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**ORDOLIBERALISM AND THE REFORM OF THE EUROPEAN ECONOMIC
GOVERNANCE DURING THE EURO CRISIS**

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Executive summary

The outbreak of the Great Financial Crisis in 2008 and its transformation into the Euro crisis in late 2009 have shaken the European Union to its foundation, putting at risk the integrity of one of its pivotal components: the Economic and Monetary Union (EMU). The EMU proved inadequate to prevent the sovereign debt crisis and to keep it from spreading throughout the continent. The European Member States and institutions had to enact emergency measures to face the disruptive consequences of the crisis and to engage in a long-term reform process of the European economic governance. Given the distributive effects of the emergency measures and of the reforms, the management of the crisis was characterized by the contrasting interests of the Northern, creditor countries and of the Southern, debtor countries. While both had an interest in preserving the integrity of the EMU, they also wanted to shift the burden of recovery to the other. If interests are a most visible causal factor of the reform process, however, the role of ideas should not be underestimated. First, because interests are never (completely) exogenous to ideas, but are defined by them, to a certain extent. Second, because deeply rooted ideas provide directions in situations of crisis or high uncertainty. Finally, because ideas become embedded in laws and institutions, and influence their functioning. A specific set of ideas has been put under the spotlight for its role in shaping the behaviour of Germany, the reluctant hegemon of Europe during the crisis: Ordoliberalism. According to a part of the literature, ordoliberal ideas have informed the actions of the German government and the reforms of the European economic governance during the crisis. Other authors, instead, minimize the influence of these ideas and claim that the actions of the German government were more informed by pragmatism and national interest than by ideological commitment.

This work contributes to this debate and provides evidence to claim that ordoliberal ideas did influence the reforms of the EMU undertaken during the crisis. The thesis opens with a chapter devoted to the Euro crisis: it puts the crisis into the context of the European economic integration process, reconstructs the events of the crisis and reviews the main reforms undertaken between 2009 and 2015. In chapter 2, I introduce Michael Freeden's morphological approach to the analysis of ideologies, which is the theoretical framework of my thesis. The following two chapters are devoted to the ideology of Ordoliberalism. In chapter 3, I reconstruct the ordoliberal ideology and its evolution from 1930s Germany up to the present days. Ordoliberalism has never been a monolithic theory: in the chapter, I use Freeden's approach to identify the differences among the various ordoliberal currents, but also their common principles. In chapter 4, I analyse the (tormented) relation between Ordoliberalism and European integration. Ordoliberals had mixed views on the integration process: some of them were sceptical whereas others supported it. The aim of this chapter is to identify the

common concepts that, beyond the differences, characterize the ordoliberal discourses on European integration.

The last two chapters aim to trace the influence of ordoliberal ideas in the reform process of the EMU. In chapter 5, I try to assess whether ordoliberal ideas were present in the German executive during the crisis. To this end, I analyse the public speeches of Chancellor Angela Merkel and of Finance Minister Wolfgang Schäuble to assess whether their views on the Euro crisis were shaped by ordoliberal ideas. In chapter 6, I provide evidence to claim that ordoliberal ideas had a causal impact on the reform of the European economic governance: ordoliberal ideas shaped the preferences of the German government, the government upheld these ideas during the negotiations of the reforms, and the reforms reflect the logic of these ideas. The reforms taken into account are the Six-pack, the Two-pack, the European Stability Mechanism, the Treaty on Stability, Coordination and Governance (also known as the Fiscal Compact) and the Banking Union.

Introduction

1. The crisis

On 18 October 2009, the newly elected Greek Prime Minister Georgios Papandreou announced that the Greek deficit for that year would have amounted to 12% of the GDP, the double of what previously announced. It was the beginning of the great crisis that shook the European Union to its foundations. Actually, it would be belittling to define it as a single crisis; rather, it was a combination of economic, political and social crises which mutually reinforced each other. The financial crisis was the trigger. It started in late 2008 with the burst of the US subprime mortgage market bubble and turned into a bank crisis, which soon involved the European banking system. The banking crisis, then, turned into a sovereign debt crisis of some peripheral European countries. At this point, the second crisis – the political one – came into play. At the European level, the Member States and the supranational institutions failed to grasp the gravity of the situation and their reactions were insufficient to prevent it from spreading throughout the continent. Austerity policies became the only game in town: in order to get out of the crisis, the European states committed themselves to strict fiscal discipline and structural reforms. While austerity measures were late in delivering their promised benefits, they immediately presented their detrimental effects. First, also because of its fallacy of composition which makes austerity self-defeating if many governments adopt it simultaneously (Blyth 2013), austerity worsened the economic crisis by pushing the Member States into a spiral of recession (see Purroy 2019). Second, it undermined the political system, as the governments either were punished by their electorates for enacting austerity policies (Spain, France) or were not politically able to enact them and were replaced by technocratic executives (Greece, Italy). Finally, the increase in unemployment caused by the recession and the cuts in the welfare state generated a social crisis that, in turn, produced a backlash in politics, as it fed populist movements that brought into question the process of European integration. Although it is hard to pinpoint the end of the crisis, for practical purposes we can consider the agreement on the third Greek bailout package in Summer 2015 as the last episode of the critical phase of the Euro crisis.

The European response to the crisis consisted in two types of actions: emergency measures and reforms of the European economic governance. Among the first, we can count the financial aids handed out to crisis countries and the purchase of sovereign bonds by the European Central Bank (ECB) to ease the pressure of the markets. Financial assistance was conditional to severe austerity programmes based on structural reforms and spending cuts. The long-term reforms of the EU economic governance followed a similar logic. The most relevant reforms adopted during the Euro crisis were the Six-Pack, the institution of the European Stability Mechanism (ESM), the Treaty on

Stability, Coordination and Governance (also known as the Fiscal Compact), the Two-Pack, and the Banking Union. The Six-Pack, the Two-Pack and the Fiscal Compact aimed at strengthening the regulatory framework of the Stability and Growth Pact (SGP) to prevent new crises. They sharpened the Excessive Deficit Procedure of the SGP, increased the surveillance over the fiscal policies of the Member States, made the sanctions more automatic and severe, and introduced a surveillance and corrective procedure for macroeconomic imbalances. The ESM is a permanent crisis resolution mechanism to provide financial assistance to countries in difficulty; it institutionalized the logic of the emergency and temporary financial aids handed out during the early phase of the crisis: European solidarity is conditional to the commitment of the individual countries to fiscal discipline and structural reforms. The Banking Union, finally, aimed to break the ‘vicious cycle’ between sovereigns and banks.

The reforms of the European economic governance were informed by the prevailing interpretation of the causes Euro crisis, whereby the crisis was the result of the fiscal profligacy and lack of competitiveness of some Member States, which jeopardized the stability of the Eurozone as a whole. Consequently, the reforms aimed to enforce fiscal discipline and to increase competitiveness through national structural reforms. However, they did not reflect only an economic logic, but also a political one. Behind the purely economic aspects (deficit criteria, macroeconomic imbalance indicators, etc.), the reforms reflect a specific conception of the relations among European countries that has to do more with politics than with economics. The reforms seemed based, in fact, on a ‘methodological nationalism’ (Ferrera and Burelli 2019), whereby the Member States must be held accountable for their political choices and must rely on themselves, rather than on European coordination, in order to achieve their objectives. Even in crisis situations, they can rely on European solidarity only if the stability of the whole Economic and Monetary Union (EMU) is at stake, and only in exchange for severe reforms. The management of the Euro crisis, then, is not just an application of neoliberal economics, but also reflects a political conception of European integration and of the relations among European countries.

Why did this conception prevail? In the last decade, tens if not hundreds of studies investigated and tried to explain the reactions to the crisis of European governments and institutions. Among the various possible explanations – national interests, political opportunity, economic models – one interested me the most and constitutes the topic of this dissertation: ideas. During the unfolding of the events, Germany emerged as the European hegemon of the crisis. Chancellor Angela Merkel and her powerful Finance Minister Wolfgang Schäuble seemed to dictate the line on what should have and what should have not been done to overcome the crisis. They endorsed or censured the actions

of the other European governments, conflicted with the European Commission on the question of the Eurobonds – which Germany rejected – and with the European Central Bank for its expansionary monetary policy, and marked out the direction of the reforms of the Economic and Monetary Union. Moreover, Germany was the major contributor to the bail-out packages for crisis countries, which further increased its specific weight during the crisis.¹ Therefore, the question of what ideas motivated the European reactions to the crisis largely overlapped with the question of what ideas motivated the German government. Soon, a little known German economic doctrine was put under scrutiny as the main inspirer of the German course of action: Ordoliberalism.

2. Ordoliberalism

Ordoliberalism is the German variant of Neoliberalism. It emerged in the 1930s as a reaction to the economic policies and theories prevalent in Germany at that time. Early ordoliberals such as Walter Eucken, Franz Böhm, Wilhelm Röpke and Alexander Rüstow blamed the crisis of the liberal state on monopolies and trusts, which removed competition from the markets and threatened the liberal character of the state with their economic power. Unlike other neoliberals, who preached a return to *laissez-faire* economics, ordoliberals ascribed the rise of monopolies to *laissez-faire* itself: with the excuse of preserving the liberty of contract and competition, the liberal states gave too much freedom to private enterprises, which used it to conclude cartel agreements in order to close the markets to other competitors and to take advantage of monopoly rent. This behaviour had not just economic, but also political consequences: cartels and monopolies, in fact, used their power to influence politics to serve their interests. This led to the decline of the liberal state, the demise of freedom and the rise of centralism and authoritarianism.

According to the ordoliberals, this slippery slope found intellectual legitimization in the dominant economic scholarship in Germany: the Historical School. This doctrine rejected the possibility of elaborating abstract and universal theories in economics; rather, it claimed that economy should be evaluated in its historical and social context. Accordingly, the formation of cartels and monopolies should not be deemed as a departure from an optimal economic model, but as a normal manifestation of economic development. The main competitor to the Historical School was the Austrian (or marginalist) School which maintained, conversely, that economics should investigate the universal laws that determine human choices. The ordoliberals tried to overcome what they called the ‘Great Antinomy’ between the two traditions. They claimed that human actions were determined by

¹ The first bailout package for Greece amounted to a total of €73bn effectively disbursed, 52.9 by the Euro Area Member States and €20.1bn by the IMF. Germany was the first contributor, having paid €22.4bn (28%). Germany was also the first contributor to the EFSF (the temporary fund which provided financial assistance to Greece, Ireland and Portugal) and to the ESM (the permanent fund that replaced the EFSF, see chapter 1 and 6), providing respectively the 29.07% and 26.95% of their resources. Capital subscriptions to the two funds were based on adjusted ECB paid capital keys.

universal laws which, however, worked differently depending on the different social and legal structures. In the economic order, all individuals strive to realize their plans and pursue their interests. The form of the economic order, however, depends on the legal, social, political and moral framework of society. The ordoliberal *Ordnungstheorie* ('theory of the order') consisted in investigating the features of a desired economic order and its interdependence with the other orders; their *Ordnungspolitik* (literally 'policy of the order', often translated as 'regulatory policy') consisted in defining the concrete policies to realize such an order.

The ordoliberals call for a competitive market economy. Unlike *laissez-faire*, they claim that this objective cannot be achieved spontaneously by society, but needs the conscious action of a *strong* state to establish and maintain the social and legal *Rahmenbedingungen* ('framework conditions') for such a competitive market order. What these framework conditions consist in varies according to the different currents of Ordoliberalism: they may be limited to the regulatory framework allowing for a competitive market or may expand to comprehend the social and living conditions of the population or the international relations among countries. Besides the differences, however, all variants of Ordoliberalism share some common principles. The actors must coordinate their actions through rule-based competition, rather than through the discretionary decisions of a centralized authority; the rules must be strict and as automatic as possible, and make the actors accountable for their choices; the freedom of the actors must be limited to prevent them from circumventing the rules. These general tenets, together with other specifically economic principles (e.g., monetary stability, fiscal discipline), represent the specific structure of the ordoliberal thought.

During the Euro crisis, German leaders and officials have constantly referred to these principles to justify their management of the crisis. Ordoliberalism was invoked by journalists and observers to explain the rigid position of the German government, especially with regard to its emphasis on rules and its rejection of expansionary monetary policies (Münchau 2014). Also within the academy a debate on the role of Ordoliberalism during the crisis emerged. The literature on the issue, however, was not unanimous. On the one hand, some authors claimed that ordoliberal ideas influenced the position of the German government during the reform process of the EMU and that this led to an 'ordoliberalization' of the European Union (see for instance Art 2015; Biebricher 2018b; Biebricher and Vogelmann 2017; Blyth 2013; Bonefeld 2012; Crespy and Schmidt 2014; Dullien and Guérot 2012; Matthijs 2016; Ryner 2015). To support their argument, these authors mentioned the intellectual background of German politicians – such as Finance Minister Schäuble – and of civil servants, the public speeches and declarations of German leaders, the persisting influence of the

ordoliberal tradition in German politics, and the fact that the European reforms seemed permeated by the ordoliberal principles of responsibility and strict rules.

Other authors, instead, were more sceptical as to the impact of Ordoliberalism during the crisis. Although Ordoliberalism did have a certain influence in German politics and academy in the second post-war period, its heyday is long time gone. In the academy, the ordoliberal scholarship has been replaced by mainstream, more modern approaches and is now marginal: German economists are trained on the same textbooks as their colleagues in the rest of the world. Also in the realm of politics, the sceptics argue, the role of Ordoliberalism has been greatly overestimated. Even at the peak of its influence – after the end of World War II – Ordoliberalism was never predominant. To be sure, it inspired important German leaders – Ludwig Erhard, Finance Minister and then Chancellor, to name the most prominent – and reforms, such as the end of price control, the introduction of the D-Mark, the anti-monopoly law. However, Ordoliberalism was never the only game in town and its influence was confined to those reforms and to the stability-oriented policies of the Bundesbank. How could – the sceptical authors ask – a set of ideas which was not hegemonic at home become hegemonic in the whole continent? The German position during the crisis, they claim, was more determined by national interests and common sense than by Ordoliberalism (Burda 2017); according to contemporary ordoliberals, the problem of the German government was that it ‘followed ordoliberal thinking rather too little than too much’ (Feld, Köhler, and Nientiedt 2015a, 61).

Both camps have some good points, but also some weaknesses, which make their arguments not completely convincing. The problems of the literature mainly concern two aspects: the reconstruction of Ordoliberalism and the conception of the role of ideas in politics. Regarding the first problem, as Young (2017) aptly pointed out, those claiming that Ordoliberalism had an influence on the reform of the EMU tend to have a simplistic interpretation of that doctrine and to overlook its internal differentiations and its evolution. The second problem, instead, characterizes the works of those sceptical of the role of Ordoliberalism during the crisis. The problem consists in a prejudice that downplays the influence of ideas in politics and prefers instead interest-based explanations – where interest is often equated to the pursuit of immediate advantage. Accordingly, the role of ideas is limited to providing instrumental knowledge to realize the interest (e.g., by yielding specific policy recommendations) or mere rhetorical power to support it. Based on this conception, the sceptics tend to refute that ordoliberal ideas had any influence on the reforms of the EMU, recognizing at most their role as rhetorical instruments. This conception of ideas, however, is belittling. As the ideational currents of the New Institutionalism in political science point out, ideas are not just instrumental to interests, but can be themselves constitutive of interests. In Weberian terms, ideas can work like ‘switchmen’, determining the direction of the dynamic of interest (Eastwood 2005). In other words,

ideas provide not only instrumental insights on how to achieve some goals, but can also orient the actors towards some goals and distance them from others. This conception of the role of ideas in politics can help to have a more comprehensive understanding of the impact of Ordoliberalism during the crisis.

3. Research question and theoretical premises

3.1 Research question

My study contributes to this debate by assessing whether and how ordoliberal ideas influenced the reform process of the European economic governance. In the thesis, I will provide evidence to affirmatively answer the question. Ordoliberal ideas provided the German government with a set of political principles that inspired its course of action and represented the standard for its proposals on the reforms of the EMU; these ideas eventually managed to influence the reform process thanks to the hegemonic role of Germany.

Studying the influence of ordoliberal ideas on the reform of the European economic governance means engaging in two different tasks which, in turn, require the combination of political theory and political science. First, we must analyse a specific set of ideas, namely Ordoliberalism – which relates to political theory. Second, we must investigate how that specific set of political ideas concretely impacted on the reform process of the EU economic governance – which relates to political science.

In order to deal with the first task, a preliminary question should be answered: what kind of ideas are we dealing with? ‘Ideas’ are a slippery concept. Ordoliberalism could be approached as an economic theory, that is a set of principles aiming to describe how economies work and to provide policy-makers with a set of policy recommendations to apply to achieve certain objectives. If we were to interpret Ordoliberalism in this way, we should probably agree with the sceptical literature arguing that ordoliberal ideas played no role during the Euro crisis. Through the decades, the ordoliberal scholarship has lost its specificity as an economic doctrine: nowadays, German economists receive the same training as their colleagues in the rest of the world, and even the scholars that today carry on the ordoliberal tradition rely on modern and mainstream methods and theories. In other words, if we were to observe a literal application of the precepts of early ordoliberals like Walter Eucken or Wilhelm Röpke in today Europe, we would be disappointed. However, handling Ordoliberalism as a mere economic theory would probably be belittling. In the pages of the classic ordoliberal texts, such as Eucken’s *Grundsätze der Wirtschaftspolitik*, we do not find just tables, formulae and figures (which, in any case, are rather scarce, given the ordoliberals’ aversion to the excessive mathematization of economics). Just like in other classics of economics – Smith, Marx, Keynes, Hayek – we find much more: political principles, considerations on society and human nature, a

Weltanschauung. This is the living heritage that Ordoliberalism left to (German) politics – from which German politicians draw with both hands, judging from the constant references to the ordoliberal tradition they make still today.

3.2 Analysing political ideologies

In this dissertation, I handle Ordoliberalism not as an economic theory, but as a set of political ideas or, to be more precise, as a political ideology. The term ‘ideology’ often has a disparaging connotation. The ordoliberals themselves would probably not be happy to hear their intellectual creature termed an ideology; after all, they devoted pages and pages in their books to condemn the ideologues that fool the people and to propose a de-ideologized economic science. However, when I define Ordoliberalism an ideology, I have not a malicious intent: I neither aim to revile the ordoliberals, nor to insinuate that their thought is actually a means to fool the public. Rather, I endorse Michael Freeden’s definition of ideology as a normal and inevitable manifestation of political thinking (Freeden 1998a). According to Freeden, ideologies are structures of meaning that people use to interpret the political world: without ideologies, politics would be impossible, as the actors would not know how to interpret their environment.

Freeden’s morphological approach to the analysis of ideologies allows to deal with the first of the two issues mentioned before: how to study political ideas. According to the morphological approach, ideologies can be conceived as structures constituted by clusters of political concepts. The first element to look at, then, are the political concepts, which represent the ‘building blocks’ of political thinking. When dealing with the political world, people employ concepts such as democracy, power, freedom, etc., to interpret the situation, to guide their actions and to set the objectives for society. Political concepts, however, have a wide range of possible meanings. In the words of Freeden, they are ‘essentially contestable’: this means that they can have different – even opposite – meanings, and that even if one prevails, it is always open to contestation. Consequently, one of the crucial functions of ideological thinking consists in *de-contesting* political concepts – i.e. picking one (or more) among the possible meanings and temporarily suspending their essential contestability. This fundamental function should not be intended as a mere intellectual activity, but can have crucial consequences in real politics. A most prominent example of this is represented by the famous revolutionary pamphlet *Qu’est-ce que le Tiers-État?*, written by the *Abbé* Emmanuel Joseph Sieyès in January 1789, shortly before the outbreak of the French Revolution. In the pamphlet, the French clergyman de-contested the concept of nation by identifying it with the third estate – the common people – and qualifying the first and second estates – the nobility and the clergy – as parasites.

Sieyès's ideas deeply influenced the French revolutionaries and his booklet became a classic of political thought.

Taken individually, however, political concepts are not sufficient to guide political actions: they are too indeterminate to convey any purposeful meaning and hence need other concepts. Moreover, not all concepts have the same weight: some of them are more important – they set the supreme values or objectives for the society – some others are less – they represent the means to achieve those objectives. So, a second function of ideologies is to organize political concepts. Freedén distinguishes three clusters of concepts: core, adjacency and periphery. Core concepts represent the most important concepts and remain stable through time. Adjacent concepts support the core and may change through time: ideologies sharing the same core belong to the same ideological family, even if they have different adjacent concepts. Finally, peripheral concepts include the least relevant concepts (marginal concepts) and the concrete strategies, policies and actions to undertake in order to realize the core and adjacent concepts (perimeter concepts).

Ideologies, then, have a conceptual and relational nature: they are defined by de-contested political concepts and by their interrelations. Ordoliberalism shows both features. Early ordoliberals spent most of their energies in de-contesting the proper meaning of political concepts. The most evident example is the concept of competition. The ordoliberals de-contested competition as *Leistungswettbewerb* ('performance competition'): producers and firms should compete on their performance – so, through the better quality of their products or their lower costs. By contrast, they rejected competition as *Behinderungswettbewerb* ('impediment competition'), which is typical of monopolists, cartels and trusts and consists in exploiting political power or market position to impede other competitors from joining in the market. Moreover, together with competition, their vision of society is based on other, purely political concepts, such as order, state, power, freedom.

Ordoliberalism, then, represents a good subject to be investigated through the morphological approach. The literature suggests that there is not just a single Ordoliberalism: even during its early phase, at least two – if not three – variants of Ordoliberalism could be distinguished. Moreover, it evolved through time, and contemporary Ordoliberalism is different than its early versions. Following Freedén's approach, then, we expect to find different ordoliberal variants, but all sharing a common ideological core.

3.3 Investigating the impact of political ideas in politics

Drawing from Freedén's morphological approach, I propose to define political ideas as configurations of interrelated political concepts. Unlike ideologies, which are comprehensive configurations of political concepts, political ideas could be conceived as simpler structures;

consequently, ordoliberal ideas can be conceived as relatively simple configurations of political concepts drawn from the ordoliberal morphology. Political ideas have at once a social and an individualistic nature.

The social nature of ideas concerns their meaning and their transmission. On the one hand, being based on political concepts, political ideas are subject to logic and cultural constraints that limit their possible meanings and configurations. On the other, political ideas and concepts exist and are transmitted in society in various ways: through books, universities, party activism, etc. Sometimes, their transmission is evident, some others it is more opaque. In any case, political ideas and concepts are present in society to be embraced and employed by the individuals.

Here the individualistic nature of political ideas come into play. In order to exert their influence on politics, ideas must be actively embraced by individuals and condition their actions. In embracing ideas and concepts present in society, individuals are not just consumers, but also producers of political ideas, reinterpreting them according to the situation. Consequently, the same ideas and concepts may lead to different conclusions, based on different interpretations or situations. This conception of political ideas allows to deal with the second issue mentioned above: investigating their impact in politics.

Ideas have long been neglected in political science. Things changed between the 1990s and the early 2000s, as a series of ground-breaking works (Blyth 2003a; Hall 1993; Hay 2008; McNamara 1999; V. A. Schmidt 2008) prompted political scientists to ‘take ideas seriously’. Over the years, some similarities between this new ‘ideational’ institutionalism and Freedman’s approach emerged (Carstensen 2011; Finlayson 2013), suggesting the possibility of a fecund interplay between Freedman’s political theory and political science. This new ‘ideational’ Institutionalism is not a unified scholarship; rather, it is an ensemble of approaches dealing with different aspects of the role of ideas in politics: their role in shaping the preferences of political actors, their power in negotiations, their rhetorical functions, etc.

