind the German Consensus'. *German Politics and Society*, Vol. 32, No. 2, pp. 70–85.
- Jacoby, W. (2014b) 'Presentation at EUSA Conference 2015'. Paper presented at the, Boston, 2014.
- Johnston, A., Hancké, B. and Pant, S. (2013) *Comparative Institutional Advantage in the European Sovereign Debt Crisis* (London: LSE 'Europe in Question').
- Johnston, A. and Regan, A. (2014) *European Integration and the Incompatibility of National Varieties of Capitalism* (Cologne: Max Planck Institute for the Study of Societies).
- Jupille, J., Caporaso, J. A. and Checkel, J. T. (2003) 'Integrating Institutions: Rationalism, Constructivism and the Study of the European Union'. *Comparative Political Studies*, Vol. 36, Nos. 1–2, pp. 7–40.
- Kaltenthaler, K. (2002) 'German Interests in European Monetary Integration'. *Journal of Common Market Studies*, Vol. 40, No. 1, pp. 69–87.
- Kindleberger, C. P. (1973) *The World in Depression 1929-1939* (London: Allen Lane).
- Kingdon, J. W. (1984) *Agendas, Alternatives and Public Policies* (New York: Longman).
- Lewis, J. (2005) 'The Janus Face of Brussels: Socialization and Everyday Decision Making in the European Union'. *International Organization*, Vol. 59, No. 4, pp. 937–971.
- Ludlow, P. (2012) 'Short-Term Help and Long-Term Conditionality: The European Council of 28-29 June 2012' (Eurocomment).
- March, J. G. and Olsen, J. P. (1998) 'The Institutional Dynamics of International Political Orders'. *International Organization*, Vol. 52, No. 4, pp. 943–969.
- Merkel, A. (2010) 'Regierungserklärung von Bundeskanzlerin Merkel Zu Den Euro-Stabilisierungsmaßnahmen, 5-19-2010'.

- Merkel, A. (2012) ‘Speech of Angela Merkel in the German Parliament before the European Council on 28 and 29-06-2012’.
- Merkel, A. (2014) ‘Regierungserklärung von Bundeskanzlerin Merkel, 29-01-2014’.
- Moravcsik, A. (1997) ‘Taking Preferences Seriously: A Liberal Theory of International Politics’. *International Organization*, Vol. 51, No. 4, pp. 513–553.
- Moravcsik, A. (1999) *The Choice for Europe: Social Purpose and State Power from Messina to Maastricht* (London/New York: UCL Press).
- Müller-Armack, A. (1947) *Wirtschaftslenkung Und Marktwirtschaft* (Hamburg: Verlag für Wirtschaft und Sozialpolitik).
- Nedergaard, P. and Snaith, H. (2015) “‘As I Drifted on a River I Could Not Control’”: The Unintended Ordoliberal Consequences of the Eurozone Crisis’. *Journal of Common Market Studies*, Vol. 53, No. 5, pp. 1094–1109.
- Niemann, A. (2006) ‘Beyond Problem-Solving and Bargaining: Genuine Debate in EU External Trade Negotiations’. *International Negotiation*, Vol. 11, No. 3, pp. 467–497.
- Olender, M. (2012) ‘Germany’s Euro Crisis: Preferences, Management, and Contingencies’. *Review of European and Russian Affairs*, Vol. 7, No. 2, pp. 1–17.
- Pisani-Ferry, J. (2012) *The Euro Crisis and the New Impossible Trinity* (Brussels: Bruegel).
- Ptak, R. (2004) *Vom Ordoliberalismus Zur Sozialen Marktwirtschaft: Stationen Des Neoliberalismus in Deutschland* (Wiesbaden: VS Verlag für Sozialwissenschaften).
- Puetter, U. (2012) ‘Europe’s Deliberative Intergovernmentalism: The Role of the Council and European Council in EU Economic Governance’. *Journal of European Public Policy*, Vol. 19, No. 2, pp. 161–179.
- Reuters (2013) ‘Germany’s Merkel Begins Third Term with Focus on Europe’ ( 17 December 2013).