In this thesis, I am interested in understanding whether ordoliberal ideas shaped the preferences of the relevant decision-makers and how their logic was eventually reflected in the reforms of the European economic governance. The ideational currents of the New Institutionalism present different accounts on how ideas influence the behaviour of political actors. We can logically distinguish three different ways in which ideas contribute, together with interests, in shaping the preferences of political actors. First, ideas can be constitutive of interest, suggesting to the actors what they should aim to; in this constructivist account, ideas prevail and interests are secondary. Second, ideas can be used as rhetorical instruments to support pre-determined interests. In this instrumentalist account, the relation between ideas and interests is reversed, as interests prevail over ideas. Third, interests can set

the objective, and ideas provide the insights on how to reach it. Ideas can do this in a number of ways: from providing means-end rationality yielding specific policy recommendations, to providing formal-rational insights on the appropriate way to reach the objective. In this third account, interests and ideas are on an equal footing. To be sure, interests are never completely exogenous from ideas, as they are always defined by the perceptions, the beliefs and the values of the actors. However, it is possible that the ideas that constitute the interests are different from those that are used to realize or justify it. In any case, preferences are always defined by an interplay of ideas and interests. The bond between them is not eternal, though. In fact, as the preferences are institutionalized, the embrace between interests and ideas is undone: interests remain in the background as a mere cause, but cease to have any effect; ideas, in turn, are embedded into the new rules or institutions, and continue to determine their functioning. Hence, studying the role of ideas is relevant to understand not only the motives of the decision-makers, but also the logic of the reforms.

4. Structure of the thesis

The tension between political theory and political science is reflected in the structure of the dissertation which, after the first introductory chapter on the Euro crisis, can be divided in two parts. The first part (chapters 2-4) is theoretical and is devoted to the analysis of the ordoliberal ideology; the second part (chapters 5 and 6) is empirical and is devoted to trace the impact of ordoliberal ideas in the reform of the economic governance of the EU during the Euro crisis.

Chapter 1 sets the stage for the rest of the dissertation: it is devoted to the Euro crisis and to the reforms of the European economic governance undertaken between 2009 and 2015. The chapter starts with an account of the history of European monetary cooperation. In response to the structural transformation of capitalism on the one hand, and to the unwillingness of the USA to vouch for an international economic system on the other, the European countries launched three systems of monetary cooperation: the currency snake (1972-79), the European Monetary System (1979-93) and, eventually, the Economic and Monetary Union (1993-today). The success of monetary cooperation was made possible by a neoliberal consensus that spread among European governments between the 1970s and the 1980s, and which provided the tenets for the institutional architecture of the EMU (McNamara 1999).

The system held together until the great financial crisis showed its weakness: not only the EMU was ill-equipped to face the crisis, but its architecture allowed for the piling up of unsustainable disequilibria among Member States, which made the situation explosive both from an economic and a political perspective. European leaders did not prove up to the challenge. They failed to tame the

crisis and prevent its spread by setting up convincing and timely measures. On the contrary, they did not grasp the seriousness of the situation and let national interests prevail over the need to preserve the stability of the EMU and provide a collective response to the crisis.

The national governments were to blame for the insufficient response to the crisis: they took the lead of the crisis management and marginalized the supranational institutions, such as the Commission and the Parliament. In particular, the German government – which, together with France, was hegemonic during the crisis – made irresponsible declarations that worsened the situation. Only the ECB, under Mario Draghi’s presidency, managed to provide the necessary political leadership to calm the panicked markets down and buy time to the EU.

The chapter concludes with a review of the main reforms of the EMU undertaken during the Euro crisis: the Six-pack, the European Stability Mechanism, the Treaty on Stability, Coordination and Governance, the Two-Pack and the Banking Union.

In chapter 2, I present Michael Freeden’s morphological approach, which will serve as theoretical foundation for the dissertation. In chapter 3, I apply the morphological approach to analyse Ordoliberalism as an ideology. As mentioned above, there is not just one Ordoliberalism: this ideology is internally differentiated and has evolved in the course of time. In this chapter, I have analysed the three variants of early Ordoliberalism (namely, Walter Eucken’s and Franz Böhm’s Freiburg School, Wilhelm Röpke’s sociological liberalism and Alfred Müller-Armack’s Social Market Economy) and the evolution through time of the tradition of the Freiburg School, analysing the contributions to the ordoliberal ideology by Erich Hoppmann and Viktor Vanberg. My aim was not to provide a complete account of the evolution of Ordoliberalism; rather, I wanted to identify the common core and adjacent concepts that are present in all instances of the ordoliberal thought and that represent its essence. The core concepts of the ordoliberal ideology are order, competition, freedom, power, state and *Ordnungspolitik*; among the most relevant adjacent concepts we can find responsibility, sound money and subsidiarity.

In chapter 4, I discuss the ordoliberal ideas on European integration. The chapter begins by comparing three positions of the literature on the relation between Ordoliberalism and European integration: the sceptical position, that denies that Ordoliberalism had any impact on the reform of the EMU; the position of those that, instead, speak of an ‘ordoliberalization’ of the EU after the crisis; and an intermediate position, which speaks of an ‘ordoliberalization by accident’.

After having provided a working definition of political ideas, I proceed to identify the political concepts underpinning the ordoliberal ideas on European integration. To do this, I analyse the

intellectual debate on European integration of three generations of ordoliberals (Wilhelm Röpke, Manfred Streit and Werner Mussler, and Viktor Vanberg). The ordoliberals never shared a common position on the integration process; this became manifest in the discussion on the single currency, when many ordoliberals saw monetary integration with suspect, while others supported it. This conflict between Europeanist and Eurosceptical ordoliberals was repeated during the Euro crisis and led to the formation of the Eurosceptical party *Alternative für Deutschland*. Beyond the differences, however, all ordoliberals based their ideas on a common set of shared political concepts derived from the ordoliberal morphology: competition, state, *Ordnungspolitik*, responsibility, subsidiarity, sound money. These concepts represent the underpinning of the ordoliberal discourses on Europe.

In chapter 5, I look for empirical evidence proving that ordoliberal ideas were shared by the German government during the crisis. The management of the Euro crisis followed an intergovernmental logic; this means that national governments took the lead of the reform process and, consequently, that their ideas were decisive for its outcome. We also know that Ordoliberalism is a German product and that it did not take root outside of Germany. Therefore, if ordoliberal ideas had any impact on the reform process of the EMU, it is necessary that they were shared by the German government. To assess whether this was the case, I analysed the public speeches of the two members of the German executive most involved in the definition of the EMU reforms: Chancellor Merkel and Finance Minister Schäuble.

Many authors take for granted that the German executive shared ordoliberal ideas; at a closer look, however, we can see that this is not so obvious. Indeed, ordoliberals generally appreciated Schäuble's positions: he was defined an 'ordoliberal anchor' by the President of the *Walter-Eucken-Institut* Lars Feld, who also awarded him the golden *Eucken-Medaille* for his merits during the Euro crisis; moreover, Schäuble constantly claimed his attachment to the ordoliberal tradition and, as a young MP, had good relations with Ludwig Erhard, the legendary supporter of ordoliberal ideas in the early years of the Federal Republic. By contrast, ordoliberals had mixed judgements on Chancellor Merkel. Some of them appreciated her management of the crisis; Nils Goldschmidt, president of the ordoliberal think-tank *Aktionsgemeinschaft Soziale Marktwirtschaft* awarded her the *Alexander-Rüstow-Plakette* for her political commitment. Some others, conversely, harshly criticized her and accused her of having destroyed the German *Wirtschaftsordnung* ('economic order') (Van Suntum 2019). Therefore, the link between ordoliberal ideas and the German government is not self-evident, and should be proved, rather than assumed *a priori*.

The analysis of Merkel's and Schäuble's ideas is based on a corpus of almost 200 speeches held between 2009 and 2016 and aimed to assess whether the two politicians employed ordoliberal

concepts when dealing with the Euro crisis. The analysis shows that Schäuble held a consistent ordoliberal position during the crisis. In the case of Merkel, the result is mixed. In some important issues, such as in her conception of the relations among Member States within the European Union and of the origins of the crisis, her ideas overlapped Ordoliberalism; in other issues, her ideas diverged. The divergences can be explained by the fact that her attachment to the ordoliberal tradition was lower than Schäuble's, and by the fact that her position in the negotiations at the European level made her more open to the compromise than her Finance Minister. Generally speaking, however, the position of both German leaders was consistent with Ordoliberalism. Their vision was informed by the principle of national responsibility: its lack caused the excessive fiscal profligacy of some Member States which endangered the stability of the Eurozone; consequently, the regulatory framework should be made stricter, in order to make Member States accountable for their economic policies and to force them to overcome the crisis through fiscal discipline and structural reforms, rather than through public spending; even the financial assistance to crisis countries should be conditional to austerity programmes and to a serious commitment to reduce the public debt. These positions eventually prevailed in the reform process of the EU economic governance.

In chapter 6, I use the methodology of process-tracing to assess whether and how these ordoliberal ideas impacted on the reforms of the EMU undertaken during the Euro crisis. According to the theoretical premises exposed above, ideas contribute to shape – together with material interests – the preferences of the decision-makers and, eventually, the new rules or institutions reflect their logic; therefore, it should be possible to find empirical traces of these ideas in documents showing the preferences of the decision-makers and in the final outcome of the reform process. This causal mechanism, however, should also account for the context where the reform process takes place. Since we are dealing with European-level reforms, where many actors partake to the decision-making process, it is not sufficient that these ideas shape the preferences of some decision-makers; it is also necessary that these preferences be upheld in the relevant arena (i.e. that they can influence the reform process) and that they eventually prevail over other alternatives. Accordingly, in order to claim that ordoliberal ideas influenced the reform of the EMU undertaken during the crisis, it is hence necessary that these ideas were shared by the German executive (causal condition), that they shaped its preferences (P₁ of the causal mechanism), that they were upheld in the relevant arena (P₂), and that they eventually prevailed over other preferences (P₃).

Based on official documents and secondary literature, I show that all these conditions were fulfilled, proving that there is a causal mechanism linking the ordoliberal ideas shared by the German executive to the reforms of the EMU. To be sure, my ideational explanation is not exhaustive, as it

leaves out important questions (e.g., those regarding the unfolding and the outcomes of intergovernmental and inter-institutional negotiations). My aim was neither to provide a detailed account of the reform process, nor to establish to what extent the reforms conform to a hypothetical ordoliberal model. Rather, I aimed to provide empirical evidence to argue that ordoliberal ideas *did have* (regardless of the extent) an impact on the reform process by providing the German government, whose preferences eventually prevailed, with a political standard for the reform of the EMU.

The dissertation is also complemented with two appendixes. In appendix 1, I analyse the European and federal electoral programmes of the main German parties (i.e. AfD, CDU, CSU, FDP, *Die Linke*, SPD, *Die Grüne*), and the government coalition agreements for the period 2004-2019. My aim was to assess whether the position of the German parties on the European economic governance was influenced by ordoliberal ideas. The analysis showed that three parties – CDU, CSU and FDP – shared a Europeanist ordoliberal position on the economic governance of the EU, whereas another – the AfD – held a Eurosceptic ordoliberal position. Interestingly, the analysis shows that some contentious proposals – such as mandatory debt restructuring in case of financial assistance or the possibility to opt out from the single currency – persisted in the electoral programmes of the Europeanist ordoliberal parties even after the critical phase of the crisis.

In appendix 2, I review the ideologies analysed through Freeden's morphological approach: Anarchism, Conservatism, Globalism, Green ideology, liberalism, Populism, Socialism, and others.

Chapter 1

The Euro crisis: A chronology

1. Introduction

In this chapter, I will reconstruct the Euro crisis and put it into the context of the European economic integration process. The chapter will proceed as follows. In section 2, I will reconstruct the transformations of the international economic and political environment that brought to the establishment of the EMU: the end of the ‘embedded liberalism’, the neoliberal consensus, German reunification. In section 3, I will reconstruct the main events of the Euro crisis: its beginning as a banking crisis, its transformation into the European sovereign debt crisis, the contagion to large countries as Italy and Spain, and the conclusion of acute phase in 2015. In section 4, I resume the main reforms of the European economic governance: the Six-pack, the ESM, the Fiscal Compact, the Two-pack, the Banking Union. Section 5 concludes.

2. The beginning of European monetary cooperation

2.1. Structural factors

On 15 August 1971, US President Richard Nixon announced his ‘New Economic Policy’ to face the increasing external deficit of the American balance of payments. Together with a price and wage freeze, the new policy included a 10% increase of the tariff on imports and the suspension of the dollar’s gold convertibility. It was the end of the Keynesian international economic system devised by the Bretton Woods agreements which drove the reconstruction of the West after World War II. It was also the impulse for the beginning of the European monetary cooperation. As they could not count on the hegemonic role of the US anymore, the European countries had to count on themselves to preserve an international monetary system with stable exchange rates. To this end, they set up in the following decades three systems of monetary cooperation: the currency snake (1972-79), the European Monetary System (EMS – 1979-1993), the Economic and Monetary Union (EMU – 1993-today).

In her seminal book on the institution of the EMU, *The currency of ideas*, Kathleen McNamara (1999) explained the evolution of the European monetary cooperation with structural and ideational factors. Structural (i.e. economic) factors can be clarified by Robert Mundell’s ‘Impossible Trinity’ theory, whereby an international economic system can only be characterized by two of the three following features: free capital flows; fixed exchange rates; autonomous monetary policy. In the evolution of the post-war international economic system, the most relevant feature was capital mobility. The system devised by Bretton Woods was in fact characterized by fixed exchange rates,

autonomous monetary policy and scarce capital mobility. Following Keynesian economics, the aim of this ‘embedded liberalism’ was to foster economy and welfare in the post-war Western countries through free trade (enabled by stable exchange rates) and through a monetary policy directed towards growth and full employment to stimulate internal demand; the whole system was based on strict controls on international flows of capitals. The system worked so well, McNamara argues, that the growing capitals started to find the national boundaries uncomfortable and, by the beginning of the 1970s, drastically increased their mobility. Some years later, McNamara (2006) went back on her argument, claiming that, for the sake of concision, she presented the increase in capital mobility in a too deterministic way. Increased capital mobility was not an automatic consequence of the success of the Keynesian model; rather, it was enabled by the political action (and inaction) of the governments which, in turn, were informed by policy-makers’ beliefs on the desirability of such phenomenon. In other words, the increased capital flows were not completely exogenous to the choices of policy-makers. However, regardless of its origin, high capital mobility had become by the 1970s a structural factor that objectively constrained the choices of the governments: it was no longer possible to maintain fixed exchange rates without giving up an autonomous monetary policy aimed at growth and full employment.

The ups and downs of the first system of European monetary cooperation – the currency snake – is illustrative. The experiment involved the six founding members of the European Economic Community (EEC) – France, Germany, Italy, Belgium, the Netherlands, Luxembourg – together with Ireland, the United Kingdom, Denmark and Norway. The system aimed to secure stable exchange rates by pegging the currencies of the participants to each other and allowing them to fluctuate within a band. Soon, the governments came to understand that it was impossible to preserve fixed exchange rates and maintain Keynesian monetary policies. In a few years, the countries unwilling to give up their monetary autonomy – such as France, Italy, the UK and Ireland – were forced to abandon the snake; only Germany, the Netherlands, Belgium and Denmark remained in the snake up to its demise in 1979.

2.2. Ideational factors

The EMU, then, emerged in an economic environment characterised by high capital flows and by the impossibility of retaining an autonomous monetary policy aimed at growth and full employment. However, structural factors alone do not explain how the EMU came about: also ideational factors must be taken into account. Two kinds of ideas were particularly relevant: economic ideas and foreign policy ideas. McNamara focused on the former. In her account, the institutional architecture of the EMU was based on a neoliberal consensus that spread between the late 1970s and

the early 1980s. McNamara identified three factors that caused this consensus. First, the failure of the Keynesian paradigm. The economic policies of many European states were based on a Keynesian macroeconomic management of the demand through monetary policy. These policies were based on the Phillips curve, a model that posited an inverse relation between inflation and unemployment; according to this model, it was possible to reach unemployment objectives through monetary policy. Just as the whole Keynesian economics, however, the model was viable only in a condition of low international capital mobility: the changed economic environment made these policies ineffective. European governments learnt this in the 1970s and 1980s, as their expansionary policies, while increasing inflation, did not manage to reduce unemployment: this phenomenon, known as stagflation (a portmanteau word from stagnation and inflation), marked the end of the Keynesian era. The learning process took some time: the governments were reluctant to give up the policy paradigm that secured their economic success for thirty years. However, they were eventually forced to acknowledge the failure of the paradigm and to look for something new.

Here came into play the second factor identified by McNamara: Milton Friedman's monetarist theory, which offered an alternative paradigm to Keynesianism. Monetarism denies the assumption of the Phillips curve, i.e. the existence of a trade-off between inflation and unemployment. To the contrary, Friedman's theory posits the existence of a natural unemployment rate, to which the market spontaneously tends as far as the rigidities of the labour market are removed. Trying to achieve the reduction of unemployment through means of an expansive monetary policies as prescribed by Keynesianism, instead, would prove not only ineffective – as it would not affect the natural unemployment rate on the long run – but even harmful, as it 'creates uncertainty over future price levels, high nominal interest rates and falling financial asset values all of which dampen business and spending activity, producing low levels of economic growth' (McNamara 2006, 808). Monetarism, then, prescribes that governments should give up their monetary activism and commit themselves to put inflation under strict control; to reduce unemployment, they should rather rely on supply-side structural reforms of the labour market. This policy paradigm offered the governments an escape route from the stagflationary impasse, as well as a welcome justification to put under control the power of the ever stronger labour union movement.

The influence of monetarism, however, should be considered in the light of two elements. First, the conversion of many European leaders – François Mitterand, to name one – was more motivated by pragmatism than by a sincere commitment to that economic theory. In other words, the monetarist paradigm succeeded more because the Keynesian one failed, than because the policy-makers were intimately convinced of the virtues of monetarism, an economic theory considered marginal for a long time. Second, its success has been possible because of the existence in various countries of

economic theories and traditions which were compatible or similar to monetarism. The most prominent example is Germany, where the wariness to inflation and to expansionary monetary policy predates by far Friedman's theory. As we will see in chapter 3, already in the early 1950s the ordoliberalists counted the primacy of a stable monetary policy among the principles of their economic policy and harshly rejected the possibility of intervening on the unemployment rate through expansionary monetary policy. German politicians and economists were, then, susceptible to the monetarist message which, in fact, rapidly spread, thanks to the networks established by the ordoliberalists (see Ötsch, Pühringer, and Hirte 2018). Far from being a purely academic debate, this (ordoliberal) economic consensus informed the German model of Social Market Economy which, in turn, is popularly considered the foundation of the *Wirtschaftswunder* of the second post-war period.

Germany, then, was monetarist before monetarism. This explains why it managed to stay in the currency snake: unlike other countries, Germany had already adopted a restrictive monetary policy oriented at inflation containment, rather than at growth and employment. This gave it a comparative advantage during the stagflation period: while the other countries were muddling through inflation and unemployment, Germany (together with other Northern countries) fared way better. This was the third and last factor that contributed to the neoliberal consensus in Europe: monetarist policies proved successful in Germany, and German officials, especially from the Bundesbank, 'were not hesitant to make known their views on the importance of price stability, proselytizing the merits of restrictive monetary policy to their EU neighbours' (McNamara 2006, 810).

Together, these three factors determined the spread of a neoliberal consensus that prescribed a neutral, anti-inflationary monetary policy and structural reforms of the labour market as the main policies to pursue growth and employment. This consensus was, then, institutionalized in the architecture of the EMU.

Economic ideas answered the need of adapting to a changed economic environment. However, in those years, not only the economic, but also the political international environment was changing. When, in 1991, the Berlin wall fell and the Eastern bloc started to break up, the reunification of the two German republics was put on the agenda. The EMU started essentially as a political project, motivated by the French will to bind and tame a reunified Germany (Dyson 1998). In those years, Germany emerged as the European powerhouse, and both in the currency snake and in the EMS the D-Mark was the hegemonic currency. The Bundesbank dictated *de facto* the monetary policy of the other European states. As the reunification would have given further power to Germany, France proposed to pool the national competences in monetary policy into a European Economic and Monetary Union, which would have set a common monetary policy. To make the Germans more

willing to give up their beloved D-Mark and their monetary policy, which had been fundamental for their economic success, the French proposed an institutional architecture based on strict control of inflation through an independent central bank with the only mandate of price stability (modelled after the Bundesbank), severe fiscal rules and the explicit prohibition of bail-out for insolvent members (to prevent moral hazard), and with strict convergence criteria (to secure a certain level of homogeneity among the European economies).

In Germany, the government was split between a Europeanist and an ordoliberal line. The former was represented by Chancellor Helmut Kohl (CDU), who presented himself as a disciple of the German father of the integration process, Konrad Adenauer, and wanted to prove that the reunification with the Democratic Republic of Germany would have produced not a non-aligned, but a Western and European Germany. He welcomed the project for the EMU and conceived it as a ‘community of stability’, based on ‘strict fiscal discipline and economic convergence’ (*ibid.*, p. 40). In turn, the ordoliberal line was represented by Hans Tietmeyer, state secretary in the Finance Ministry, and by the Bundesbank, and was based on the ‘coronation theory’ (see chapter 4), whereby monetary integration would have been the last step if a long process of political and economic convergence of the European countries. The German position in the negotiations was defined by the interaction of these two lines. Kohl’s Europeanism offered historical and political legitimation to the EMU; ordoliberal ideas, instead, offered the theoretical basis from which the German proposals were derived.

The EMU was launched in 1990. In 1993, the Maastricht Treaty entered into force: it formalized the objective of completing the EMU, setting the necessary convergence criteria. The EMU entered in its last phase in 1999, with the introduction of the single currency.

2.3. Weak points of the EMU

The transformation of capitalism after its Keynesian phase and the changing geopolitical conditions, with the end of the contraposition with the Eastern bloc: these were the economic and political structural conditions that brought about the EMU. An Economic and Monetary Union that owed its institutional architecture to the neoliberal consensus that spread among Western governments: strict control of inflation, independent central bank, structural reforms instead of macroeconomic demand management, prohibition of bailing out its members. This EMU was well-equipped against the inflationary spiral, but completely unarmed against a general and prolonged recession, a scenario which was considered unlikely at that time.

To be sure, despite the neoliberal consensus among policy-makers, not all economists were enthusiast of the new phase of European integration. The most detailed criticism came from the

perspective of the Optimum Currency Area theory, whereby a monetary union is sustainable on the long run only if it respects the following: labour mobility among its members; capital mobility; wage flexibility; a risk sharing system, such as automatic fiscal transfers; similar business cycles. According to the theory, these conditions were necessary to offset asymmetrical shocks among members and prevent the build-up of disruptive tensions among them. Not only the European countries lacked many of these condition, but one of them – namely, fiscal transfers – was explicitly ruled out by the Maastricht Treaty. To the criticism from the OCA theory was opposed the endogeneity theory, whereby the conditions for an optimal currency area were not necessarily to be fulfilled *ex ante*, but would realize themselves spontaneously *ex post*, as a result of monetary integration itself. Giving up monetary policy would have given the governments an incentive to adopt structural reforms (which, according to the neoliberal theory, are the only way to achieve growth), whereas economic integration would have increased the mobility of the factors of production, thus starting a spontaneous convergence process among European countries. In this sense, the no-bail-out clause of the Maastricht Treaty was a necessary disciplining device to prevent moral hazard. The events following the Great Financial Crisis proved that this theory was a textbook example of wishful thinking.

Anyway, in the 1990s the EMU presented advantages for all. France could have constrained Germany's monetary policy; Germany could have obtained the French consensus to the reunification and a European central bank that would have reproduced at a continental scale the restrictive and stable monetary policies of the Bundesbank. The EMU also presented economic advantages to its other members but, as Peter Hall (2012) argued, they were not evenly distributed. In Hall's account, based on the Varieties of Capitalism approach, the institutional architecture of the EMU gave the Northern, export-led economies a comparative advantage over the Southern, demand-led economies. The former, in fact, had a double benefit: inside the EMU, they did not have to fear the competitive devaluations of their Southern partners; outside the EMU, the low exchange rate of the Euro helped them in exporting their products. Southern countries were not so lucky, as they had to give up their monetary policy and, with it, the possibility of devaluating, which was part of their growth strategy. Yet, they also had some benefits, most notably the possibility of imposing wage discipline. They also had another benefit which, however, was more apparent than real, and on the long run had deleterious consequences on the stability of the EMU. In theory, monetary integration should have imposed a strict discipline on Southern countries which, not being able to foster their growth through public spending anymore, should have relied on structural reforms. Indeed, they did this, and their economic positions improved in the years before the crisis. However, also something else happened. Following monetary integration, interest rates dropped: Greece could borrow at the same price as Germany. In

the meanwhile, Northern countries were accumulating large amounts of money generated by their export surpluses, and their banks were more than happy to place them in the Southern countries, now that they were (or seemed to be) safe places to invest. Easy money at low cost: this was the apparent benefit of the EMU for Southern countries. At the beginning, this looked positive, as it would ease the pressure on Southern economies; on the long run, however, this contributed to accumulate unsustainable debt and paved the way for the Euro crisis.

Note that the unsustainable debt was not only public, but also private. Indeed, the Stability and Growth Pact (SGP – the set of rules that should have committed the European states to fiscal discipline) lacked bite, as it did not prevent countries like Greece from ‘borrow[ing] itself into trouble’ (Jones 2010, 23). But this was only half of the story. The other half is that this money also financed unsustainable private debt which, in turn, was used to finance all kinds of speculations and bubbles. The emblematic case here is Spain, which financed for long years its growth and public budget through the tax revenue of a housing bubble. The whole system could hold as long as the cash flow remained stable. But, if the banks were not willing to finance anymore these debts, the system risked the collapse: the bubbles would have burst, the debts – private and public – would have become unsustainable and risked default. The Great Financial Crisis started in the US provided the spark that started the fire.

3. Crises

3.1. Spring 2007 – October 2009: from the US subprime mortgage crisis to the Global Financial Crisis

On 15 September 2008, Lehman Brothers – one of the main US investment banks, founded in 1850 – announced the opening of the procedures under Chapter 11 of the US Bankruptcy Code. With assets for over 630 billion dollars, Lehman Brothers’ bankruptcy was the largest in the history of the US. The failure of the great bank was a direct consequence of the burst of the subprime mortgage bubble, started in Spring 2007. According to the German economist Hans-Werner Sinn (2010), the bubble was caused by a perverse mix of wrong economic policies, deregulation and lack of surveillance. The excess of monetary supply and the excessive deregulation of the US mortgage market incentivised banks to lend money for the purchase of houses to people that could not afford them in normal circumstances. The system looked advantageous for everyone. Borrowers could afford one or more houses at a minimum risk: according to US laws, if borrowers fail to honour the mortgage for a house, thanks to the principle of limited responsibility, the bank cannot claim the whole value of the mortgage (which exceeds the value of the house), but only on the house itself. In other words, the borrower faces two possibilities: if he manages to honour his debt, he gets a new

house; if he fails, the bank only takes the house, with no further losses – so, he basically has paid a rent for living there. Also the banks benefited from the system. The low capital requirements for loans allowed them to generate huge profits by only mobilizing a small amount of money: the more they lent, the more they gained, and if the loans were risky, they would gain even more, as high risk is linked to high prizes. The other side of the coin was the possibility of insolvency of the debts and, therefore, of failure; but even in this case – which was anyway deemed unlikely, as the US housing market was considered very sound – the banks were covered, as they could shift the losses on their creditors and account holder or, better, on the tax-payers, if the government considered the bank ‘too big to fail’. It makes little surprise that Sinn, a German economist and representative of the ordoliberal tradition, saw a huge moral hazard problem behind this whole story, and reasserted Eucken’s *Haftungsprinzip* (‘liability principle’, see chapter 3) as a solution to this situation.²

However, the mechanism that started the global crisis was not limited to this; otherwise, the crisis would have been just a housing crisis, however big. The problem was that, in order to further reduce the risk of insolvency, the banks started securitizing these loans. In a nutshell, the individual loans were disassembled, mixed, and then reassembled into new titles, ready to be sold to the markets. The principle was that, while the simultaneous default of all subprime mortgages was considered extremely unrealistic, it was still possible that individual mortgage borrowers became insolvent. By dissecting and reassembling them into new obligations, the banks could not only dilute the risk of insolvency, but also put on balance new assets, ready to be sold. Mark Blyth reports that, according to the economic model underpinning this system, a simultaneous default was so an improbable eventuality that it could have possibly occurred only three times since the beginning of the Universe (Blyth 2013, 33). These new obligations had high yields and Triple-A ratings. Rating agencies – which constituted the pivot of the surveillance of the financial markets – promptly assigned high ratings to these obligations. After all, the banks were not just the subject of their assessment, but also their clients and payers: if a rating agency evaluated poorly their obligations, the banks could turn to another one, hoping for a better rating. These toxic assets started circulating not only among US banks, but also among the European ones, thus creating the conditions so that the burst of the US housing bubble turned into the worst economic crisis since 1929.

By March 2009, European governments had spent or pledged 3 trillion dollars to assist their banking systems. Germany committed resources equivalent to 8% of its GDP, France to 5% and the Netherlands to 12% (Purroy 2019, 114–15). Other severely hit countries were the UK, Ireland and Spain. The exposure of the German banking system is noteworthy. Initially, the German government

² However, he pragmatically agreed with the actions of the governments to save the financial system: ‘before Eucken arrives there, Keynes must save the banks and the economy’ (Sinn 2010, 262).

– not without a certain *Schadenfreude* – blamed the crisis on the failure of the Anglo-Saxon model of capitalism and proudly asserted that the German Social Market Economy should become the beacon for a renewed management of the international financial order. At a closer look, however, the German financial institutions were by far less conservative and risk-averse than expected: German commercial banks and the public *Landesbanken* were heavily exposed to the international toxic assets and needed a huge amount of money by the Federal government to be saved. The first Merkel government – a *Große Koalition* between the CDU/CSU and the SPD – took advantage of the situation to reform the public banking sector and to shift the fiscal rules in an ordoliberal direction, by constitutionalizing the *Schuldenbremse* (a rule prescribing balanced structural budgets; see Dyson 2010).

The financial assistance to the banking sector and the reduced tax revenue followed to the banking crisis put European finances under great pressures. Yet, despite the calls for European solidarity (even by the German Finance Minister Peer Steinbrück), the crisis was largely perceived as a national matter. Up to that moment, the only countermeasures at the European level were the actions of the European Central Bank (ECB) led by Jean-Claude Trichet, which lowered the interest rates and provided liquidity to the financial system. Things were destined to change by Autumn 2009.

3.2. October 2009 – Spring 2011: European sovereign debt crisis

At the end of October 2009, a few days after having won the parliamentary elections, the new Greek Prime Minister Giorgos Papandreou revealed that Greece had presented false balances to be admitted into the Euro Area, and that the deficit for that year would not have been 3.7% as previously announced, but four times higher: 12.7%. Papandreou blamed this on the previous government and on Goldman Sachs, which helped altering the accounts. Markets and policy-makers started questioning the sustainability of the Greek debt and fearing a possible default. The bank crisis had just turned into the sovereign debt crisis of the Eurozone.

In the same month, the second Merkel government – a centre-right coalition between the CDU/CSU and the liberals of the FDP – took office. The social-democrat Peer Steinbrück left his post as Finance Minister to Wolfgang Schäuble, until then Interior Minister, a doyen of the CDU and appointed successor of Helmut Kohl at the head of the CDU before a financing scandal ended the career of the Chancellor of the reunification. Schäuble, who was born and graduated in Freiburg, and who had relations with Ludwig Erhard, represented the hawkish, ordoliberal soul of the CDU.

The change in attitude of the German government was evident. If still in February of the same year the former Finance Minister Steinbrück could state that ‘the euro-region treaties don’t foresee any help for insolvent countries, but in reality the other states would have to rescue those running into

difficulty’,³ with the new government the music had radically changed: between late 2009 and early 2010 Merkel repeatedly appealed to national responsibility and to the need for the Greeks to count on themselves to come out from the crisis through reforms and fiscal discipline. On 12 January 2010, the German government claimed that Greece represented a danger to the Euro and that it could be forced out of the Eurozone; on 17 March, Merkel declared that Schäuble was setting a proposal to expel out of the Eurozone the countries that repeatedly violated the fiscal rules of the SGP. As the possibility of a Greek default and even of the break-up of the Eurozone became more realistic, the markets started panicking (Saccomanni 2018, 123–24).

Things started changing only a week later. On 25 March, the European Council (EC) mandated Herman Van Rompuy, President of the EC, to establish a Task Force to elaborate the necessary reforms to strengthen the EU economic governance. The Task Force would be composed by the Commission, the ECB, the Finance Ministers of the Member States and by Van Rompuy himself.⁴ This marked the beginning of the reform process of the EMU. The EC also agreed to prepare a financial assistance package to Greece in cooperation with the International Monetary Fund (IMF). Eventually, Merkel supported financial assistance, but it should have been provided at extremely high interest rates to prevent moral hazard and be a last resort instrument only in the case Greece lost access to financial markets. This happened soon: on 23 April, Papandreou formally asked for financial assistance. On 2 May, European leaders agreed on the first bail-out package for Greece. A week later, the EC, together with the Commission and the ECB, announced that they would have ‘use[d] the full range of means available to ensure the stability of the euro area’, including a ‘European stabilization mechanism to preserve financial stability in Europe’ – the European Financial Stability facility (EFSF).⁵ In the same days, the ECB started its Securities Market Programme, consisting in the purchase of sovereign debt – initially focused on Greece, then extended to the other countries – to ease the tensions in the market.

Financial markets, however, were not impressed by the measures and commitments of the European Member States and institutions. Their agreement was in fact characterized by serious divergences. As Saccomanni put it, ‘the differences regarded crucial issues, such as the terms and the conditions for any kind of financial assistance to provide to highly indebted countries; the option of public debt restructuring (i.e. default) and its implications for the stability of the Eurozone; the appropriateness of involving an external institution such as the IMF in the definition and financing of

³ ‘Germany ready to help Eurozone members’, *ft.com*, available at <https://www.ft.com/content/825af89a-fe02-11dd-932e-000077b07658>.

⁴ More on the Van Rompuy Task Force in chapter 6.

⁵ See the ‘Statement of the Heads of State or Government of the Euro Area’ of 7 May 2010, available at <https://www.consilium.europa.eu/media/21430/20100507-statement-of-the-heads-of-state-or-government-of-the-euro-area-en.pdf>.

the financial aids' (Saccomanni 2018, 125; translation is mine). Moreover, to meet the concerns of Germany and of other Member States related to moral hazard, the EFSF was established as a temporary institution, was endowed with limited resources (making it virtually useless if the crisis spread to large states such as Spain or Italy) and subject to national veto power (*ibid.*, p. 126). Overall, the reaction of the Member States and of the other European institutions were judged overdue and insufficient. So, the pressure of the financial markets against the European states did not ease off. Later in May, during a tense ECOFIN, Spain was dictated to undertake austerity measures. As the housing bubble burst, the Spanish state could not rely anymore on the tax revenue from the building sector; its budget, until then under control, inflated, raising doubts on its sustainability. Being one of the largest economies of the EU, a default of Spain would have jeopardized the stability of the whole EMU; this explains the pressures from the other governments to reduce its spending through austerity. Moreover, on 25 May, the Van Rompuy Task Force held its first meeting. The European semester, a rationalization of the economic surveillance and coordination process prescribed by the SGP, was among the first proposals of the Task Force to be endorsed by the European institutions. The European semester kicked off on November of the same year and was later formalized and completed by the Six-pack (entered into force in 2011, see below).

Months later, on September 21, the Commission presented its proposal for a legislative package to reinforce the SGP and strengthen the European economic governance – the Six-pack. In doing so, the Commission anticipated by a month the Task Force, which was working on the same issues. The Commission did this to reassert its legislative prerogative, but the reforms it proposed were already endorsed by the Member States represented in the Task Force. While the Commission presented the proposals before the final report of the task Force to keep up appearances, it was clear that it was the Council (i.e. the Member States) who had the political leadership over the reform process; the proposals of the Commission were, in fact, formally endorsed by the Task Force in its final report and by the Council some time later. By opposite, the European Parliament (EP) was more reluctant to approve the package, as it felt – justly – ousted from the reform process by the Council. In the meanwhile, the situation in Ireland dramatically worsened.

October 18 was destined to go down in the history of the Euro crisis. On that day, the French president Nicolas Sarkozy and the *Kanzlerin* Angela Merkel met in the French village of Deauville for a bilateral meeting that is often considered a turning point in the negotiations of the measures to deal with the Euro crisis. The declaration of Deauville marked the agreement between the German line (which prevailed) and the French line (which obtained decidedly less).⁶ France obtained the German consent to a permanent stabilization mechanism. Germany, in turn, obtained the French

⁶ Franco-German Declaration, available at https://www.eu.dk/~media/files/eu/franco_german_declaration.ashx?la=da.

approval of a reinforced surveillance mechanism on national fiscal policies and automatic sanctions; moreover, it obtained that the financial assistance provided by the stabilization mechanism was made conditional to Private Sector Involvement (PSI) in the debt restructuring of the assisted country.

Although it set the path for the reforms of the economic governance that were approved in the following years, the Deauville meeting sparked criticism for two reasons. First, it was held simultaneously to a ECOFIN meeting which debated the same issues. Seeing a Franco-German *directoire* deliberating on the future of Europe while another, legitimate institution was doing the same was rightly seen as a display of arrogance of the two governments. However, the reason why the Deauville declaration has been widely judged as a colossal mistake was another: the explicit reference to PSI in the middle of a crisis that was not just economic, but also a crisis of confidence in the Eurozone. As such, PSI makes perfect sense in case of default: if someone – a firm, a bank or a state – is not in the condition of repaying its debt, it is reasonable that those who invested on it bear some losses, at least not to lose all of their investment. However, the Deauville declaration said something different. The PSI was not linked to a default; rather, it was framed within a crisis resolution framework that should have been institutionalized within the European law. In other words, the investors would not just have to bear losses in case a Member State declared default – which would be comprehensible. Rather, the declaration stated the principle whereby, if a State is hit by a crisis and asks for financial assistance, investors should bear the losses *before* the default, as a condition for the state to get help to avoid the default.

This principle, stated by the leaders of the two major European countries in the middle of the worst economic crisis since 1929, ‘was a fundamental change of the rules of the game and was not in line with the praxis of international financial markets for the bonds issued by the governments of industrialized countries’ (Saccomanni 2018, 128, translation is mine); moreover, it challenges common sense in a number of ways. First, because it makes no distinction between a liquidity and a solvency crisis – and posits that the former inevitably results in the latter. Second, which is related to the first, because distinguishing *ex ante* a liquidity crisis from a solvency crisis is not always possible (*ibid.*): it is possible that what may seem a solvency crisis, may turn out to be a liquidity one, if there is the political will to solve it; and, conversely, that a liquidity crisis may turn into a solvency one, if such will lacks. Third, because a crisis resolution framework should aim to avert sovereign defaults, i.e. the situation where states fail to repay their creditors; by contrast, the PSI envisaged in Deauville makes this scenario more likely, by making it mandatory in case of financial assistance. Considering that, as Jones pointed out, ‘the trigger for a run on the country’s debt is [...] the real prospect of default’ (Jones 2010, 23), putting forward a proposal that makes sovereign defaults mandatory was probably not the smartest move in a situation where the very existence of the EMU was jeopardized

by the difficulties of some states to refinance their debts. PSI was taken on board by the Council in an early declaration, only to be quietly dropped later on; yet, the mere fact that it was put forward by the two major European leaders contributed to spread the panic among the markets and to worsen an already dramatic situation.

On October 28, the Member States formally agreed on the necessity to establish a permanent stability mechanism, the European Stability Mechanism (ESM). One month later, they launched the financial assistance package for Ireland.

On 11 February 2011, Axel Weber, president of the Bundesbank and probable successor of Trichet, resigned in protest with the bond purchase programme of the ECB. Weber was an ordoliberal and viewed Trichet's (however timid) monetary activism with suspicion. Weber was succeeded as president of the Bundesbank by his like-minded student Jens Weidmann, who was until then the head of the economic policy department at the Federal Chancellery (i.e. Merkel's economic advisor). Weber was also the mentor of another important German official: the social-democrat Jörg Asmussen, state secretary at the Finance Ministry under Steinbrück and confirmed under Schäuble. According to Dyson (2010), Weber, Weidmann and Asmussen constituted the German core executive for macroeconomic issues in the initial phase of the crisis and 'shared a strong ordo-liberal outlook, though marked by pragmatism' (p. 405). Weber's resignation – soon followed by another important official, Jürgen Stark – marked the beginning of the confrontational relation between the ECB and the Bundesbank, which would exacerbate during Mario Draghi's presidency.

On March 2011, the Member States (with the exception of the Czech Republic, Croatia, Hungary, Sweden and the UK) agreed the German-inspired Euro-Plus Pact. The pact aimed to foster competitiveness, employment, fiscal discipline, financial stability and the coordination of tax policies through the (voluntary) method of best practices. The pact, based on a German proposal that originally also prescribed mandatory wage cuts (this point was opposed by France), was substantially a failure because of its voluntarist nature.

The measures undertaken by the European leaders did not impress the markets. In those months, rating agencies repeatedly downgraded Portugal's sovereign debt. On 17 May, Portugal became the third European country to receive financial assistance.

3.3. Summer 2011 – 26 July 2012: contagion

By mid-2011, the financial troubles of Greece, Ireland and Portugal had left the other European states relatively unharmed (Purroy 2019, 117) – after all, they were small countries whose impact on European economy was relatively limited. Indeed, the crisis of Spain could have been by far more problematic, but the government repeatedly asserted that it would not need any financial assistance.

However, the scarce reactivity, the hesitations, and even the irresponsible declarations of the European leaders brought the markets to question the integrity of the EMU.

The perfect storm arrived in Summer 2011, as the negative results of the stress tests of the European Banking Authority on some system-relevant European banks, combined with the difficulties to negotiate a second financial assistance package for Greece, started the contagion. Despite its high debt, Italy was by then spared from the crisis. The problem was not the debt *per se*, but its refinancing: as long as the money kept flowing, Italy could repay its debt. This changed in July, as the banks, which sustained relevant losses due to their exposure in the crisis countries, became reluctant to refinance the Italian debt (Jones 2012). Because of the contentiousness within the parliamentary majority (especially of the *Lega Nord*) and within the executive (the relations between Prime Minister Silvio Berlusconi and his powerful Finance Minister Giulio Tremonti were confrontational), the Italian government failed to undertake the necessary measures to calm down the situation (see V. Schmidt and Gualmini 2013). The markets started to speculate on a possible Italian default and exit from the Euro Area. In the meantime, the Spanish debt was subject to similar attacks. The financial troubles of some European countries had just turned into a systemic crisis of the Eurozone.

The response of the European leaders was still sluggish: the Member States signed the first ESM Treaty and agreed upon a first draft of a second rescue package for Greece, that was still in serious conditions, despite the first bail-out and the austerity reforms undertaken since then. The most energetic response came from the ECB in early August, which reactivated its bond purchase programme to ease the pressure on Italy and Spain. In exchange for the purchase of Italian bonds, the outgoing president of the ECB Trichet and his appointed successor Draghi sent a secret letter to the Italian government, calling for hard austerity reforms, especially regarding the pension system. In the same month, Merkel and Sarkozy held a bilateral meeting, calling for the strengthening of the European economic governance and rejecting the Eurobonds as a solution to the crisis: they should be a point of arrival of the integration process, not a means to overcome the crisis.

In September, another episode of the drama between the ECB and the Bundesbank occurred: ECB chief economist, the German Jürgen Stark, resigned in protest for the purchase of Italian and Spanish bonds. He was replaced by Jörg Asmussen who, in turn, was substituted by Thomas Steffen as State secretary at the Finance Ministry. Steffen, previously head of the *Europapolitik* department of the Finance Ministry, was a loyalist of Schäuble and shared ordoliberal views.

In October, the situation in Italy and Spain worsened and the rating agencies further downgraded their sovereign debts. In the same month, European leaders found another agreement on the second rescue package for Greece.

November 2011 was a month of political changes. Mario Draghi took office as ECB president. In Southern Europe, the worsening of the crisis brought to the collapse of many governments. In Italy, Berlusconi's government fell after months of agony; Bocconi economist Mario Monti was mandated by the President of the Republic Giorgio Napolitano to form a technical government with wide parliamentary support to implement the austerity reforms. Also the Greek government collapsed. On late October, Papandreou prospected the possibility of a referendum on the agreement reached some days before for the second bail-out; Merkel and Sarkozy let him know that the referendum would have been intended as a referendum on the Greek permanence in the Euro Area. The referendum was quickly called off and Papandreou resigned. A new, interim coalition government was formed by Lucas Papademos, Vice-President of the ECB. In Spain, the national elections marked the end of the social-democratic government of Luis Zapatero and the victory of the centre-right Mariano Rajoy. Finally, the Commission put forward its proposal for another legislative package – the Two-pack – and started working on a proposal for the 'Stability bond', another version of the European bonds previously rejected especially by Germany.

In December, the new ECB President Mario Draghi launched the Long Term Refinancing Operation, an operation to provide liquidity to the financial markets comparable to the quantitative easing launched by the Federal Reserve in the same period. Moreover, he called for a 'new fiscal pact' to enshrine the principle of balanced budgets within the national constitutions. This proposal was also advanced by Germany, which had constitutionalized such rule – the *Schuldenbremse* – in its constitution already in 2009. The European governments started working on an international agreement – the Treaty on Stability, Coordination and Governance (TSCG), also known as the Fiscal Compact (FC) – to establish that rule; its negotiation was to be concluded in the record time of less than four months. In the same month, the Six-pack finally entered into force.

The crisis did not stop, though. On 13 January 2012, Standard and Poor's downgraded the sovereign debt of 9 European countries (France, Italy, Spain, Portugal, Slovakia, Slovenia, Cyprus and Malta), motivating the decision with the inadequacy of the EU countermeasures and the wrong appraisal of fiscal profligacy as the cause of the crisis.⁷

On 2 March, 25 European countries (with the exception of the UK and of the Czech Republic) signed the Fiscal Compact. One week later, all Member States had signed the second bail-out package for Greece. On the 30th of the same months, they also agreed to increase the fire power of the EFSF and of the future ESM. In May, the French presidential elections saw the defeat of the incumbent Sarkozy and the victory of the socialist François Hollande. The political situation in Greece was more complex. The parliamentary elections were won by the centre-right *Nea Dimokratia*, but its leader

⁷ The full announcement is available at <https://www.businessinsider.com/sp-downgrades-europe-2012-1?IR=T>.