- Röpke, W. (1950) *Ist Die Deutsche Wirtschaftspolitik Richtig? Analyse Und Kritik* (Stuttgart: Kohlhammer).
- Sachverständigenrat (2011) *Assume Responsibility for Europe: Annual Report 2011/12* (Wiesbaden: Bonifatius).
- Sally, R. (1996) ‘Ordoliberalism and the Social Market: Classical Political Economy from Germany’. *New Political Economy*, Vol. 1, No. 2, pp. 233–257.
- Schäfer, D. (2016) ‘A Banking Union of Ideas? The Impact of Ordoliberalism and the Vicious Circle on the EU Banking Union’. *Journal of Common Market Studies*, Vol. 54, No. 4, pp. 961–980.
- Schäuble, W. (2012) ‘How to Protect EU Taxpayers against Bank Failures’, *Financial Times* ( 30 August 2012).
- Schäuble, W. (2014) ‘Rede von Dr. Wolfgang Schäuble, Bundesminister Der Finanzen, Beim „Wirtschaftspolitischen Frühstück“ Der IHK Berlin, 15-05-2014’.

- Schimmelfennig, F. (2015) 'Liberal Intergovernmentalism and the Euro Area Crisis'. *Journal of European Public Policy*, Vol. 22, No. 2, pp. 177–195.
- Schmidt, V. (2010) *Democracy and Legitimacy in the European Union Revisited* (Berlin: KFG Kolleg Forschergruppe).
- Schmidt, V. A. (2008) 'Discursive Institutionalism: The Explanatory Power of Ideas and Discourse'. *Annual Review of Political Science*, Vol. 11, pp. 303–326.
- Schneider, M. and Teske, P. (1992) 'Toward a Theory of the Political Entrepreneur: Evidence from Local Government'. *The American Political Science Review*, Vol. 86, No. 3, pp. 737–747.
- Segers, M. and Van Esch, F. (2007) 'Behind the Veil of Budgetary Discipline: The Political Logic of the Budgetary Rules in EMU and the SGP'. *Journal of Common Market Studies*, Vol. 45, No. 5, pp. 1089–1109.
- Siems, M. and Schnyder, G. (2014) 'Ordoliberal Lessons for Economic Stability: Different Kinds of Regulation, Not More Regulation'. *Governance: An International Journal of Policy, Administration, and Institutions*, Vol. 27, No. 3, pp. 377–396.
- Sinn, H.-W. (2009) 'Stuffing the Goose Strategy'.
- Sinn, H.-W. (2012a) 'The European Banking Union?'
- Sinn, H.-W. (2012b) 'Im Gespräch: Ökonom Hans-Werner Sinn „Wir Sitzen in Der Falle“', *Frankfurter Allgemeine Zeitung* ( 18 February 2012).
- Sinn, H.-W. (2014) 'Austerity, Growth and Inflation: Remarks on the Eurozone's Unresolved Competitiveness Problem'. *The World Economy*, Vol. 37, No. 1, pp. 1–13.
- Stiglitz, J. (2016) *The Euro: How a Common Currency Threatens the Future of Europe*.
- Süddeutsche Zeitung (2015) 'Wie Deutsche Ökonomen Wirklich Denken' ( 20 June 2015).
- TSCG (2012) 'Treaty on Stability, Coordination and Governance in the Economic and Monetary Union'.
- Tsoukalis, L. (1977) *The Politics and Economics of European Monetary Integration* (London: Allen & Unwin).
- Van Esch, F. A. W. J. (2014) 'Exploring the Keynesian-Ordoliberal Divide: Flexibility and Convergence in French and German Leaders' Economic Ideas During the Euro-Crisis'. *Journal of Contemporary European Studies*, Vol. 22, No. 3, pp. 288–302.
- Véron, N. (2015) *Europe's Radical Banking Union* (Brussels: Bruegel).
- Young, B. (2014) 'German Ordoliberalism as Agenda Setter for the Euro Crisis'. *Journal of Contemporary European Studies*, Vol. 22, No. 3, pp. 276–287.