Antonis Samaras failed to form a government; new elections were held in June, and Samaras formed a grand coalition government with the social-democratic PASOK and the centre-leftist DIMAR. On 30 May, the Commission presented its proposal for the completion of the EMU, including the institution of a Banking Union.

In June, Spain asked financial assistance to recapitalize its banking sector. Some days later, Cyprus formally requested financial assistance, due to its exposure to the Greek crisis. The Cyprus bail-out package would be launched in March 2013. The European Council, held on 28 and 29 June, endorsed the concept of a Banking Union to break the vicious circle between banks and sovereigns. European leaders also launched a ‘Compact for Growth and Jobs’ – with limited success.

3.4. 26 July 2012 – 2015: Draghi’s words, later reforms and aftermath

Up to summer 2012, the European leaders and institutions failed to calm down the crisis; by contrast, their hesitations and even some irresponsible declarations contributed to worsen the situation. Government bond yields skyrocketed, rating agencies repeatedly downgraded sovereign debts, some European countries were on the brink of insolvency. The cause of the panic was that the default of crisis countries – and the break-up of the EMU – was becoming an ever more realistic scenario, as the European economic governance lacked the tools to prevent such eventuality and the European governments proved to underestimate or not fully comprehend the situation.

Things suddenly changed on 26 July 2012, as the ECB President Draghi, at the end of his intervention at the Global Investment Conference in London, uttered the following words:

There is another message that I want to tell you today. [It] is that within our mandate, within our mandate, the ECB is ready to do whatever it takes to preserve the Euro. And believe me, it will be enough.

With these words, Draghi implied that the ECB would have assisted the European countries facing difficulties in refinancing their debt. On September, the words turned into a concrete measure: the Outright Monetary Transactions (OMT). The OMT programme allowed the ECB to buy in the secondary market the bonds of Eurozone Member States under financial assistance by the EFSF/ESM which had signed a Memorandum of Understanding binding them to severe structural reforms. For sure, Draghi’s monetary policy was not a return to Keynesianism: the President of the ECB repeated many times that monetary policy alone was not enough and that growth could be secured only through structural reforms and fiscal discipline. In this sense, Draghi’s policy was not a change in paradigm and was still based on neoliberal grounds. Yet, he did something that the other European leaders did not manage to in nearly three years of crisis: reasserting the stability of the Euro and of the EMU, pushing away the risk of sovereign default, calming down the markets. The fact that the mere announcement of such policy managed to calm the situation (the OMT were never activated) proves

that what Europe needed the most in that moment was first and foremost a responsible political leadership

Needless to say, Draghi's monetary policy sparked heavy criticism in Germany. Weidmann was the only governor to vote against the OMT, while some conservative German MPs questioned the lawfulness of the programme in front of the *Bundesverfassungsgericht*, Germany's powerful constitutional court. Anyway, Draghi's action reassured the markets, thus creating a quieter environment to complete the reforms of the EMU. On September 27, the ESM was finally launched, while on December the EC agreed on the Single Supervisory Mechanism, the first step towards the Banking Union. On February 2013, the Two-pack entered into force. On May, Merkel and Hollande agreed on a programme to fight youth unemployment, Youth Guarantee, which was framed in the European Social Fund.

By 2014, all major reforms of the EMU – the Six- and Two-pack, the Fiscal Compact, the ESM – were concluded, while the Banking Union was on its track. Also the assistance programmes of Ireland, Spain and Portugal were concluded by 2014, while Cyprus would have exited the programme in 2016. The problem continued to be Greece. The two financial packages only had the effect of inflating the already high Greek public debt, whereas the austerity measures threw the country in a spiral of recession. The European crisis management in Greece had serious social costs and also political consequences. The last episode of the Greek tragedy began in December 2014, as the Greek Parliament failed to elect a new President of the Republic; according to the Greek constitution, this caused the dissolution of the parliament and new elections. The elections were won by the anti-austerity leftist party SYRIZA led by Alexis Tsipras, who formed a coalition government with the right-wing nationalist party ANEL. Tsipras appointed the economist Yanis Varoufakis as Finance Minister, tasking him to devise the strategy of the Greek government for the negotiations of a third bail-out package. In a nutshell, Varoufakis position was that Greece would have accepted a third package only if it could default on its unsustainable debt and if the austerity measures were eased; otherwise, Greece would have taken the necessary steps to exit the Eurozone. The tensest moment of the negotiations was reached on 27 June 2015, as Tsipras called a referendum on the bail-out package. The referendum was held on 5 July and saw the victory of the hard-liners: the government should have rejected the package. However, Tsipras faced Merkel's refusal to allow any default of the Greek debt, as well as the Greek exit from the Euro Area.⁸ So, pressured by the European institutions and by the other governments, and by a worsening economic situation (also caused by the ECB decision to cut the Emergency Liquidity Assistance), Tsipras was forced to sign a new, even harder

⁸ By contrast, Schäuble would have been more than happy if Greece exited the Eurozone. For an in-depth (but, necessarily, partial) account of the Greek tragedy, see Varoufakis' (2017) memorial *Adults in the Room*.

Memorandum of Understanding to access the third bail-out package. Varoufakis resigned in protest with Tsipras' decision, who also called and won snap elections in September to have a popular mandate to implement the reforms contained in the Memorandum.

This was the end of the Euro crisis (or, at least, of its critical phase). Only a few weeks after the Greek referendum, the attention of the European leaders and public opinion shifted to another crucial issue: the refugee crisis.

4. Reforms of the European economic governance

In this section, I will review the reforms of the European economic governance introduced during the Euro crisis. In chronological order, they are the Six-pack (2011), the European Stability Mechanism (2012), the Treaty on Stability, Coordination and Governance (TSCG) (2012), the Two-pack (2013), and the Banking Union (2014). Provisional measures, such as the EFSF and the EFSM, measures that proved scarcely effective, such as the Euro Plus Pact, and the policies enacted by the ECB are excluded from the analysis.

4.1. Six-pack

The Six-pack is a reform package aimed to strengthen the SGP. It consists of three regulations and a directive relating to the coordination of budgetary policies, and of two regulations relating to the coordination of economic policies. **Regulation 1175/2011** reforms the 'preventive arm' of the SGP by formalizing the European Semester, the cycle of economic and budgetary coordination which was already endorsed by European institutions the previous year.

Regulation 1177/2011 reforms the 'corrective arm' of the SGP. The main innovation is the introduction of the debt criterion as a cause to start the Excessive Deficit Procedure (EDP). Previously, EDPs could be initiated only in case of breach of the deficit criterion (i.e. when government deficit exceeded 3% of the GDP). Over the years, it has become common sense that the mere respect of the deficit criterion was not conducive effective debt reduction. Therefore, this regulation introduced the debt criterion: in order to fulfil the SGP, Member States should not only keep their deficit under 3%, but also their debt-to-GDP ratio under 60% – or, if this was not the case, approach this value at a 'satisfactory pace'.

Regulation 1173/2011 strengthens budgetary surveillance in the Eurozone by introducing special rules for Euro Area Member States and putting forward sanctions⁹ for budgetary deviations

⁹ Sanctions include, progressively: an interest-bearing deposit (0.2% GDP) in case of a significant deviation from the MTO in the preventive arm; a non-interest-bearing deposit (0.2% GDP) in case of excessive deficit; a fine (0.2% GDP) in case of inadequate action. Moreover, the Member State can be excluded from part or all the payments linked to the ESI funds (this provision is not included in the Six-pack, though).

already at the preventive stage of the SGP. This regulation introduces the principle of Reverse Qualified Majority Voting (RQMV), whereby Commission proposals on sanctions are deemed to be adopted by the Council unless a qualified majority votes against them within ten days. RQMV drastically reduces discretion in the economic governance process. The weak point of the SGP was its lack of enforceability. This was epitomized by the facts of 2003, when the Council voted against the Commission proposals on sanctions for Germany and France. RQMV aims to prevent such situations, as Commission proposals can pass with the support of a narrow minority of Member States.¹⁰ Furthermore, the regulation introduces sanctions for the Member States that manipulate their deficit and debt data.

Directive 2011/85, finally, sets the requirements for the national budgets of the Member States in order to make them compatible with the renewed framework of budgetary surveillance.

Regulation 1176/2011 introduces in the framework of the SGP a mechanism for the surveillance and correction of macroeconomic imbalances. The regulation establishes an alert mechanism to identify and monitor external and internal imbalances.¹¹ The mechanism is based on a scoreboard which sets the numerical values of the relevant indicators. According to the regulation, ‘[t]he choice of indicators and thresholds shall be conducive towards promoting competitiveness in the Union’; this is reflected, for instance, in the asymmetric treatment of current account deficits and surpluses, the thresholds of which are, respectively, -4% and +6%. In other words, imbalances caused by competitiveness (i.e. surpluses) are more tolerated than imbalances caused by lack of competitiveness (i.e. deficits). The breach of the numerical values of the scoreboard signals the existence of a macroeconomic imbalance and activates an in-depth review, aiming to assess whether the imbalance should be considered excessive (i.e. jeopardizing the functioning of the EMU). If this is the case, the Commission proposes to the Council the opening of an Excessive Imbalance Procedure. The Member State is then asked by the Council to submit a corrective plan; if the plan is considered insufficient, the Council can ask the Member State to submit another plan within two months. The Commission monitors the implementation of the corrective measures and, if the recommended corrective actions are not taken, can propose to the Council a recommendation establishing non-compliance.¹²

Regulation 1174/2011 establishes a system of sanctions in the Excessive Imbalance Procedure for Euro Area Member States. In case a Eurozone Member State fails twice to submit a sufficient

¹⁰ See chapter 6, section 4.6.3 for a simulation of votes by RQMV and for a discussion of the problematic issues of this principle.

¹¹ The scoreboard includes 14 headline indicators and 25 auxiliary indicators. Available at https://ec.europa.eu/info/business-economy-euro/economic-and-fiscal-policy-coordination/eu-economic-governance-monitoring-prevention-correction/macroeconomic-imbalance-procedure/scoreboard_en.

¹² Non-compliance entails suspension of payment of the ESI funds.

correction plan, it is sanctioned with a forced interest-bearing deposit equals to 0.1% of the GDP; if the Member State results twice non-compliant, the interest-bearing deposit is turned into a fine. It is worth noting that these sanctions penalise the failed attempts to act, not the imbalances *per se*. Just as in the case of the EDP, sanctions are adopted through the principle of RQMV.

As mentioned above, the story of Six-pack is closely linked with the Van Rompuy Task Force. Although the reform package was adopted through the Ordinary Legislative Procedure, the Council – that is, the Member States – took the lead of the process: as Bressanelli and Chelotti (2016) put it, ‘[t]he decisive factor was the political will of the Heads [i.e. the European Council]’ (p. 518). Yet, the Commission provided technical support and solutions to the gridlocks in the negotiations. The story behind the RQMV illustrates this point. In the Task Force, Northern countries led by Germany called for automatic sanctions, which were rejected by the Southern: no compromise seemed possible. Already at an early stage of the debate, then, the Council agreed to take the Commission proposal of introducing the principle of reverse voting as starting point for the debate.¹³ The Member States had, then, to decide between simple or qualified majority. Eventually, they opted for the latter.¹⁴

The Commission proposals, then, were quickly accepted by the Council. The Parliament, instead, was less cooperative. It felt (with good reason) excluded from the new framework of economic governance and from its reform: the economic dialogue established by the Six-pack was a little concession, if compared to the increased powers of the Council. In order to reduce the discretionary power of the Council, the Parliament stood for an extension of the scope of the RQMV, but ‘the Council (and especially France) did not want to shift the decision-making balance towards the Commission any further’ (p. 519). Eventually, the Commission sided with the Council, and the Parliament failed to obtain any significant amendment.

Besides the scope of the RQMV, the EMU Positions dataset (Wasserfallen et al. 2019) identified other contentious issues during the negotiation for the Six-pack:

- the suspension of Council voting rights for Member States that do not comply with the SGP, a political sanction supported mainly by Northern states, which was not included in the Six-pack;
- the withholding of EU funds to deficit countries, a measure again supported by Northern countries which was not included in the Six-pack (but the possibility to suspend ESI funds for

¹³ ‘In order to strengthen the process and enhance its credibility, the European Commission intends to propose to reverse voting rules for decisions on enforcement measures’. Chairman of the Sherpa Committee, Note for the meeting of 27 September 2010.

¹⁴ Reverse Simple Majority Voting is only applied in the preventive arm of the budgetary surveillance in case of lack of effective action to correct a significant deviation from the MTO.

countries under EDP or non-compliant with the MIP was included in the Multiannual Financial Framework, see Regulation 1303/2013);

- the distinction between ‘good’ (i.e. devoted to investments and infrastructures) and ‘bad’ debt, supported by Southern countries and opposed by the Northern (who eventually prevailed);
- the asymmetric treatment of surpluses and deficits of current accounts in the macroeconomic surveillance.

4.2. European Stability Mechanism

The ESM is a permanent crisis resolution mechanism modelled after the temporary EFSF and entered into force on September 2012. Its creation, which followed an intergovernmental track, was anticipated by a modification of the TFUE. The modification was strongly supported by the German government in order to secure the compatibility of the ESM with the European law.

The ESM is managed by a board of governors and a board of directors composed of, respectively, the finance ministers and officials of the Member States. The board of governors appoints a Managing Director; the current Managing Director is Klaus Regling, who was also CEO of the EFSF. The ESM is, therefore, entirely controlled by Member States; the Commission and the ECB are endowed with technical powers, whereas the Parliament does not play any role.

If the stability of the Eurozone as a whole or of single Member States is endangered, the ESM can provide financial assistance¹⁵ under strict conditionality, which ‘may range from a macro-economic adjustment programme to continuous respect of pre-established eligibility conditions’ (ESM Treaty, art. 12). Conditions are defined in the Memorandum of Understanding negotiated between the Commission and the Member State asking for assistance, and must be approved by the Board of Directors. To gain access to financial assistance, Member States must have ratified the Fiscal Compact. The ESM relies on a maximum lending capacity of €500 billion.

Southern countries, especially France, supported the creation of a permanent crisis resolution mechanism already during the works of the Van Rompuy. Northern Member States, instead, rejected a permanent mechanism and reasserted the temporary character of the EFSF (Smeets, Jaschke, and Beach 2019).¹⁶ German Finance Minister Schäuble, in particular, claimed that a proper crisis resolution framework should include a ‘procedure for orderly state insolvencies’ with private sector

¹⁵ The ESM can rely on six lending instruments: 1) loans within a macroeconomic adjustment programme; 2) primary market purchases; 3) secondary market purchases; 4) precautionary credit line; 5) loans for indirect bank recapitalisation; 6) direct recapitalisation of institutions. Up to now, only instruments 1) and 5) have been used.

¹⁶ ‘There are good reasons why the European Financial Stabilisation Mechanism is a temporary arrangement. There is now a window of three years for each euro area Member State to bring the public finances on a sustainable path. We should not create a permanent safety net that would send the wrong message and create a serious moral hazard problem’. Finnish contribution to the Task Force.

involvement.¹⁷ Given the disagreement between Northern and Southern Member States, the proposal was at first set aside. The evolution of the crisis, however, put again the issue in the agenda. The overdue and insufficient measures adopted by the EU to tame the crisis proved ineffective, and Member States had to show a serious commitment to the stability of the Eurozone: a permanent fund for crisis resolution had become indispensable.

The (in)famous Franco-German meeting of Deauville marked the end of Germany's reluctance to a permanent mechanism: in the declaration of Deauville, the French and German governments agreed on the need 'of a permanent and robust framework to ensure orderly crisis management in the future'. In return, Germany obtained a reference to private sector involvement in crisis management and the French commitment to foster the Fiscal Compact (Beach 2013).

The two most contentious issues in the negotiations of the ESM were the scope of financial assistance instruments and the size of the lending capacity. Regarding the first issue, Northern supported a narrow scope for the ESM: in their view, the fund should only provide emergency loans in exchange for macroeconomic adjustment programmes. Southern countries and the ECB, instead, fostered more flexibility for the ESM. The compromise was closer to the preferences of the Southern countries: before the establishment of the ESM, the instruments of the EFSF were extended and, later, were included in the Treaty of the ESM, which now can rely on a wide array of instruments.¹⁸ Regarding the second issue, Germany managed to limit the size of the ESM, which has a maximum lending capacity of €500 billion (out of a total capital of €700 billion) (Smeets, Jaschke, and Beach 2019).

4.3. Treaty on Stability, Coordination and Governance

The TSCG, also known as Fiscal Compact, is an intergovernmental agreement signed by 25 Member States;¹⁹ the intergovernmental track was used to avoid the refusal of the UK to change the EU Treaties to introduce the new fiscal rule. It brings three new elements into the European economic governance. First, it provides for the introduction within the national legal frameworks – preferably at the constitutional level – of the principle of balanced structural budget. The principle is fulfilled when the budgetary positions of the Member States are balanced or in surplus or, if this is not the

¹⁷ 'The agreed European financial stabilisation framework is a necessary step towards stabilising the current situation. There are good reasons why this instrument is temporary. If we go beyond this ad hoc measure, a procedure for orderly state insolvencies will have to be an integral part of any fixed crisis-resolution framework for the euro area. This will create incentives for countries to pursue solid fiscal policies, and for financial-market participants to lend responsibly'. 'Key proposals to strengthen the Euro Area', German contribution to the Task Force.

¹⁸ See note 17.

¹⁹ The United Kingdom, the Czech Republic and Croatia (which was not a Member State at the time) did not sign the Treaty.

case, if the Member States comply with their Medium Term Objective or are approaching to it.²⁰ Second, article 7 of the Treaty extends the scope of RQMV: it binds Member States to apply the principle of RQMV not only for the sanctions, but also for the Commission proposals on the existence of an excessive deficit. Third, the TSCG institutionalizes the Euro summit, informal meetings of the Heads of State or Government of the Euro Area Member States to be held at least twice a year. Moreover, the TSCG contains some provisions on the coordination of the economic policy and the possibility for any Member State to bring to the European Court of Justice another Member State in case of non-compliance (given the political cost of this kind of actions, however, it is likely that this option will never be used. See Beach 2013, 122).

With its focus on fiscal discipline and its stress on national responsibility for the budgetary policies, the TSCG closely reflects the preferences of the Northern Member States. If we also consider that the negotiations only lasted a few months, it may be surprising that Southern countries accepted to adopt this Treaty so quickly and without significant opposition. Indeed, France obtained the institutionalization of the Euro summit meetings, but this was just a little something, if compared to what Germany got. Two reasons can explain why the TSCG reflects so closely the German positions and why Southern countries abided by it without excessive reluctance: the need to give Germany something in exchange for the acceptance of the ESM and the fear of market punishment.

The main inspirer of the Fiscal Compact is Germany, which pioneered the constitutional debt-brake (the so-called *Schuldenbremse*) already in 2009. As Beach (*ibid.*, p. 115) noted, the *Schuldenbremse* finds its roots in Ordoliberalism: it makes little surprise that the Fiscal Compact was praised by all ordoliberals, even by those who were more critical of Merkel's European policy. The reason why the Fiscal Compact closely reflects German preferences is that it constituted the *quid pro quo* for Germany's acceptance of the ESM. Establishing the ESM was politically costly for Chancellor Merkel. On the one hand, the powerful Constitutional Court could have ruled against such a permanent mechanism, as in contrast with the no bail-out clause of the TFEU – and this is why Germany insisted on a Treaty change to establish the ESM. On the other, she faced a hostile public opinion, unwilling to pay the debts of the 'lazy' Southern countries: the Treaty, therefore, was needed show her electorate that the ESM was not the beginning of a *Transferunion* and that financial assistance was subordinated to a serious commitment to fiscal discipline.

Fear of market punishment is another reason that explains why Southern countries accepted the Fiscal Compact even if it was in conflict with their material interests. Manuela Moschella (2017)

²⁰ Structural deficits cannot be higher than 0.5% of the GDP. The limit is 1.0% for those countries which have a debt-to-GDP ratio consistently under 60%.

reconstructed how this mechanism worked in the Italian case. As a typical Mediterranean Market Economy, Italy could be heavily penalised by the austerity entailed by the Fiscal Compact: economic interest cannot explain the Italian position on the Fiscal Compact. Neither it can be explained by the logic of *vincolo esterno* ('external constraint'), as 'there was widespread recognition that tightened, external discipline was not necessary to induce the political system towards fiscal adjustment and it was not the best remedy to address the country's long-term economic problems' (p. 215). Therefore, the Italian government was not convinced of the effectiveness of austerity measures to overcome the crisis: it would have rather prioritized growth measures. However, the government decided not to question the new fiscal rules to show to the markets its commitment to fiscal stability and avoid any doubt on its permanence on the Euro Area.

4.4. *Two-pack*

The Two-pack is a reform package that completes the reform of the SGP. It consists of two regulations, both addressed to the Euro Area Member States. **Regulation 473/2013** establishes a common timeline for the submission of draft budgetary plans in October, which are to be assessed by the Commission. The Commission cannot block national budgetary plans, but can ask Member States to resubmit their plans if it deems that they are not in line with the budgetary rules. The Commission issues, then, a non-binding opinion. The regulation also requires the institution of national independent bodies to monitor compliance with the budgetary framework and to evaluate the economic forecasts that underpin the draft plans. Finally, the regulation establishes more stringent requirements for countries under EDP.

Regulation 472/2013 enhances economic and budgetary surveillance for countries experiencing budgetary difficulties or requesting or receiving financial assistance. It establishes an enhanced surveillance for Member States with serious financial difficulties. It also tasks the Commission and the ECB with assessing the sustainability of Member States requesting financial assistance and with drafting a macroeconomic adjustment programme. Post-programme surveillance is extended until at least 75% of the assistance has been repaid.

The Two-pack was elaborated by the Commission to put back the economic governance on the track of the community method and to integrate within the European law some aspects of the TSCG (namely, the monitoring of draft budgetary plans by the Commission). Germany would have endowed the Commission with further powers, such as the capacity of pre-approval of national budget, but had to settle with a non-binding opinion. Again, the big losers of the reforms were the Parliament and the

Southern countries, which stood for the institution of a European Debt Redemption Fund to – at least partly and under conditionality – mutualize the European debt.²¹

4.5. Banking Union

The Banking Union consists of four elements: a Single rulebook that harmonizes the rules of the financial sector for the whole EU; a Single Supervisory Mechanism, that establishes banking supervision for all the banks of the Eurozone and of the other EU states willing to join (the ECB directly monitors the largest and most significant banks, whereas the others are monitored by the respective national authorities); a Single Resolution Mechanism (SRM) to restructure or resolve failing banks, that includes a Single Resolution Fund (SRF); and the European Deposit Insurance Scheme which, however, must still be completed.

To explain the necessity of a Banking Union, Howarth and Quaglia (2014) revisit Schoenmaker's 'financial trilemma'. As they put it, '[t]he trilemma examines the interplay of financial stability, cross-border banking and national financial policies, arguing that any two of the three objectives can be combined but not all three: one has to give way' (p. 126). The EMU presents a fourth element, the single currency, which turns the trilemma into an 'inconsistent quartet'. The 'inconsistent quartet' helps explaining the preferences of the Member States with regard to the Banking Union. Member States whose bank system was less engaged in cross-banking operations (such as Germany) and those which were not likely to adopt the Euro (such as the UK) were more reluctant to give up their responsibility on financial policies; by opposite, Member States whose banking system was engaged in cross-banking activities and whose currency was the Euro were more prone to pool their sovereignty on financial policies. This resulted, again, in a confrontation between the reluctant Northern states on one side and the Southern states, together with the supranational institutions, on the other.

Starting from the German case, Manfred Schäfer (2016) has explored the role of ideas in the institution of the Banking Union. The German position was not defined only by the material interest of its banking system, but was also heavily influenced by the ordoliberal ideology, which stressed the relevance of national responsibility and the risks of moral hazard. In four contentious issues of the Banking Union (i.e. scope, bail-in provisions, establishment of the SRF, decision-making procedure of the SRM), Germany's stance was more informed by Ordoliberalism than by the interests of its private or public banks. Germany supported a limited scope for the Banking Unions, claiming that only system-relevant banks should be directly oversighted by the ECB, whereas smaller banks should remain under national responsibility; it supported strong and automatic bail-in provisions in order to

²¹ See EMUchoices dataset, dimension TP1. Available at <https://emuchoices.eu/data/emup/>.

enforce the *Haftungsprinzip* ('liability principle', see chapters 3 and 4) that represents one of the main tenets of Ordoliberalism; Germany also opposed a joint fund for the SRF as it would cause moral hazard, and preferred a system of national funds; finally, Germany was reluctant to endow supranational institutions with decisional powers and claimed that Member States should retain veto power.

Ideas did not only influence German preferences, but also played a role in the negotiations: Germany was forced to some concessions that are at odds with its bargaining power, but can be explained by the discursive power of ideas. The German government always claimed that the regulation of the financial markets should aim to break the 'vicious circle' between banks and sovereigns. This objective, shared by all Member States, became a 'powerful tool to extract concessions from the German negotiators' (p. 973): in fact, German preferences were often at odds with this objective, and the other Member States strategically exploited this inconsistency. The major concession regarded the SRF: a system of national funds was inconsistent with the aim of breaking the vicious circle between banks and sovereigns, and Germany had to accept a joint fund. Germany also had to give up automatic bail-ins and strong national veto powers. Automatic bail-ins would have had a detrimental effect on financial markets of the Southern countries, thus jeopardizing the stability of the Eurozone; the compromise was a moderate bail-in rule with some discretion. National vetoes, in turn, would have hampered the efficacy of the Banking Union to contrast crises: the result of the negotiation was a more streamlined decision making process with limited national vetoes. Finally, a compromise was found on the scope of the Banking Union: all European banks would have been monitored, but only system-relevant banks would be under direct surveillance of the ECB.

5. Conclusions

The Economic and Monetary Union was the European response to the transformation of the international economic and political environment. It was a reaction, on the one hand, to the end of the 'embedded liberalism' that characterised the first decades of the second post-war; on the other, to the disengagement of the US as guardians of the stability of the international economic system and to the end of the Cold War. The EMU was made possible by a neoliberal consensus that spread among European governments between the 1970s and the 1980s and which informed its institutional architecture.

The Global Financial Crisis, started in the US, exposed the weaknesses of the EMU, jeopardizing its very integrity. The hesitations and the inaction of the European governments and institutions caused the crisis to spread throughout the EU. This was especially evident in two episodes of 2010: when, in the first months of that year, the German government presented the possibility of a

break-up of the Euro Area; and, in October, when the German and French leaders mentioned the Private Sector Involvement in the Deauville declaration (see also Matthijs 2016).

The Euro crisis sparked a (lengthy) reform process of the economic governance of the EU. The main reforms were the strengthening of the Stability and Growth Pact through the Six-pack, the Two-pack and the Fiscal Compact, the establishment of a permanent crisis resolution mechanism, the ESM, and of the Banking Union.

The question now is: is there a causal link between these reforms and Ordoliberalism? In the next chapters, I will try to answer this question. In chapter 2, I will present the method through which I will investigate the underpinnings of the ordoliberal ideology (chapter 3) and of the ordoliberal ideas on the European integration process (chapter 4). Then, in chapter 5, I will assess whether these ideas were shared by the German leaders and, in chapter 6, whether they actually had any influence in the reform process.

Timeline of the Euro crisis

The grey cells of the table indicate the entry into force of the EMU reforms.

Year	Month	Episode
2008	September	<ul style="list-style-type: none"> • 15 – Lehman Brothers files for bankruptcy.
2009	February	<ul style="list-style-type: none"> • 18 – The German Finance Minister Peer Steinbrück calls for European solidarity for the countries hit by the crisis.
	March	<ul style="list-style-type: none"> • By March, European countries have disbursed about 3 trillion dollars to assist their banking systems.
	September	<ul style="list-style-type: none"> • 17 – Parliamentary elections in Germany. The new government, which will take office in October, is a coalition between the Christian-democrat CDU/CSU and the liberal FDP. Angela Merkel is reconfirmed Chancellor, the Christian-democrat Wolfgang Schäuble replaces Steinbrück as Finance Minister.
	October	<ul style="list-style-type: none"> • 4 – Parliamentary elections in Greece, won by social-democratic party PASOK. Giorgos Papandreou is the new Prime Minister. • 16 – Papandreou declares that Greece presented false balances to be admitted in the Euro Area, and that the deficit for that year is four time higher as previously announced. It is the beginning of the Greek crisis.
2010	January	<ul style="list-style-type: none"> • 12 – The German government declares that Greece represents a danger to the stability of the Euro and that it could be forced out of the Eurozone.
	March	<ul style="list-style-type: none"> • 25 – After months of panic for the future of the Eurozone, the European leaders agree on the possibility of providing financial assistance to Greece. • 25 – The European Council establishes the Van Rompuy Task Force to outline the reforms to improve the stability of the EMU.
	May	<ul style="list-style-type: none"> • 2 – The first bailout package for Greece is approved. • 7 – Euro Area Member States agree on the establishment of the EFSF, a temporary emergency fund. • 14 – The ECB starts purchasing sovereign debt to ease the tensions in the market through the SMP. • 21 – First meeting of the Van Rompuy Task Force.
	June	<ul style="list-style-type: none"> • 14 – During a joint press conference with the French President Nicolas Sarkozy, Chancellor Merkel makes the case for a European <i>Wirtschaftsregierung</i>.

	September	<ul style="list-style-type: none"> • 21 – The Commission puts forward its proposal for the Six-Pack.
	October	<ul style="list-style-type: none"> • 18 – Franco-German Deauville meeting. Germany agrees on a permanent stability mechanism. The final declaration of the meeting also mentions PSI. • 21 – Final report of the Van Rompuy Task Force. • 28 – European Council agrees on the establishment of the ESM, which will replace the EFSF.
	November	<ul style="list-style-type: none"> • 29 – Bailout package for Ireland (€85bn) is approved.
2011	February	<ul style="list-style-type: none"> • 11 – Axel Weber, President of the Bundesbank and member of the Governing Council of the ECB resigns in protest for the purchase of state bonds. Jens Weidmann, until then economic advisor of Merkel, replaces him.
	March	<ul style="list-style-type: none"> • 23 – The European Council adopts the Euro Plus Pact.
	May	<ul style="list-style-type: none"> • 17 – Bailout package for Portugal (€78bn) is approved.
	July	<ul style="list-style-type: none"> • Financial troubles for Italy. • 21 – European leaders discuss a second bailout package for Greece.
	August	<ul style="list-style-type: none"> • 4 – ECB buys Italian and Spanish bonds to ease market pressure on the two countries. • 5 – ECB President Jean-Claude Trichet and his successor Mario Draghi write a confidential letter to the Italian Prime Minister Silvio Berlusconi, asking for structural reforms in exchange of the purchase of Italian bonds. The Italian government will fail to comply.
	September	<ul style="list-style-type: none"> • 9 – Jürgen Stark, the German Chief Economist of the ECB, resigns in protest for the purchase of state bonds. Jörg Asmussen, State Secretary in the German Finance Ministry, replaces him.
	October	<ul style="list-style-type: none"> • Rating agencies downgrade Italian and Spanish bonds.
	November	<ul style="list-style-type: none"> • 1 – Mario Draghi is the new President of the ECB.
		<ul style="list-style-type: none"> • 8 – Six-Pack enters into force. • 16 – Berlusconi's government falls. Mario Monti is appointed Prime Minister of a technocratic government. • 20 – Parliamentary elections in Spain won by the conservative Marian Rajoy, who replaces the socialist Luis Zapatero. • 23 – The Commission puts forward its proposal for the Two-Pack.
December	<ul style="list-style-type: none"> • 8 – Mario Draghi announces the LTRO. • 9 – Member States start the negotiations on the TSCG (Fiscal Compact). 	

2012	January	<ul style="list-style-type: none"> • 13 – Standard and Poor’s downgrades the rating of 9 European countries, motivating the decision with the inadequacy of the EU countermeasures and the wrong appraisal of fiscal profligacy as the cause of the crisis.
	February	<ul style="list-style-type: none"> • 2 – Euro Area Member States sign the Treaty establishing the ESM.
	March	<ul style="list-style-type: none"> • 2 – The European Member States – with the exception of the UK and of the Czech Republic – sign the TSCG.
		<ul style="list-style-type: none"> • 30 – The Eurogroup increases the firepower of the EFSF/ESM.
	May	<ul style="list-style-type: none"> • 6 – French presidential elections won by socialist François Hollande, who replaces Sarkozy. • 6 – Parliamentary elections in Greece won by centre-right party <i>Nea Dimokratia</i>, which cannot form a government coalition. New elections are held on 17 June, leading to a grand coalition formed by <i>Nea Dimokratia</i>, PASOK and DIMAR.
	June	<ul style="list-style-type: none"> • 29 – European Council agrees on the Banking Union and on the Compact for Growth and Jobs.
	July	<ul style="list-style-type: none"> • 9 – Financial assistance programme for Spain is approved. • 26 – Mario Draghi’s ‘whatever it takes’ speech.
	September	<ul style="list-style-type: none"> • 6 – ECB presents its OMT programme.
December	<ul style="list-style-type: none"> • 14 – The Single Supervisory Mechanism of the Banking Union is approved. 	
2013	February	<ul style="list-style-type: none"> • 20 – Two-pack enters into force.
	April	<ul style="list-style-type: none"> • 12 – Bailout package for Cyprus is approved.
	December	<ul style="list-style-type: none"> • 8 – End of Ireland assistance programme.
2014	January	<ul style="list-style-type: none"> • 22 – End of Spain assistance programme.
	June	<ul style="list-style-type: none"> • 12 – End of Portugal assistance programme.
2015	January	<ul style="list-style-type: none"> • 25 – Parliamentary elections in Greece won by anti-austerity leftist party SYRIZA. The new Prime Minister Alexis Tsipras appoints Yanis Varoufakis as Finance Minister, tasking him to devise the negotiating strategy for the third bailout package.
	July	<ul style="list-style-type: none"> • 5 – A popular referendum sponsored by the government rejects the terms of the third bailout package. • 13 – Despite the result of the referendum, the government is forced to sign the third bailout package on even worst terms as before the

		vote. Varoufakis resigned in protest. Tsipras replaced him with Eukleidis Tsakalotos and called snap elections in September.
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Chapter 2

The morphological analysis of ideologies – A review

1. Introduction

In this chapter, I will present the theoretical framework of my dissertation: Michael Freeden's morphological approach to the study of ideologies. The morphological analysis of ideologies is a conceptual approach to the study of political thought. It aims to understand the political thought of groups and individuals by investigating the interconnections among political concepts that inform their political views. Political concepts constitute the building block of political thinking, but, taken individually, they are too indeterminate to convey meaning. Therefore, concepts come in structures where they mutually define each other: these structures are called ideologies. Ideologies are the typical product of political thinking: they structure political views of individuals and groups, and compete against each other over the definition of the goals of society. The morphological approach rejects the pejorative tone often attached to the term ideology. Ideologies are a ubiquitous and inevitable human phenomenon, linked with the plural essence of politics: a world without ideologies is unconceivable, as without ideologies politics would not exist. Ideologies should be studied to understand their content, rather than to unmask their deceptive function, or the power relations underlying them. The morphological approach is, then, primarily an interpretative work.

Among the conceptual approaches to the study of ideologies, the morphological analysis is the most influential. It was developed by political theorist Michael Freeden in the 1990s (Freeden 1994, 1998a), and informed a number of studies over more than twenty years. Many researches informed by the morphological approach are published in the *Journal of Political Ideologies*, founded in 1996 by Freeden himself. Freeden was also editor of the recent Oxford Handbook of Political Ideologies, that contains a methodological chapter on the morphological approach, and where some examples of morphological analyses can be found (Freeden and Stears 2013).

In this chapter, I will summarize the morphological approach to the study of ideologies. The review will proceed as follows. In section 2, I will discuss Freeden's political theory. According to the British academic, political theory should investigate two aspects of political thought: thinking *politically* and thinking *about* politics. The first aspect refers to the general features and topics of political thinking: what does political thinking look like? In section 2.1 I will briefly handle these features. Thinking *about* politics, in turn, refers to the concrete content of political ideas. The study of ideologies, then, refers to this second aspect, that I will introduce in section 2.2.

Section 3 will be devoted to the morphological analysis of ideologies. The morphological approach is structured in two axes: the first one relates to political concepts, the building blocks of political thought, while the second refers to the macro-structures in which political concepts are organised. In section 3.1, I will assess the features of political discourse that account for the semantic flexibility of political concepts; then, I will present the notion of ‘essential contestability’, and, finally, I will describe the internal morphology of political concepts.

Given the indeterminate nature of political discourse, concepts have an indefinite, yet limited, number of meanings; choosing one of these meanings is called ‘decontestation’, as the essential contestability of the concept is temporarily lifted. Decontestation is usually accomplished by ordering political concepts in macro-structure – a process that is not completely deliberate. These conceptual structures are called ideologies, and constitute the focus of section 3.2. I will analyse the main components of the ideological morphology: the core (3.2.1), the adjacency (3.2.2), and the periphery (3.2.3). Further, I will present other useful elements for the morphological analysis: the diachronic perspective and the non-conceptual features of ideology (3.2.4).

Ideologies do not differ only on their substantive content: some of them are more ambitious, more comprehensive, while others are narrower, and focus on specific issues. In section 3.3, I will survey their different ‘size’, and other proposals for classifying them. In section 3.4, I will defend the morphological approach from the accusation of lack of scientific rigour. In section 3.5, I will handle some aspects regarding the functions and the production of ideologies, and their difference with political philosophies.

Section 4 concludes by briefly illustrating how I will employ the morphological approach in the rest of the thesis.

2. Thinking *politically* and thinking *about* politics

In the course of his academic career, Michael Freeden has moved across three ‘concentric circles’, that represent as many different, yet closely interrelated, topics (Freeden 2012, 260). The first one, the narrowest and most concrete, is represented by the analysis of a specific ideological family, liberalism, in which he engaged in the early years of his career, in the 1970s.

The second topic lies a step higher on the scale of abstractness: from the analysis of a single ideology, Freeden turned to look at the overall phenomenon of ideological thinking. His groundbreaking work *Ideologies and Political Theory: A Conceptual Approach* paved the way for the morphological analysis of ideologies, which can be considered the most influential among the conceptual approaches to ideological analysis (Maynard 2013). Unlike other conceptual approaches, Freeden’s morphological analysis postulates that the meaning of political concepts cannot be

understood by analysing concepts individually. Political concepts, in fact, are not isolated, but come in complex structures, where they mutually define each other. These structures, that Freedden calls ideologies, inform the way in which people concretely think *about* politics. In order to grasp the meaning of political concepts (and, thus, to understand what people substantively think about political issues), political theorists must investigate the *morphology* of these structures. The morphological approach is meant to provide the theoretical tools to rigorously and thoroughly carry on this research.

The third and last topic, to which Freedden committed himself in recent years, is the most general: in a recent book (Freedden 2014), he termed it the ‘political theory of political thinking’. If the ideological analysis focuses on the substantive products of political thought, the political theory of political thinking studies the general features of political thinking as a thought-practice: what kind of human thought can be defined ‘political’, as opposed to, say, economical or artistic? Which topics does it cover? Which functions does it discharge, and which forms does it take?

These latter two topics are related to what Freedden regards as the central purpose of political theory: the analysis of concrete political thought. Political thought, claims Freedden, presents two distinct aspects: thinking *politically* (which constitutes the subject of the political theory of political thinking), and thinking *about* politics (which relates to the study of ideologies) (Freedden 2008). The difference between them is a matter of perspective: the former relates to the characteristics of the distinct form of thought that can be labelled as ‘political’, whereas the latter focuses on the substantive content of political thought. Of course, the two aspects coexist: when someone engages in political thinking, he both thinks *politically* (as he thinks in a specific fashion, and on specific political issues), and thinks *about* politics (as he ends up with substantive ideas on those political issues). Yet, political theory should approach them separately, as they lie on distinct levels of abstractness: thinking *politically* refers to the general features of political thought, while thinking about politics relates to the concrete ideational products of political thought.

2.1 *Thinking politically*

Thinking *politically*, claims Freedden, presents six features linked to politics (Freedden 2014, 34–35). First, political thinking serves the arrogance of power: it is related to the exercise of the ultimate decision-making power, and to the definition of its *locus*. Political thinking, then, deals with sovereignty, with the boundaries of politics (both in a geographical sense and in the sense of delimitating and regulating the other social spheres), and with authority (p. 92-131).

Second, it is related to the ranking of – often competing – ‘social aims, demands, processes, and structures’. In society, an unlimited number of claims and interests coexist: choosing which ones are more important or urgent, is a typical act of political thinking that involves distribution of

significance. In order to distribute significance within and for society, political thinking makes use of emotions and of ranking devices, such as the concepts of rights, legitimation, or securitization (p. 132-65).

Third, political thinking expresses the mobilization or withdrawal of public support, by accepting, justifying, criticizing or rejecting collective entities, and their activities and procedures. For short, it relates to the symbolic goods that make a polity work. Political theory investigates then the characteristics, the forms and the conditions of the obligation (and dis-obligation) of the individuals to collective entities, as governments, states and nations (p. 166-99).

Fourth, it deals with continuity and change within a political community. In this sense, political theory surveys the patterns of thinking that concern cooperation, order, dissent, and conflict (p. 200-35). Fifth, political thinking is directed toward decision-making: it defines policies, and aims to project the future of the community (p. 236-76). Its sixth and last feature regards the link between discourse, as expression of political thinking, and power. Here, Freedon is not interested in theorizations *about* power, nor in the power that works *through* discourse, and is conveyed by it. Rather, he claims that political theory should focus on the power that resides *in* the discourse, in particular on the styles it is exerted: through rational argumentation, through rhetorical attractiveness, through emotions, or through menace (p. 277-309).

Rhetoric is often dismissed as a malicious device to dupe people; yet, it plays an important role in politics, and deserves to be analysed in an equanimous way, especially considering its relationship with ideology. First, the morphological analysis could establish whether the beliefs expressed are actually held or only employed in a dissimulative way. Second, ideologies are both produced and consumed. Therefore, every rhetoric act, even when not sincerely expressed, exerts an effect on its receivers. Third, rhetoric serves to highlight, prioritize, or emphasize a certain aspect or interpretation of a political message. Finally, insincere as well as genuine rhetoric are indicative of logical and cultural patterns, that can be informative for the analyst (Freedon 1998a, 35–36).

2.2 *Thinking about politics*

The study of thinking *politically* corresponds, then, to the investigation of the general forms and themes that qualify thought as ‘political’. But if we are to survey what individuals actually think *about* politics – i.e. if we want to understand *how* they actually interpret such themes, and what observable form this interpretation takes – we must shift our attention to the concrete patterns that connect political concepts, and to the ranges of views that reflect and determine their interpretation of the world: Freedon calls such conceptual structures ideologies. The morphological approach rejects the pejorative perspectives on ideology and claims that ideological thinking is a ubiquitous and

inevitable human activity, that allows individuals and groups to make sense of the political world, and that is central to the political competition over the definition of the goals of the society. The study of ideologies is, then, a central endeavour of political theory, as we can understand actual political thinking and ideas only in their ideological dimension (p. 3).

In analysing ideologies, the morphological approach follows two main axes. The first one is articulated in three tiers, and focuses on the elemental blocks of ideological thinking: political concepts. Concepts occupy the middle tier: on the lower tier, we find their micro-components, while on the upper tier we find macro-conceptual concatenations. However central they are in the understanding of the political world, concepts are individually too vague and too indeterminate to have a meaning on their own. In order to understand their meaning, the political theorist must hence analyse the complex configurations of interrelated concepts.

The second axis focuses on such conceptual aggregations. Ideologies impart meaning to political concepts by organizing them in distinct conceptual configurations. Not all concepts occupy the same position or discharge the same functions, though: some of them are more important, while others have just a supportive function. Thus, morphological analysis distinguishes three categories of conceptual clusters. The core, that represents the main concepts of an ideological configuration; the adjacency, which further specifies the meaning of the core; the periphery, that works as crossroads between ideational tenets and the ‘real’ world (p. 7). Further, ideologies are often characterised by some non-conceptual features, that relate to the way in which they interpret and develop concepts. This synchronic morphological analysis of ideological configurations can be supplemented by a diachronic perspective, that allows to distinguish broad ideological traditions, and to assess the relations between them and specific ideological instances.

3. The morphological analysis

3.1 Political concepts

When thinking about politics, individuals make extensive use of terms as liberty, justice, power, etc. These political concepts represent the basic, substantive units of political thought, and are used to give order to the political world. Despite their wide spread in daily life, though, their meaning is far from plain. What is liberty? To whom or what does it refer? As we will see in the following, there cannot be not a correct, definitive answer. Political concepts are in fact complex ideas, and their meaning largely depends on the way they are employed: they are not products crafted by professional thinkers, but social constructs that reflect their concrete, historical usage.

By looking at everyday politics, we can observe that some concepts, such as democracy or liberty, permeate political discourse. However, it would be wrong to conclude that political actors

agree on their meaning: we can safely say that the conception of democracy advocated by a Western liberal ruling party is fairly different from that of a populist party that contests its government. So, it is normal to observe that, in the same place and time, different interpretations of the same concept coexist.

It is worth noting here a double perspective on the meaning of political concepts. The first one is that of the producers (and consumers) of political concepts. When they employ a concept, they choose among a range of possible meanings that depend on their cultural context. The choice does not follow fixed rules: some meaning could be chosen because morally appealing, other because they appear rationally convincing, and so on. Furthermore, the choice is never definitive, as it may be contested by others, or may change according to the context. So, the meaning of concepts is constrained by the context, but also always open to contestation. The second perspective is that of the political theorist: rather than choosing which is the ‘right’ meaning of a concept, he should investigate what meaning is acceptable, or about to become acceptable, for the users that he analyses. Thus, the meaning of political concepts cannot be established *a priori*, but must be observed in society.

The semantic flexibility of political concepts depends on four permanent features of language, that also characterise the political discourse: ambiguity, indeterminacy, vagueness, and inconclusiveness (Freeden 2017b, 121–22). Ambiguity relates to the fact that a single word can refer to completely different meanings, as is the case for the word ‘race’, that can both mean competition, or refer to the taxonomy of animals. Indeed, ambiguity is the least problematic of the features of political concepts, as it can be ruled out with relative ease through acts of disambiguation.

More serious problems are posed by indeterminacy: concepts are indeterminate not only because their internal components may vary, but also because they can be arranged in unlimited ways, and it is impossible to logically single out one configuration that is ‘better’ than the others. Consider, for instance, the concept of democracy underlying two different electoral systems, a purely proportional system, and plurality voting. The former fosters a democracy intended as representativeness, whereas the latter promotes democracy as proximity between the representative and her constituency. It would be very hard to claim that one is properly democratic, while the other is not: they both are, though they intend democracy in divergent ways. Which interpretation of democracy shall prevail cannot be inferred *a priori*, but is the result of political dynamics.

Vagueness relates to concepts’ intension. Because of their internal flexibility – *pace* most meticulous political scientists – it is hard to draw defined, fixed boundaries between concepts. If this might be troublesome for those who study political concepts, it is not necessarily a problem for those who employ them, as vagueness often opens a space for consensus, however temporary.

Inconclusiveness, finally, relates to the impossibility of crafting concepts so that they fit in every possible situation. The meaning of concepts depends on the context: as it changes, concepts must change, as well. Thus, concepts do not have a ‘final’ meaning, and their rearrangement is always an option.

Because of these features, the meaning of political concepts remains always open to interpretation and contestation. Drawing on W. B. Gallie’s work, Freedden defines them as ‘essentially contested concepts’ (ECC). According to Gallie, ECCs are concepts over which an insoluble dispute exists, and are characterised by seven features. They must 1) be appraisive, related to ‘some kind of valued achievement’; 2) be internally complex; 3) contain different competing descriptions of their components; 4) be open to change in light of changing circumstances. Further, there must be 5) a mutual recognition, by the parties involved, that their interpretation of the concepts is contested; and 6) an original exemplar of the concept, acknowledged by all. Finally, 7) the competition over the meaning of the concept should be linked to the optimal development of the original meaning.

Freedden critically revisits some of these features (Freedden 1998a, 55–60). Regarding the first feature, on the one hand, he notes that the dispute may involve both valued and *disvalued* achievements: political dispute regards both what is desirable, and what should be avoided or averted. For instance, the concept of ‘domination’ lies at the very heart of contemporary anarchism, but it is clearly regarded by anarchists as something to smash, rather than a positive value. On the other, he claims that not only the normative, but also the descriptive part of a concept may be contested.

He also criticizes features 5-7, noting that only features 1-4 are necessary for ECCs. For a concept to be essentially contested, it is not necessary that the contestation *actually* takes place, as instead claims feature 5. Contestability, in fact, does not depend on any substantive feature of political concepts; rather, is an ineliminable consequence of the very nature of political discourse. Because of this, in a later work Freedden will prefer the definition of ‘effective contestability’ to that of essential contestability (Freedden 2004).²² Furthermore, the prototypical concept postulated in feature 6 is inimical to the very theorization of effective contestability. Finally, even if the contestation over the meaning of a concept *can* hinge on its optimal interpretation, as feature 7 claims, this is not always the case. Disputes over the meaning of concepts can be motivated by countless reasons, conducted in different ways, and result not only in an optimal development of the concept, but also in its impoverishment.

²² Nonetheless, the difference between essential and effective contestability is rather subtle, and most of authors that follow Freedden’s approach (and Freedden himself) continue to refer to essential, rather than effective contestability. Hence, I will continue to refer to essential contestability as well, for the sake of clarity.

How can political concepts, then, acquire meaning given these structural limitations? The essential contestability must be overcome through the ‘decontestation’, an act that consists in picking one among the possible meanings and dismissing the others. Decontestation operates within logical and cultural constraints, and works simultaneously at the micro-level of the internal structure of the concepts and at the macro-level of concatenation of concepts; moreover, it is always temporary, as it can change depending on the context. To understand how decontestation works, we must start by taking a closer look at the internal structure of political concepts.

Political concepts include ineliminable and quasi-contingent components. A first feature of ineliminable components is rather trivial: concepts cannot do without them. Let us consider a typical political concept, sovereignty, for instance. It can be reasonably said that power constitutes an ineliminable component of sovereignty, as a discussion about sovereignty in which power is not substantially involved is hardly conceivable. Note that the ineliminable component usually takes a generic, rather than substantive form: everyone agrees that power, without any further specification, is central to sovereignty. But, this is another feature, concepts cannot be reduced to their ineliminable part: sovereignty is not simply power, but power linked to, say, a political authority. Power itself is a fundamental political concept, and its meaning goes far beyond its relationship with sovereignty. Furthermore, ineliminable components are not self-standing, they must be surrounded by other, quasi-contingent elements. These components discharge necessary functions – so, they are non-random – but are widely variable. In the case of sovereignty, a quasi-contingent component is represented by the subject that exerts it: whether it is a king, who exerts it by divine right, or a fictitious entity, the People, is not relevant – what matters is that someone or somewhat is there, as sovereignty does not float in the air (Freeden 1998a, 62–68).

By looking at their micro-structure, we can appreciate two elements that contribute to endowing political concepts with meaning. The first one is the logical adjacency. Considering again sovereignty, logic itself compels that there must be a subject titular of the power. However, it does not specify who this subject will be. Here a different, but parallel process intervenes: cultural adjacency. It works in two ways. The first one operates within the framework of logical adjacency, by opting out one among the possible logical connections. In the case of sovereignty, it chooses whether the titular of sovereignty is a king, the people, or the working class. The second way is by linking the concept to elements that are not logically necessary, but the common use has declared as legitimate (even necessary) – or, by opposite, by rejecting others that were once part of the concept. Not many centuries ago, for instance, sovereignty was tightly related to some sort of divine legitimation, that justified the power of the rulers. So, at that time, not only power, but also a divine legitimation was an ineliminable part of the concept of sovereignty. The process of secularization, however, led

sovereignty to sever its link with its godly dimension, which is not part of contemporary interpretations of the concept anymore (p. 68-72).

So, to sum up, the first axis of the morphological analysis of ideologies consists in investigating the building blocks of political thought: political concepts. The theorist must distinguish the ineliminable, the quasi-contingent, and the contingent components of the political concepts, and recognize the logical and cultural constraints within which they draw their meaning.

3.2 The morphology of ideological configurations

The analysis of the internal components of concepts, however, is not enough to understand their meaning. Indeed, it shows us that a certain concept must contain some ineliminable and some quasi-contingent parts, and that the choice is constrained by logical and cultural factors. Yet, some fundamental questions remain open. First, it tells little about which meaning, among the possible, will be chosen. Second, we have seen that concepts mutually define each other: sovereignty, for instance, is defined by power. But, if this is true, it means that, in order to fully understand the meaning of a certain concept, we must also analyse the concepts that surround it. Lastly, analysing an isolated concept tells nothing about its saliency within the belief system of an individual. Two people could share a similar definition of, say, liberty, but the first could regard it as the supreme value of human life, while the other could see it only as an instrument to achieve other goals: if we want to investigate what these people actually think about politics, we do not have just to establish the meaning of the political concepts, but also unravel the connections among them.

A relevant part of the decontestation of the meaning of political concepts occurs at the macro-level of their connections. Political concepts draw their meaning from their mutual relation: each concept is explained by, and helps to explain, the concepts nearby. Because of this, when thinking about politics, individuals engage in the *thought-practice* of ordering and ranking concepts into ideational structures. These structures define their meaning by arranging them in decontestation patterns, that lead to the selection of specific meanings, and by ordering them in a hierarchy.

The resultants of this activity are distinct configurations of political concepts, that Freedman calls ideologies. Thinking ideologically is, then, an inevitable and ubiquitous forms of political thought. Inevitable, in that the only way to bestow meaning to political concepts is by ordering them in such structures. Ubiquitous, not only because everyone – to a greater or lesser extent, and in a more or less accurate fashion – engages in ideological thinking, but also because every kind of thought that refers to politics includes an ideological dimension.

The analysis of these ideological configurations represents the focus of the second axis of the morphological approach. The ideological morphology presents some similarities and some differences with the micro-structure of concepts. In both cases, cultural and logical adjacencies operate in defining which components will be included, and what will be their role. However, while single concepts present only a limited number of components and exclude others, ideological configurations tend to be much more inclusive, and deploy a vast array of political concepts (that represent their internal component). Ideologies, then, differ not so much for employing different concepts, as the most important will always be included, but regarding the saliency and the meaning that they confer to the concepts: specifically, both saliency and meaning depend on the concept's position within the ideological morphology.

Both socialism and liberalism, for instance, make use of the concept of equality. Yet, the former locates it at the very centre of its structure, and regards it as something desirable *per se*; consequently, it decontests equality as equality of results. By converse, the latter derives it from the more central principles of rationality and individualism, and employs it as a safeguard for the principle of liberty. So, liberalism advocates equality of opportunity, but also endorses inequalities emerging from a legitimate exercise of liberty. As we can see, the generic, ineliminable part of the concept of equality (namely, the fact that individuals must be equal) is present in both cases; however, the concept gains a different meaning based on its position within the ideological structure.

The purpose of the second axis of the morphological approach is, then, to interpret the meaning of political concepts by reconstructing the mutual relations connecting them. According to the morphological approach, political concepts can be ordered in three levels: the core, that comprises the most important concepts of an ideological configuration; the adjacency, composed of concepts that derive from and/or safeguard the core; and the periphery, that comprises both marginal concepts and context-bound practices and policy-proposals that flesh out the core. This synchronic morphological analysis of ideological configuration can be supplemented by a diachronic perspective. Despite being indefinite, the possible interrelations between political concepts are nonetheless limited, because of their logical and cultural constraints. This explains why we can observe only a limited number of broad ideological families. These families can be recognised, in a diachronic perspective, by the persistence of an ideological core: specific ideological instances, that share a sufficiently similar core, can be claimed to belong to the same ideological tradition, according to the principle of family resemblance.

It is worth noting that the work of distinguishing between core and adjacent concepts, and assigning a specific ideological configuration to a certain tradition, is largely one of interpretation.

Drawing from Ricoeur's notion of 'surplus of meaning' (i.e. a baggage of unintended meaning attached to the deployment of the concepts), Freeden claims that ideological thinking is an unconscious and opaque phenomenon (Freeden 2013, 122). Sometimes, central concepts could remain unexpressed, and stay in the background, while other more marginal concepts could, for various reasons (rhetoric, strategy, etc.) appear much more evident; other times, a sincere claim by a producer or a consumer of ideology, could prove to be false after a deeper analysis. Thus, the researcher cannot entirely rely on the empirical manifestations of political thought (that could be wrong, missing, or partial), but must engage in a work of interpretation.

Two examples drawn from different ideological families – neoliberalism on the one hand, Marxism and anarchism on the other – will better illustrate this point. One of the fathers of neoliberalism, Friedrich von Hayek, always denied being a conservative, claiming instead to be an 'old Whig' (i.e. a liberal). A morphological analysis of his thought, however, shows the centrality of his concept of catallaxy, the spontaneous order brought about by individual actions in a free market that allow people to realize their life projects; this view contrasts the liberal conception that progress can be achieved through positive, rational actions, but nicely dovetails with the conservative core concept of organic change. Through means of the morphological analysis, then, it has been possible to detect the resemblance between Hayek's views and the conservative ideology, and to justify in a rigorous way the claim that Hayek's thought presents a heavy conservative connotation (Freeden 1998a, 298–311). Another example is provided by the divide between Marxists and anarchists: the troubled relationship between the two political groups would suggest the existence of a deep, unbridgeable ideological difference between the two. To the contrary, Franks's morphological analysis showed that their beliefs were much closer than they would have been prone to admit, and that the differences hinged on tactics and on relatively marginal issues. However, this did not prevent their competition to take the form of an extremely violent – often, armed – conflict, which barred for decades the possibility of any cooperation (Franks 2012).

Ideological analysis is, then, both an empirical and interpretative endeavour. It is empirical, as its purpose is to understand what people and groups *actually* think about politics and, to do this, the researcher must rely on objective manifestations of their political thought. But it is also interpretative, as – because of the surplus of meaning – the researcher must also grasp the unintentional and unconscious part of his subjects – without, obviously, going beyond their intentions.

3.2.1 Core

The core represents, as its name suggests, the centre of an ideology. It is never constituted by a single concept, but by a cluster of mutually sustaining concepts. Unlike the ineliminable and quasi-

contingent components of a concept, which are tightly bound together, the concepts that form ideological cores can stand in a looser relation: for instance, liberty and rationality – two core concepts of liberalism – are not directly linked, but are mediated by a third core principle, individualism. The centrality of the core can be interpreted in two ways. The first one relates to the fact that core principles are surrounded by a further range of concepts that derive and are dependent on them. The second one, is that they establish specific conceptual patterns that last over time (Freeden 1998a, 153). This latter feature relates to the definition of ideological families.

Even if everyone engages in ideological thinking (which means that everyone organizes and ranks political concepts, in order to make up his own political views), we observe only a limited number of main ideological families. This happens because the political discourse constrains the possible combinations of concepts. On the one hand, even in highly politically divided societies, concepts' meanings are based on fundamental cultural and linguistic understandings: concepts must be intelligible by everyone. On the other, if political concepts can be decontested in different ways, these ways are nonetheless logically limited: even if everyone decontests concepts according to his own ideas, on the large scale these decontestations will follow similar patterns (Freeden 1999a, 413–14). Following the principle of family resemblance, we can claim that, if different ideological configurations share a sufficiently similar core, they belong to the same ideological family.

Cores are, then, distinct and recognizable clusters of political concepts, characterised by long-term durability, and are present in every instance of an ideological family. Again, it is important to note that what distinguishes different ideological families is the core as a cluster of concepts, not single concepts. It can happen that different ideological families share one or more core concepts: liberalism, libertarianism and anarchism all share liberty as a most prominent core principle; yet, the other core concepts that surround liberty decontest liberty in divergent ways, making them three different ideological families (Freeden 2005).

3.2.2 Adjacency

The fact that two ideological configurations belong to the same ideological family, though, does not entail that they decontest core concepts in the same way. Different instances of the same ideological family, in fact, emphasize different aspects of the core, by surrounding it with second-rank clusters of concepts, that constitute the adjacency. Concepts in the adjacency relate to one or more core concepts, and contribute to decontest them in a specific way. Sometimes, locating an adjacent concept is easy, as it clearly derives from one or more core concepts: this is the case of equality in liberalism, which is a consequence of the two core concepts of rationality and

individualism. Other times, by opposite, distinguishing an adjacent from a core concept can be trickier, as both tend to be very abstract, and closely linked.

A first way would be to reflect on the relationship between the two concepts under analysis. If a certain concept specifies or safeguards another core concept, then it will probably be adjacent, even if it appears more important at first sight. This is the case for the concept of democracy in Millite liberalism: it works both as a specification of liberty as auto-determination, and as a safeguard against sectional or class rule. If, otherwise, a concept stands in a mutually-sustaining relationship with other core principles, then it represents a core concept, as well. Limited government represents, for Mill, such a principle.

A second way consists in assessing the location of a political concept is through a diachronic analysis. If, within an ideological configuration, a concept has just recently gained a prominent position, then it probably represents an adjacent concept: only time will tell whether its success will be ephemeral, and be brought back to the margin, or it will gain a permanent seat among other core concepts.

Of course, the decision of locating a concept within the core or the adjacency is also a matter of interpretation. If a political theorist wants to carry on a systematic study on all the instances of a long-standing ideological tradition, he will interpret the distinguishing concepts of these instances as adjacent. But if a colleague of his decides to zoom in on some specific instances, with the purpose, say, of claiming that they constitute an ideological family on their own, she will be more prone to label as core the very same concepts that her colleague had previously declared adjacent.

Probably, neither of them would be wrong: after all, both core and adjacent concepts (unlike peripheral ones) are rather abstract, so their distinction in these two categories is sometimes more relevant for sake of academic rigour, than grounded on an effective difference. Nonetheless, what matters the most, is that the theorist gives a documented and compelling explanation for his choice, whatever it be.

3.2.3 Periphery

Moving from the core to the adjacency allowed us to shift our attention from the differences between ideological families to those within. In both cases, differences hinge on diverging conceptual decontestations. However, we have seen that, because of their inconclusiveness, concepts draw part of their meaning from the historical social and political context. The last level of ideological morphology, periphery, works as connection between the abstract concepts of core and adjacency, and this context.

Ideological periphery can be intended in two ways: as margin, or as perimeter. The former refers to concepts that have an intellectually or emotionally scarce relevance to the core. The process that brings a concept from the margin to the core, or *vice-versa*, can be slow or abrupt but, in both cases, it depends on cultural, historical or political factors (Freeden 1998a, 78). The concept of race, for instance, shifted from a relatively marginal to a more central position in the morphology of Italian fascism in the years before the Second World War, and again to a marginal position, after the defeat of the regime.

Periphery as perimeter, instead, has a more dynamic function. Firstly, it represents the fluid area where the abstract ideological components, found in the core and in the adjacency, become enough detailed to be translated into practice: the drive goes from the ideological centre to the outside. All specific ideas or policy proposals that aim to flesh out core and adjacent concepts – such as free education, or progressive taxation – are examples of this case. Further, it is the place where practices, institutions or events become so relevant to be carriers of ideological content on their own: in this case, the drive goes from the outside to the inside. Austerity measures to cope with a crisis or a change of a political programme following an electoral defeat represent instances of this kind of perimeter (Freeden 2003).

The study of peripheral practices constitutes a salient part of the morphological analysis, as they represent the link between ideologies and the political world. Every ideological configuration crafts specific routes linking cores and periphery (Freeden 1998a, 81). It can happen that peripheral concepts unite instances of different ideological families, as is the case of the concept of ‘New World Order’ for contemporary Greek nationalists and communists (Tsatsanis 2011), or the so-called Keynesian consensus of the post-war period between conservatives and labourites. Or, conversely, they can divide instances of the same family, as the history of the socialist and communist movements shows. A close inspection of the link between core and periphery is, thus, necessary to assess the actual degree of closeness, or distance, between ideological configurations.

Furthermore, periphery has not always the same specific weight in every ideology. Some ideologies are less concerned with peripheral practices, as in the case of the philosophical liberalism of Rawls, analysed by Freeden (1998a, 226-75), which lacks a perimeter. By, contrast, other ideologies, such as feminism, anarchism and the green ideology heavily rely on such practices, and peripheral concepts migrate quickly toward the centre. Others again base their existence only on the perimeter: for instance, nationalism exists as an ideology only given certain conditions (a struggle for independence, threats at the border, national oppression, etc.) but, as soon as these conditions fall short, it usually ceases to exist, and is incorporated within the margin of larger ideological formations.

Finally, the ability of ideologies to effectively deal with their context determines their failure or their success. Ideological failure should not be considered as a catastrophic phenomenon. Rather, it represents a ‘default’ position in politics (Freeden 2014, 255): everything starts from, and eventually returns to, failure. Because of the inconclusiveness of politics, even the most successful political solutions are doomed to fail, sooner or later. In the years of the Keynesian consensus, many Western governments thought to have found the perfect formula to ensure economic growth while providing a welfare system to their populations; eventually, this system has been trumped by its own success, as the raising international capital mobility, fostered by economic growth, led to a crisis of the very national institutions that allowed its functioning. The inability to cope with the changed economic environment within the Keynesian ideational framework, then, opened the gates for the neoliberal consensus. Of course, this is a special case, as political thought can fail far before becoming victim of its own success.

Failed political thought can occur in three scenarios. First, when ideological thinking cannot suggest any applicable action to give substance to the core principles, because some features of the argument – such as atemporality, perfectionism, or unrealizability of the model. Second, when structural indeterminacy leads to an *a priori* contestation of every outcome that could represent a success. Third, when peripheral concepts fail to specify what should actually happen as consequence of a certain decision – and, thus, what can be labelled as success, and what does not (p. 288).

3.2.4 Diachronic perspective, and non-conceptual features

The analysis of the conceptual components and of the structures of ideological configurations does not exhaust the morphological approach. Two further elements should be considered in a morphological analysis. First, even if the synchronic part – the study of core, adjacency and periphery – constitutes the most prominent part of the analysis, it should nonetheless be paired with a diachronic perspective. If a study analyses individual, time-specific ideological instances, it can overlook this perspective. But if the aim is to survey the evolution of an ideological tradition, or to assess ideological changes, diachrony becomes an indispensable step. The continuity of an ideological tradition should be put to test from a diachronic perspective: the simple recurrence in time of words that characterize political concepts does not provide, *per se*, any evidence for the stability of their meaning. Stability of meaning should, thus, be assessed ‘by examining multiple synchronic states’ (Freeden 1998a, 52).

Besides the obvious purpose of reconstructing the history of an ideological tradition, what could be the point of identifying broad ideological families? The meaning of political concepts is context-specific, and this means that, even if two ideological instances can be subsumed under the same, say,

conservative tradition, they can produce different – sometimes, divergent – ideas and practices. Labelling different phenomena under the same name does not appear particularly useful: after all, we are interested in the substantive content of political ideas, not in the fact that they are called socialist, conservative, or liberal. Moreover, in the case of certain hybrids, it is difficult to assign them to a single tradition. Yet, focusing on ideological families can be insightful for ideological analysis in, at least, two scenarios. First, when analysing an ideological instance that supposedly is, or claims to be, part of a broad tradition. In these cases, the core principles of the broad family tradition offer a starting point for the analysis. Moreover, comparing the morphology of the specific instance with that of the family can confirm (or deny) the membership of that instance to the family. In this way, Freedman managed to reject the membership of libertarianism in the liberal family. Second, when assessing the unity of different instances of the same ideological family that show different perimeter practices. Often, ideologies sharing a same core deploy different practices, depending on the context: assessing their core concepts and investigating the path that connects them to their perimeters could reveal their underlying unity. This is what Blackburn did, to show the ideological continuity within the British conservative party (Blackburn 2015).

So, even if knowing that an ideological instance belongs to an ideological family tells little about its substantive content, it can nonetheless assist the interpretative work of the theorist, and orient his research.

The other element is represented by the recognition of the additional non-conceptual features that, together with conceptual and contextual elements, often characterise ideologies. They do not have any substantive content, but illustrate how specific ideologies operate or evolve. Liberalism, for instance, is characterised by a certain non-dogmatic and tolerant attitude toward conceptual reconfiguration. If this tolerance does not add any substantive content to the ideological structure, it accounts for liberalism's flexibility and adaptability, which allowed it to cope with the changing context without altering its core principles. Conservatism's non-conceptual feature is represented by its 'mirror-image' characteristic, through which conservatives produce antitheses (that become adjacent components) to their opponents' arguments. In the case of newer ideologies, such as feminism, green ideology and contemporary anarchism, this feature could be represented by their link to social movements, and with the relevance they accord to perimeter practices.

3.3 Types of ideologies

Ideologies do not differ only with respect to their substantive content, but also with respect to what can be called their 'appearance'. Ideologies come in all shapes and sizes: some ideologies have

a long tradition, and embrace many political issues, others are more recent, others again are narrower. The product of theoretical reflection of the liberal or the socialist tradition finds no equivalent in, say, populism or green ideology. In his article about the ideological nature of nationalism, Freedon elaborates his views on the 'shape' of ideologies. He defines an *established* ideology one that, within a loose context of family resemblances, maintains a shared set of conceptual components over time and space. A *distinct* ideology, in turn, is one that adopts unique conceptual patterns. Finally, a *full* ideology deals with a comprehensive range of political questions posed by society. Liberalism, socialism, conservatism constitute typical examples of full ideologies (Freedon 1998b).

If an ideological configuration fails to be a full ideology, it can either be a *thin-centred* ideology, or even not be an ideology at all, but just a component of a broader ideology. Thin-centred (or just thin) ideologies have narrower scope and ambitions: they usually address specific, rather than general political issues. Feminism, green ideology and nationalism are examples of thin ideologies. As testified by their very names, they primarily focus on definite issues: the gender question, environment, national independence. Note that their 'thinness' has substantive, rather than morphological causes. Their cores are not simpler, compared to those of other full ideologies: Freedon counts four core concepts for the green ideology, against the three (one of which is a non-conceptual feature) of conservatism. Rather, they are thin because they remain largely silent on issues outside of their range of interest.

In order to become full (that is, to provide answer to a comprehensive range of political questions), thin ideologies tend to bind with broader ideological families, and generate hybrids. In doing so, they lead to a specific decontestation pattern of the core of their host ideology. The incorporation of feminism within Marxism, for instance, leads to a decontestation of the core principle of the productive nature of humans that accounts for the care work performed by women. In short, when the thin ideology merges within a broader one, the two cooperate on an equal footing. By contrast, if a cluster of concepts merges with a broader ideology, but is completely subdued to its host, it does not represent an ideology. Nationalism, according to Freedon, oscillates between being a thin ideology (in time-specific situations), and a component of other ideologies (as it usually occupies a marginal position) (p. 750-1).

Other authors have written about the typology of ideologies. In his morphological analysis of the ideological dimension of realist theories of International Relations, Duncan Bell criticized Freedon's notion of full ideology. Ideological analysts, claims Bell, have always focused on state-bound ideologies, and overlooked more internationally oriented ones: Freedon's definition of 'fullness' falls under this description, as he maintains that, for an ideology to be considered full, it

should address questions that emerge *within* society, but makes no explicit reference to international issues. To overcome this, Bell advocates the introduction of the ideal-typical categories of ‘vertical’ and ‘horizontal’ ideologies, and of the notion of ‘comprehensiveness’. Vertical ideologies are primarily oriented toward domestic issues, whereas horizontal ones are outward-looking, and address the relationships among political, economic and social actors in the international arena. The comprehensiveness of an ideology, then, would consist in its capability of embracing both dimensions (Bell 2002).

Analysing the peculiar morphology of ‘Tory anarchism’, Franks has elaborated on ideological cross-breeds. According to him, merges between ideologies can take four different forms. The first one is an unstable product, with scarce effectiveness and resilience: a mix between anarchism and fascism would fall under this case. The second possibility is that the merge results in a product which is identical to the dominant parent: *Autonome Nationalisten* are a German neo-Nazi group that adopt a leftist, anti-authoritarian rhetoric to convey far-right contents. The third form occurs when the product shows characters from both parents, as with Marxist feminism, or eco-feminism. The last possibility is that the product of distinct ideologies shows distinguishing features: Italian fascism, that resulted from the union between revolutionary syndicalism and national-conservatism provides an example of this hybrid (Franks 2016). In Freedon’s wording, then, thin ideologies produce hybrids 3 and 4 while, when ideological components nest in broader ideologies, they can at most aspire to create a hybrid 2.

3.4 A clarification on methodological issues

Labelling an ideology as full or thin does not always go uncontested. For instance, there is a wide debate about the ideological nature of populism, while Green ideology is sometimes referred to as full and sometimes as thin (see appendix 2). These debates raise the question of whether it is relevant to distinguish between full and thin ideologies. To better illustrate this point, it will be useful to start from a polemical article on populism written by Paris Aslanidis. Engaging with Cas Mudde’s definition of populism as a thin ideology, Aslanidis ends up rejecting Freedon’s approach (on which Mudde builds his analysis), and accusing it of methodologically unwarranted conceptual exceptionalism: the distinction between full and thin ideologies lacks the sufficient accuracy to have any scientific merit (Aslanidis 2015; Mudde 2004).

Aslanidis reconstructs correctly Freedon definition of full ideology and is right in advocating rigour in defining concepts in political science. In qualitative research, concepts must be specified in such way that observed phenomena either fall under the definition of the concept or do not, and indeterminacy must be averted as much as possible. This is neither the case for the full/thin ideology

distinction, nor, as we have seen above, for the distinction between core and adjacent concepts, that is sometimes a matter of interpretation. However, his criticism somehow misses the point. In fact, the purpose of the morphological analysis is to establish the meaning of political ideas, concretely held by individuals and groups, not that of categorizing ideological configurations as more or less comprehensive, or concepts as more or less central.

Consequently, concerns about rigorous conceptual specification should be directed toward the interpretation of the meaning of the ideas, rather than on the distinction between thin or full ideologies: does the methodology proposed by Freedden supply us with effective instruments to ascertain the meaning of political ideas in a scientific way? The morphological analysis is always supported by empirical data, as the political theorist looks for evidence of the meaning of the concepts in a vast range of sources, that are reasonably considered to represent manifestations of political thought; moreover, he must specify the criteria that guide his interpretation. Given the unfortunate impossibility of reading people's minds as if they were books, the analysis of political ideas will never be exact and will always be a matter of interpretation: as Freedden reminds us, we only have access to actual political thought in its ideological form. Nonetheless, the morphological approach provides the theoretical tools that allow the interpretation of the content of political ideas to result as reasonably approximate to their 'real' meaning as possible. When it claims that a certain political concept has a certain meaning, it does so on the base of empirical evidence, and in a way that everyone can assess the correctness (or wrongfulness) of the analysis. So, with respect of its main purpose – interpreting the meaning of political ideas – we can claim that the morphological analysis produces a kind of knowledge consistent with the criteria of rigor advocated by Aslanidis.

But if this is the case with the interpretation of political concepts, what about the categorization of ideologies as thin or full, or of concepts as core or adjacent? A preliminary observation is that, while the substantive content of political concepts does have direct effects in the real world (as they shape political action), the same cannot be said about the organization of these concepts within more or less comprehensive ideological frameworks, or their more or less close collocation to the ideological core. Ideological fullness or thinness are more relevant for the researcher, than for the carrier of the ideology: the actions of the people are guided by the substantive content of their ideas, regardless of the fact that they are organised in a full, thin or hybrid ideological structure. Rather, the categorization assists the interpretative activity of the researcher. When facing a full ideology, the researcher will know that concepts will have a relatively stable meaning – even if their relative weight might change. To the contrary, in the case of thin or hybrid ideologies, the researcher will have to consider that same concepts could carry completely different meanings, based on their context.

The same goes with the distinction between core and adjacent concepts. The notion of ‘surplus of meaning’ suggests us that ideological thinking is not (entirely, at least) consciously articulated in the minds of individuals. So, the relative position of concepts within an ideological configuration is not completely objective but is, to a certain extent, a matter of interpretation. Again, the ideological carrier is affected by the contents of the concepts, not by their position. The researcher, on the other hand, might be assisted by the distinction between core and adjacent concepts: in studying a distinct ideology, he will focus on the peculiar core concepts which distinguish that ideological configuration from the broader context of family resemblance. Conversely, a researcher more interested on the ideological family as a whole will interpret those very same concepts as adjacent.

In both cases, the distinction works as a guide for the action of the researcher. It is not a completely arbitrary distinction, as a full ideology should be proven to be more ‘comprehensive’ than a thin one, and a core concept more ‘important’ than an adjacent one. Yet, given the ethereality of ideas, it is often hard to draw precise boundaries among these categories. This is not necessarily a problem, though. Again, the main purpose of the morphological analysis is interpreting the content of actual political thought. If, through means of notions of full or thin ideologies, or of core and adjacent concepts, a researcher manages to craft a solid, convincing and documented account of the content of ideological thinking, we can claim that these distinctions have fulfilled their job. Aslanidis’ criticism, then, misses the point because it looks at the distinction between full and thin ideologies as if the morphological analysis were primarily concerned with the classification of ideologies, or if this distinction could exert any effect to the real world. To the contrary, this distinction represents just a guide for the researcher, telling him where to look, what to beware of, and how to organise her analysis. The same can be said about the distinction between core and adjacent concept.

Aslanidis, then, should have addressed his criticism toward the real purpose of morphological analysis, the study of political ideas: is it a method that produces a real knowledge about the contents of actual political thought? Based on what said above, we can claim that it does, as it provides an empirically based, ascertainable understanding of concrete political thought. As will be discussed later, the morphological approach proposed by Freeden can provide knowledge rigorous enough to serve as basis for more empirical research.

3.5 What are ideologies?

Ideologies represent the substantive product of ideological thinking. Their main purpose is to decontest the meaning of political concepts; by doing so, they provide a framework for understanding the political world, and for guiding the political conduct. Further, ideologies are the pivotal element of the competition over the control of public political language (Freeden 2013, 116–17): they are the

instruments to affirm meaning, and to wield influence on crucial political grouping (Freeden 2001, 6).

From what said, two further features of ideologies emerge. First, they are inextricably entangled with decision-making: the control of public political language is the key for crafting political decisions, and to define the goals of society. Ideologies address concrete political issues, present competing frames of moral values that a community could desire to promote (Freeden 1998c, 7), and foster interpretations of concepts needed to undertake political actions (Freeden 1999a, 413). Given their ubiquitous nature and the fact that they are necessary to guide political action, ideologies should not be regarded as a deleterious phenomenon. Unlike other scholarships that focus on ideology, the morphological approach has a neutral, rather than negative, view on ideologies. Ideologies are not a deceptive device through which the power fools the masses – as the Marxist criticism claims: their main purpose is to make sense of the world, and guide action. So, the task of the researcher engaged in ideological analysis is more to interpret ideologies, than to unmask them.

Second, they are group-oriented, in that they are both produced and consumed by groups (Freeden 1998a, 105). Ideologies are a collective product of the variegated array of subjects involved in ideological thinking – mass publics, individual thinkers, parties, etc. This does not entail that they are produced by a group mind. Rather, it means that ideologies are characterised by social features that pertain to groups: language, power, membership in a society, and individual interdependence. Yet, texts (articles, speeches, books, etc.) by individual thinkers can work as sources for ideological analysis, if they are received by the public, or can be considered as representative of a certain ideology. Furthermore, ideologies are directed to publics, as they compete to the control of the goals of a society, and for their legitimation – both procedural and substantive. In this sense, the reception of ideologies – i.e. their consumption – is as important as their production (Freeden 1999a).

The thought-process that results in the production of ideologies is at once constrained and arbitrary. It is constrained, as it is delimited by logical and cultural limits; but it is also arbitrary, as there are no overarching rules prescribing how an ideology should be developed. In order to better understand this feature of ideologies, it will be useful to compare them to political philosophies.

Political thinkers and political theorists, ironically complains Freeden (p. 412), are affected by a mysterious plague – ideophobia – that leads them to regard ideologies as second-hand political philosophies: the latter are rigorous, aim to improve human life, and are produced by outstanding thinkers, whereas the former are coarse products, crafted by ruthless politicians in order to deceive the masses. According to Freeden, instead, the difference between political philosophies and

ideologies lies in their production process, in their purpose and in their producers, not in their different merit.

Political philosophies are highly specialised thought-products, created by professional thinkers who try to deliver logically rigorous and morally appealing argumentation: a political philosophy that failed to be internally coherent, or that does not conform to a standard of, say, fairness, would indeed be deemed as irremediably flawed. Moreover, their purpose is not immediately oriented toward decision-making: hardly a political philosophy prescribes concrete, definite policies to undertake for the sake of the community. Rather, it elaborates values against which evaluate political conducts and states of affairs. Political philosophies, hence, are produced by specialized professionals (the philosophers), must be consistent to strict logical and moral standards, and are not immediately oriented toward political decisions.

Ideological thinking shows quite the opposite features: as we have seen, it addresses concrete political issues, and is an activity in which everyone inevitably engages when reasoning about politics. Most importantly, it does not have to abide to internal standards of evaluation. The logical and cultural constraints work as boundaries that specify the border beyond which ideological thinking cannot fare (e.g., the concept of liberty must contain the ineliminable component of ‘non-constraint’, and cannot contain any component that contradict it), but tell little on how the concepts should be arranged within ideological configurations. For instance, ideological thinking must not conform to the standard of internal coherence that characterises political philosophies. It could well be the case that, within the same ideological configuration, contradictory concepts coexist: this could limit the comprehensiveness or the argumentative appealing of the structure but, as long as the contradiction remains in a relatively marginal position or the issue is not salient, it does not pose *per se* an existential threat.

The same goes for the moral standards. Political philosophies refer to generalizable moral values, worked out by philosophers that take the twofold stance of impartial observer and judge: hence, political philosophies are generalizable both with respect to their prescriptions, which should be valid for everyone, and to their standpoint, which should be impartial. Ideological thinking, by opposite, is properly generalizable under the first aspect, but not under the second. Being entangled with politics and decision-making, ideologies indeed yearn to generalization: on the one hand, they are the pivotal device in the struggle for ranking priorities in society; on the other, they advocate policies that affect communities as a whole. However, it would be unfair to evaluate ideologies on the basis of their impartiality. For sure, ideologies often claim to be impartial: this happens both with totalitarian ideologies, that claim to be the holders of the ‘truth’, and with tolerant, pluralistic ideologies, such as liberalism, that declare to be able to establish generally acceptable rules and

norms, in virtue of their openness. Under the scrutiny of a rigorous ideological analysis, however, all these pretensions would shortly lose any pretence of credibility, because of the plurality that permeates every political environment – even totalitarian regimes.

Ideologies, as we have seen before, are means to make some priorities prevail over others: thus, ideologies are intrinsically partial. Unlike political philosophies, failing to provide a coherent and impartial argumentation does not imply a failure of an ideology. Rather, ideologies should be evaluated with regard to their spread among society, their capability of influencing decision-making, their stability over time, and their adaptability to different contexts (Freeden 2017a, 9–10).

But if it would be wrong to evaluate ideologies with the standards of political philosophy, it is nonetheless possible to analyse political philosophies as ideologies (Freeden 1998a, 44). After all, just like ideologies, political philosophies decontest the meaning of political concepts by ranking and ordering them into structures, even if they do so in a particular, specialised way. In this sense, ideological thinking shows its nature of the most basilar form of political thought: since individuals who think politically always resort to political concepts, and organize them in structures in order to endow them with meaning, every act of political thinking has an ideological dimension.

4. Conclusions

The morphological approach offers a refined theoretical framework for the analysis of political thought. In recent years, several authors have fostered a cooperation between the morphological approach and political science, in particular with the ideational currents of the New Institutionalism (Carstensen 2011; Ferrera 2013; Finlayson 2013; Talshir 2003). Following these insights, in the next chapters I will apply Freeden's morphological approach to deal with an empirical problem, i.e. the impact of Ordoliberalism in the reform process of the European economic governance.

The next chapter is a typical morphological analysis: relying on a selection of works by ordoliberal authors, I reconstruct the morphology of Ordoliberalism as an ideology. In chapter 4, I adopt Freeden's conceptual approach to analyse the ordoliberal ideas on European integration. While ideologies are complex structures of political concepts, I define ideas as simpler structures. Consequently, ordoliberal ideas consist of clusters of concepts drawn from the ordoliberal morphology. In chapter 5, I move from political theory to political science: I look for empirical evidence to assess whether the German government shared ordoliberal ideas. To do that, I analyse the political discourses of Chancellor Angela Merkel and Finance Minister Wolfgang Schäuble and assess whether their ideas were underpinned by ordoliberal concepts. Finally, in chapter 6, I use process-tracing to assess whether these ordoliberal ideas had a causal impact on the reforms of the European economic governance summarized in chapter 1.

Chapter 3

Ordoliberalism: a morphological analysis

From the Freiburg School to contemporary Ordnungsökonomik

1. Introduction

In this chapter, I will analyse Ordoliberalism using Michael Freeden's (1998a) morphological approach to the analysis of ideologies. Ordoliberalism is variant of neoliberalism²³ developed in Germany in the 1930s. Unlike other neoliberal currents, it is characterized by the prominent role it assigns to the state in establishing and maintaining a competitive market order. For a long time neglected, with the outbreak of the Euro crisis Ordoliberalism has become the subject of a wide debate in the academia and within the public (Hien and Joerges 2017b).

The chapter is structured as follows. In section 2, I will review the debate on the role of Ordoliberalism during the crisis. The literature can be divided into two groups. The first maintains that Ordoliberalism influenced the German government during the crisis and that the European reforms undertaken to overcome it bear an ordoliberal imprint. The second group, in turn, minimizes the influence of Ordoliberalism over the German government and over the European reforms. While both camps have some good points, the literature still shows three flaws. The first regards the nature of Ordoliberalism; while it is often understood as an economic doctrine, in order to grasp its current influence, it would be more appropriate to analyse it as an ideology. The second regards the understanding of Ordoliberalism in the literature: on the one hand, most works focus on early Ordoliberalism and overlook its evolution; on the other, they often provide a reductionist interpretation of ordoliberal ideas. The last flaw is that the literature often fails to account the differences within Ordoliberalism.

These flaws can be overcome through Freeden's morphological approach, which will be presented in section 3. There, I will resume the features of the morphological analysis and argue that Ordoliberalism constitutes a suitable subject for such analysis. Then, I will specify the core concepts of the ordoliberal ideology (i.e. order, competition, freedom, power, state and *Ordnungspolitik*) and the periodization and the currents of Ordoliberalism that will be analysed.

In section 4, I will analyse the ordoliberal currents. First, early Ordoliberalism. After an historical introduction on the German and international context that conditioned the emergence of Ordoliberalism, I will analyse Walter Eucken's and Franz Böhm's Freiburg School (4.1.1), Röpke's

²³ The term 'Neoliberalism' is controversial, as it denotes thinkers and scholars that would not describe themselves as 'neoliberal'. In this text, I use the word 'Neoliberalism' to indicate the current of economic Liberalism that, starting in the 1930s, started a debate on the future of Liberalism after the failure of the liberal states. Among the branches of this movement, we can mention the Austrian School, the old and new Chicago School and Ordoliberalism. As we will see, the only ones that would call themselves as neoliberal were the ordoliberals.

Sociological Liberalism (4.1.2) and Alfred Müller-Armack's Social Market Economy (4.1.3). Then, I will analyse the works of Erich Hoppmann (4.2) and of Viktor Vanberg (4.3) as representatives of, respectively, the second and third generation of Ordoliberalism.

In section 5, I will resume the features that characterize Ordoliberalism as an ideology in a diachronic perspective. I will compare the core concepts that have been analysed in the previous section, and mention the most relevant concepts of the ordoliberal adjacency.

In section 6, I conclude my argument by qualifying Ordoliberalism as an established, distinguished and, potentially, full ideology.

2. Literature review

The academic interest on Ordoliberalism is not new: the first accounts of this doctrine in English date back to the 1950s (see Friedrich 1955; and, later, Hutchison 1979; Oliver 1960). In 1978, Michel Foucault (2008), building on the previous works of François Bilger (a French economist, supportive of ordoliberal views, see Audier 2012b), traced an intellectual genealogy of neoliberalism, wherein he presented Ordoliberalism 'as being not *one* liberal variant, but *the* dominant liberal discourse' (Goldschmidt and Rauchenschwandtner 2007, 2). In the 1980s, anthologies of basic texts of Ordoliberalism and Social Market Economy were published in English to divulgate these ideas (Ludwig-Erhard-Stiftung 1982; Peacock and Willgerodt 1989b, 1989a), while in the 1990s some studies began to analyse its relation with the European integration process (see Dyson and Featherstone 1999; Gerber 1994; Sally 1996). In the 2000s, especially after the crisis, the study of Ordoliberalism received a new impulse, and other analysis and anthologies were published (e.g., Beck and Kotz 2017; Biebricher and Vogelmann 2017; Commun 2003; Dardot and Laval 2009; Koslowski 2000; Middleton 2008; Mirowski and Plehwe 2009; Nemo and Petitot 2006).

With the outbreak of the Euro crisis, the interest on Ordoliberalism turned from occasional to more systematic. A popular paper by Dullien and Guérot (2012), often cited by later literature, claimed that the German approach to the Euro crisis can be explained by the influence that Ordoliberalism still exerts in Germany. A similar point was made by Wolfgang Münchau (2014) on the Financial Time and by the German Keynesian economist Peter Bofinger (2016). Ordoliberalism became, then, the subject of a heated academic and public debate, that was linked to the leading role of Germany during the crisis. As Hien and Joerges note, 'the criticism towards Ordoliberalism is mainly a criticism towards the crisis policies of Germany' (2017a, 459 my translation).

The role of Ordoliberalism in the crisis, however, is far from uncontested: the literature is split into two groups. On the one hand, a group of mostly non-German authors (with some exceptions), who strongly claim that Ordoliberalism somehow influenced the politics of the crisis (among the most

cited, Berghahn and Young 2013; Blyth 2013; Bonefeld 2012; Dullien and Guérot 2012). On the other, a sceptical group mostly composed of German scholars, some of which institutionally linked to the ordoliberal tradition, who tend to play down the impact of this ideology in the response to the crisis.²⁴

The first group focuses on the influence of Ordoliberalism within the German executive (Art 2015; Biebricher 2013, 2018b, 2018a; Biebricher and Vogelmann 2017; Dyson 2010; Hillebrand 2015; Lechevalier 2016; Maris and Sklias 2016; Matthijs and McNamara 2015a; Meiers 2015; Schäfer 2016; Vail 2014; Young 2014b, 2015). They claim that ordoliberal ideas were not evenly distributed among German political actors. Young (2014a, 278) maintains that these ideas were mainly entrenched in the Ministry of Finance, in the Ministry of Economics, in the Bundesbank, and in the Federal Association of the German Employers. Bulmer (2014) highlighted a divide between ordoliberal economists – which have been marginalised – and ordoliberal politicians.

Jacoby (2014) holds that, even if ordoliberal ideas were shared by politicians and academics, they were not conducive to shared positions: Ordoliberalism is an incomplete economic theory, and hence it is possible that the same ordoliberal principles are used to defend different positions. This explains the tension within the ordoliberal camp, divided in pragmatic (as Finance Minister Wolfgang Schäuble) and hardliners (as the economist Hans-Werner Sinn and the Eurosceptic party *Alternative für Deutschland*. For the relevance of Ordoliberalism for the AfD, see Grimm 2015).

Werner Mussler, correspondent in Brussels for the *Frankfurter Allgemeine Zeitung* and pupil of the ordoliberal economist Manfred Streit, claims that the position of the German government was determined both by the ordoliberal ideology (which constituted a ‘blueprint’ for the government) and by pragmatism. Merkel’s conception of *Wirtschaftsregierung* was indeed different from the French *gouvernement économique*, yet it cannot be equated to the ordoliberal *Ordnungspolitik*, given the discretionary power recognised by the Chancellor to the Council. Therefore, Mussler denies that the German position was thoroughly defined by Ordoliberalism, and stresses the role of the media, of academics, and of the Federal Constitution in constraining the government to the principles of *Ordnungspolitik* (Jamet, Mussler, and De Corte 2011).

There is a general agreement that Ordoliberalism provided the German government with the theoretical instruments to frame the crisis. The German executive, thus, interpreted the crisis through ordoliberal lenses: the crisis was mainly caused by moral hazard of the Southern debtor states, made

²⁴ A third, intermediate position holds that a ‘ordoliberalization by accident’ has taken place during the crisis: the reforms undertaken during the crisis were consistent with the principles of Ordoliberalism, but this was not the result of a conscious ordoliberal agenda (see, for instance, Bonefeld 2019; and Cardwell and Snaith 2018). Since the authors supporting this thesis deny that ordoliberal ideas had an active role in the reform process, they can be considered at the moment part of the ‘sceptical camp’. The ‘ordoliberalization by accident’ thesis is thoroughly analysed in the next chapter.

possible by the flaws of the EMU architecture (Blyth 2013; Hillebrand 2015; Matthijs and McNamara 2015a; Young 2014b). This explains the differences between German and French reactions to the crisis (Clift and Ryner 2014; Hall 2012; Maris and Sklias 2016; Schimmelfennig 2015; Vail 2014). Finally, Howarth and Rommerskirchen (2013) link Germany's stability culture to Ordoliberalism: ordoliberal ideas constitute the default mind-set for the German government.

The recourse to an ordoliberal framing had consequences on the German politics during the crisis. Nedergaard and Snaith (2015) focus on the unintended consequences of the German ordoliberal positions, such as ignorance about the urgency of the crisis, and error in focusing on EU-level regulations. Matthijs (2016) shows how German ordoliberal ideas in the period 2010-12 went against German interests (by giving up sovereignty to the Commission and the ECB, two institutions that Germany did not control), and made the crisis worse, turning it into a full-blown systemic crisis. Bulmer and Paterson (2013) claim that the German predominant set of beliefs, which finds their origin in Ordoliberalism, has prevented Germany to achieve wide legitimacy in Europe: European countries eventually followed Germany's lead more because of fear than of conviction.

In Europe, Ordoliberalism was used as an instrument of hegemony (e.g., Ryner 2015). Ojala and Harjuniemi (2016) focus on the strategic use by the German government of ordoliberal concepts during the crisis, while Woodruff (2016) claims that the commitment to ordoliberal ideas was used by the German government to make its threats credible during the reform process. This would have strengthened the ordoliberal grip on Europe (Biebricher 2013, 2018b; Dyson 2010; Galpin 2015; Nedergaard and Snaith 2015; Ojala and Harjuniemi 2016; Stockhammer 2016).

The sceptical camp raises three objections to the previous accounts. First, the literature often presents flawed accounts of Ordoliberalism. On the one hand, this applies to the content of ordoliberal theories: positions and ideas are regarded as ordoliberal, while they actually are not. This is the case, for instance, of the principle of independence of the central bank, which is often considered a central tenet of Ordoliberalism. Actually, as Feld et al. (2015b, 7) point out, 'the large amount of discretionary power given to the German central bank contradicted Eucken's ideal of a "rational automatism" guiding monetary policy', and a high degree of central bank independence was 'not essential to the monetary concepts of Ordoliberalism.'²⁵ Moreover, the studies that analyse the impact of Ordoliberalism on the European integration focus on its economic aspects, but overlook the legal aspects. This is a major flaw, as Ordoliberalism originally raised as a joint research programme of law and economics (Hien and Joerges 2018). On the other hand, the objection points out that the literature tends to neglect the evolution of Ordoliberalism and fails to distinguish between its different

²⁵ See also Bibow (2009).

currents (Berghahn and Young 2013; Young 2017). This is problematic, as some authors claim that Ordoliberalism has progressively lost its specificity and is now basically indistinguishable from other mainstream currents of neoliberalism (Feld, Köhler, and Nientiedt 2017; Hien and Joerges 2017a).

The second objection is that the role of Ordoliberalism is by far overestimated. In Germany, the heyday of Ordoliberalism ended in the late 1960s, and its prominent position has been challenged by Keynesianism and Monetarism (Feld, Köhler, and Nientiedt 2017). In Europe, ordoliberal ideas exerted indeed some influence over the integration process. However, the reforms undertaken during the crisis fostered the discretionary power of the political bodies at the expenses of the judicial ones: the ordoliberal ‘economic constitution’, based on the interdependence of the economic and legal order and on the de-politicisation of the economic policies, has vanished (Joerges 2016, 15).

The last objection is that the behaviour of the German government has been determined more by national interest and pragmatism than by ideas. According to Feld, Ordoliberalism influenced German politics in a general sense, through the ordoliberal principle of *Ordnungspolitik*: the German position during the crisis was influenced by the principles of respect of the rules and of responsibility. However, although the German stance was informed by these principles, they did not achieve the desired outcome, as the policies of the ECB and the establishment of the ESM appear as a major step towards joint liability (Feld, Köhler, and Nientiedt 2015b).

Moreover, the recourse to ordoliberal concepts can be interpreted as a rhetorical strategy to raise internal consensus (Hien and Joerges 2017a): ordoliberal appeals to responsibility fit with the protestant attitude of the German public opinion (Hien 2017). During the crisis, German politicians have often evoked the ordoliberal concept of *Soziale Marktwirtschaft* (‘social market economy’), popularly linked to the *Wirtschaftswunder* (economic miracle) of the post-war period, to legitimize their policies (Young 2014a). So, Ordoliberalism had a ‘background role’, but cannot be said to have dictated the German stance, nor the policy outcomes; at most, German politicians adhered to a ‘light’ version of Ordoliberalism (Hien and Joerges 2018; Wyplosz 2017).

Although both camps have some good point, three major flaws emerge from this debate. The first one concerns the nature of ordoliberal ideas. The literature usually asks what is Ordoliberalism *about*, but refrains from asking *what is* Ordoliberalism in the first place. What kind of ideas are we dealing with? Ordoliberalism emerged as an economic doctrine. It heavily influenced the economic policy in the first years of the Federal Republic of Germany and held a prominent role in German universities for the first decades of the second post-war period. However, its primacy has faded away. Today, even the scholars that further the ordoliberal tradition gave up ‘classic’ ordoliberal theories and methods, and adopt mainstream approaches. In this sense, the sceptical camp is right: students in

German universities read the same textbooks as their colleagues around the world and the difference between Ordoliberalism and mainstream economics has become thinner. Things change if we look at Ordoliberalism as an ideology. In this case, ordoliberal ideas would not consist in a toolbox of specific policy prescriptions, but in values and principles that inform political action. By looking at Ordoliberalism as a political ideology, it is possible to overcome the apparent contradiction that sees the relevance of the ordoliberal economic scholarship fading away and, at the same time, its political values still alive and well.

The second flaw is a superficial reconstruction of Ordoliberalism. The sceptical literature points out that often ideas and positions are wrongly attributed to Ordoliberalism and that the evolution of the ordoliberal doctrine is constantly overlooked. This is true, but it is only part of the story. A further problem is a somewhat reductionist view of the content of ordoliberal ideas. According to this reductionist view, Ordoliberalism is reduced to the importance of rules, to a preference for stability, or to the interdependence between the economic and legal order. To be sure, all these are salient features of Ordoliberalism. However, reducing it to these points is problematic for two reasons. First, because Ordoliberalism is a much more complex set of ideas, and this complexity should be accounted for. Second, because these points cannot be said to be exclusive to Ordoliberalism – after all, who would claim that rules are not important, or despise stability?

A third flaw is that Ordoliberalism is often considered as a coherent and monolithic theory. Actually, as we will see, Ordoliberalism has always been internally diversified: within early Ordoliberalism, three currents could be distinguished (the Freiburg School, sociological liberalism and Social Market Economy), while in more recent times ordoliberals have been divided on the issues of European integration.²⁶ Moreover, Ordoliberalism emerged in the 1930s as part of the international reflection on the future of Liberalism. Therefore, the fact that it has been contaminated by elements of other neoliberal currents should not be interpreted as a loss of identity, but as a normal consequence of it being part of the neoliberal movement.

3. The morphological analysis of ideologies

The morphological analysis of ideologies proposed by Michael Freeden (see previous chapter) is a suitable instrument to overcome the flaws of the literature evidenced above. The morphological analysis consists in identifying the most relevant concepts of an ideology and their mutual relations

²⁶ In the 1990s, for instance, ordoliberals were divided on the issue of the Economic and Monetary Union. Ordoliberal scholars, including the distinguished economist Herbert Giersch, were among the signatories of the manifesto *Die währungsrechtlichen Beschlüsse von Maastricht: Eine Gefahr für Europa* ('The monetary policy decision of Maastricht: A threat for Europe'). In turn, Olaf Sievert (1993), in his *Ordnungspolitisches Plädoyer*, supported the monetary union using ordoliberal arguments. A similar divide emerged more recently during the Euro crisis. More on this in the next chapter.

by organizing them into those clusters. This approach presents several advantages in analysing Ordoliberalism as an ideology. It allows a rigorous and thorough analysis. The ideology is not reduced to a single point or idea, but is analysed as a complex set of mutually sustaining concepts: this solves the reductionist problem of the literature. Moreover, the morphological analysis allows to differentiate concepts according to their importance and function. Within ideologies, not all concepts are equal: core concepts are more important than the adjacent, and the adjacent are more important than the peripheral. Nor they discharge the same functions: some of them may represent values or goals which are considered desirable, while other may have a more instrumental character.

Another merit of the morphological approach is that it allows to account for the internal differences and transformations within an ideology. Although all the instances of an ideological family must show the same core concepts and at least some similarity in the adjacency, these concepts can be linked and decontested in different ways. This explains why it is not unusual for exponents of the same ideologies to have radically different positions on the same issues. The morphological analysis enables to reconstruct the chain of decontestation that conduces to these differences. This is especially useful in the analysis of Ordoliberalism because, as shown by the literature, ordoliberals have often held diverging ideas. The same can be said about the transformation of ideologies over time. The sceptical literature holds that Ordoliberalism has become indistinguishable from Neoliberalism by now; through the morphological analysis, it is possible to trace the persistence of an ordoliberal core despite the influence of other currents of Neoliberalism.

Finally, the morphological analysis provides a solid base for an empirical study on the effect of ideas in politics. The literature holds often a mythological vision of Ordoliberalism, which is considered like some sort of spirit that animates the German executive. As a result, everything that comes from Germany is considered to be ordoliberal, and everything that is ordoliberal is considered to be part of the German strategy. The morphological analysis, on the contrary, allows to make hypotheses on whether and to what extent ordoliberal ideas were actually held by the German government and influenced the policy outcome. In order to assess the influence of an ideology, a certain number of its concepts should be reflected in the words and in the actions of the political actors. So, to qualify the actions of the German government as ordoliberal, it is not sufficient to stress its rule-oriented attitude, which is not *per se* unique to Ordoliberalism. Rather, it should be observed that the ideas and the positions of the German leaders are based on ordoliberal core and adjacent concepts, and that their actions reflect these principles. The morphological approach can therefore throw a bridge between political theory and empirical political science.

Is Ordoliberalism a suitable subject for a morphological analysis? After all, not all ‘-isms’ constitute an ideology and the ordoliberal thought emerged essentially as an economic theory. However, the academic origin and nature of Ordoliberalism is not an obstacle for a morphological analysis. The morphological approach has been successfully applied to academic thought, as was the case of the liberalism of the North-American political philosophers John Rawls and Ronald Dworkin (Freeden 1998a, 141–216), or of the Realist paradigm within the International Relations scholarship (Bell 2002). But beyond that, Ordoliberalism shows the features that characterize an ideology, intended as the product of thinking about politics.

Ideologies are inextricably entangled with decision-making. They address concrete political issues, present competing frames of moral values that a community could desire to promote (Freeden 1998c, 7) and foster interpretations of concepts needed to undertake political actions (Freeden 1999a, 413). Ordoliberalism pursues these same objectives. Despite its emphasis on economic problems, ordoliberals have always dealt with law, social policies and ethics. Ordoliberalism builds upon political concepts, such as power, the role of the state and freedom. In dealing with these concepts, ordoliberals often engage in battle over their correct interpretation, which is a typical function of ideologies. One of Franz Böhm’s early works offers a good example of this. Böhm (1928) argued against the formalistic conception of private economic power that backed the German antimonopoly legislation and that allowed the existence of cartels. By contrast, he supported a more substantial conception, which would have led to the abolition of all cartels and trusts.

Ordoliberalism is linked to decision-making since its inception. In the so-called *Ordo Manifesto*,²⁷ Walter Eucken, Franz Böhm and Hans Grossmann-Doerth (1937) lamented that law and political economy had lost any relevance in Germany. Their task was to found a research programme in law and economics which could provide politics with guidance to pursue the public good. Ordoliberalism heavily influenced post-war Germany. The most emblematic figures of this influence are certainly Ludwig Erhard, Finance Minister and Chancellor, and his advisor Alfred Müller-Armack. Even today, Ordoliberalism is devoted to influence politics: *Ordnungsökonomik*, the modern ordoliberal economic theory, is characterised as applied political economy; think-tanks and associations foster ordoliberal values (e.g., the *Initiative Neue Soziale Marktwirtschaft*); ordoliberals hold positions in public and private institutions.

Another feature of ideologies is their collective nature. Ideologies are a collective product of several subjects involved in ideological thinking (Freeden 1998a, 105). Ordoliberalism makes no exception. On the one hand, it is not the product of an individual thinker, but it results from the

²⁷ The original title of the text is *Unsere Aufgabe* (Our task). It was the introduction to the first book of the series *Ordnung der Wirtschaft* (Order of the economy), which collected the early works of the Freiburg School. It was translated in English and renamed *Ordo Manifesto* by Alan Peacock and Hans Willgerodt (1989b).

collective efforts of different groups, that focused on different issues, and often interpreted them in distinct ways. On the other, it cannot be isolated from its context: Ordoliberalism is in fact a product both of the German history and of the international movement of Neoliberalism (see Mirowski and Plehwe 2009).

The collective nature of ideologies characterizes not only their production, but also their consumption. They compete over the goal setting of a society and for their legitimation: in this sense, their reception is as important as their production (Freeden 1999a). As we have seen, the ordoliberal ideology aims primarily at the elites and at the decision-makers. However, ordoliberals have never underestimated the importance of public opinion: the media have always been considered by them an indispensable instrument to educate the common people to the values of Liberalism.²⁸

Therefore, Ordoliberalism is a good candidate for morphological analysis. The analysis will have both a synchronic and diachronic perspective. The synchronic analysis (section 3) aims to explain how the different currents of Ordoliberalism decontest the ordoliberal core concepts. The concepts belonging to the ordoliberal core are order, freedom, competition, power, state and *Ordnungspolitik*. These concepts are variously decontested and surrounded by different adjacent concepts, depending on the ordoliberal current. The aim of the diachronic perspective (section 4) is, in turn, to compare the decontestation of the core by the different ordoliberal groups.

The literature agrees that three phases of Ordoliberalism can be distinguished (Dyson 2017; Goldschmidt and Wohlgenuth 2008a). The first phase includes the ‘founding fathers’ of the ordoliberal ideology. They can be divided into three groups: the Freiburg School, the sociological liberalism and the Social Market Economy. The Freiburg School represents Ordoliberalism in the strict sense. Founders of the Freiburg School were the economist Walter Eucken and the jurists Franz Böhm and Hans Grossmann-Doerth. The sociological liberalism was represented by two scholars that independently from the Freiburg School developed similar theories, and eventually joined their forces with it: Wilhelm Röpke and Alexander Rüstow. The last group is constituted by the theorizers and, later, realizers of the Social Market Economy: Ludwig Erhard and Alfred Müller-Armack.

The second and third phase represent the evolution of the Freiburg School, or *Ordnungsökonomik*.²⁹ The second phase is marked by the reception of Friedrich von Hayek’s social philosophy into the ordoliberal tradition. The most representative exponents of this second phase were the economist Erich Hoppmann and the jurist Ernst-Joachim Mestmäcker. The third phase is

²⁸ As Ptak put it, ‘Ordoliberalism was avidly promoted in the pages of *Frankfurter Allgemeine Zeitung*, whose publisher, Erich Welter, had been Miksch’s superior at the *Wirtschaftskurve* journal during the war’ (Ptak 2009, 122).

²⁹ In German, it’s called the *Freiburger Lehrstuhltradition*, ‘Tradition of the Freiburg chair’. The term *Ordnungsökonomik* was proposed by Erich Hoppmann (1995) to define the economic doctrine developed from the tradition of the Freiburg School.

characterized by the works of Manfred Streit and Viktor Vanberg, who tried to renew the Ordoliberalism by integrating the theories of New Institutional Economics and Constitutional Economics.³⁰

The analysis will focus on selected exponents of each group and phase of Ordoliberalism, chosen for the influence that their work exerted and still exerts on the ordoliberal epistemic community. For first generation of ordoliberals, Eucken and Böhm for the Freiburg School, Röpke for the sociological liberalism and Müller-Armack for the Social Market Economy; for the second and third generation, respectively Hoppmann and Vanberg.

4. Morphological analysis of Ordoliberalism

4.1 Early Ordoliberalism

Historical context

Ordoliberalism is a product both of the specific German situation and of the international context. At the national level, the development of Ordoliberalism was conditioned by ideational and political factors. In the last decades of the 19th Century, the German economic academy was involved in the so-called *Methodenstreit* (i.e. dispute about the method), which saw the supporters of Gustav von Schmoller's Historical School against those of Carl Menger's Austrian (marginalist) School: the former accused the latter of focusing on abstract and irrelevant mathematical models, whereas the historicist economy was accused of not respecting scientific standards. The dispute ended in favour of the Historical School, which became the dominating economic paradigm in Germany for the years to come.

The Freiburg School intended to overcome what Eucken defined as the 'great antinomy' between the two schools. Against the historicists, they reasserted the necessity and the usefulness of theorising general schemes of human behaviour. Against the Austrians, however, they claimed that these patterns should not be considered universal, but evaluated against the historical context defined by social, political and legal conditions. As a synthesis between these two approaches, early ordoliberals proposed to 'think in orders' (*'denken in Ordnungen'*), which represents the trademark of their theory. At the same time, Wilhelm Röpke and Alexander Rüstow moved similar criticisms against the Historical School, yet starting from a perspective closer to the Austrian School.

³⁰ The distinction among the different ordoliberal currents this chapter is not the only possible; nor the periodization implies that all contemporary ordoliberals agree on Viktor Vanberg's approach. Feld, Köhler and Nientiedt (2019), for instance, distinguish between a 'traditional' and a 'modern' perspective followed by contemporary ordoliberals, which coincide, respectively, with the approach of Eucken's early Freiburg School and with Vanberg's approach. The aim of presenting different variants and periods of Ordoliberalism is twofold: on the one hand, to account for its internal differentiation; on the other, to reassert its unity beyond the differences.

The ordoliberalists' criticism towards the dominating economic paradigm in the academy is to be paired with their criticism against German economy and politics in the 1930s. According to them, the Historical paradigm provided a justification to the formation of trusts and cartels; these, in turn, constituted concentrations of power that, eventually, subjugated the state to their interest and led to the crisis of the liberal state. The critique of the German economic and political system represents the heart of the ordoliberal endeavour and is the source of many recurring themes: the denounce of private and state power, the defence of a *strong* (i.e. independent) against a weak (i.e. subjugated to private interests) state, the interdependence between the economic, the legal and the political order.

The Nazi dictatorship strongly affected the lives of the founding fathers of Ordoliberalism. In the Freiburg University, Walter Eucken, as pro-rector, openly opposed the Nazification process brought on, among the others, by the rector Martin Heidegger. Moreover, Eucken animated the *Freiburger Kreis*, circles of liberal-conservative resistance to the dictatorship, devoted to the reflection of the German post-war economic order. Also Franz Böhm took part to these circles. His academic career was abruptly ended because of his critical stance against the regime. By opposite, Grossmann-Doerth was fascinated by the Nazi propaganda, but eventually was killed in action during the war. Rüstow and Röpke opted for the exile because of their opposition to Nazism. Both fled to Istanbul in 1933, where they carried on their academic activity. The first came back in Germany in 1949, whereas the latter moved in Geneva in 1937, where he lived until his death in 1966.³¹

After the war, Eucken and Böhm founded *ORDO*, the academic journal that published (and still publishes) the works of ordoliberal authors. From the name of the journal derives the very term 'Ordoliberalism', coined in the 1950s by the journalist Hero Moeller to refer to the thought of these authors. The first volume of the journal, issued in 1948, contains contributions by ordoliberal authors as Eucken, Böhm, Müller-Armack and Leonard Miksch, and opens with an article by Friedrich von Hayek on individualism.

In the post-war period Ordoliberalism proved to be influential on German economic policy thanks to Ludwig Erhard and Alfred Müller-Armack. Their background was not the same as the ordoliberalists. Erhard was a student of the liberal socialist Franz Oppenheimer, whereas Müller-Armack was influenced by the Christian social doctrine. However, they agreed with the economic conceptions of the ordoliberalists, and translated them into practice. The first example of the cooperation between the ordoliberalists and Erhard is the abolition of the state control over price and production in the occupied Bizone. Erhard's and Müller-Armack's economic policy takes the name of *Soziale Marktwirtschaft* ('Social Market Economy'), a formula that is still used to describe the German economic system.

³¹ See the biographical notes in (Goldschmidt and Wohlgemuth 2008b).

If Ordoliberalism is indeed a German product, it was at the same time an instance of the broader reflection on the future of Liberalism, which started in the West after the First World War as a response to the crisis of the liberal states. Many studies analyse Ordoliberalism in relation with the rise of the multi-faceted movement of Neoliberalism (Audier 2012b; Dardot and Laval 2009; Foucault 2008; Middleton 2008; Mirowski and Plehwe 2009). The term ‘Neoliberalism’ itself, in its modern sense, was coined by an ordoliberal, Alexander Rüstow, who proposed it during the *Colloque Walter Lippmann* as common self-description for the participants of the meeting (Audier 2012a; Hartwich 2009). Eventually, his proposal was rejected, as many participants to the meeting identified themselves as *classic*, rather than *neo* liberals (Hayek, for example, defined himself an ‘old Whig’).³² As a result, the term *Neoliberalismus* in Germany became a synonym for Ordoliberalism for a long time, while in rest of the world it followed a completely different destiny.³³

The failure of Liberalism corresponded to the success of state interventionism and planned economy. This assumed different forms: from the welfare state of Western democracies to the collectivist economies of Socialist countries and the planned economies of fascist states. For the neoliberals, all these cases were different instances of the same, centralizing phenomenon implied in state interventionism. All state interventions, according to them, were ultimately conducive to centralization and tyranny.

Ordoliberals took part to what the literature indicates as the foundational episodes of neoliberalism: the above mentioned *Colloque Walter Lippmann* and the foundation of Mont Pelerin Society. The *Colloque* was a meeting organized in 1938 in Paris by the French philosopher Louis Rougier in honour of Walter Lippmann, author of *The Good Society*, a text that gave new impulse to the debate on the renewal of Liberalism. It was the first international reunion of the scholars and thinkers that later became the fathers of Neoliberalism. After the war, inspired by the *Colloque*, Friedrich Hayek decided to organize a structured network of (neo)liberal intellectuals devoted to the renewal of Liberalism. The first meeting of this network was held in 1947 at a resort on the slopes of Mont Pèlerin, Switzerland. The group, after having discarded the proposed name ‘Tocqueville-Acton Society’, became famous as the Mont Pelerin Society (MPS).

In the *Colloque* and in the early summits of the MPS, three groups could be distinguished: the ordoliberals, the Austrian School, and the (old and new) Chicago School. The ordoliberal positions had strong affinity with those of the old Chicago School (Köhler and Kolev 2013), and were much

³² The ‘old Whig’ was a faction of the Whig party, led by Edmund Burke, that adhered to conservatism.

³³ Yet, still in 1960, Oliver could state in his article on Ordoliberalism: ‘Some of the economists included in the study have objected to the term “neoliberal”, believing that it does not sufficiently distinguish them from advocates of laissez-faire. *Substitute terms such as “Ordoliberal”, however, are less widely used and probably unfamiliar to most American readers*’ (Oliver 1960, 117, emphasis is mine).

more distant from those expressed by the Austrian Ludwig von Mises (who, during a meeting of the MPS, allegedly screamed against the ordoliberals, accusing them of being... socialist!). Hayek represented a bridge between the German neoliberals and Mises's *paleoliberalism*: he was a representative of the Austrian school, but his positions were closer to Ordoliberalism as Mises's. He eventually became professor in Freiburg University and president of the Walter-Eucken-Institut, and his thought was integrated within the ordoliberal paradigm of *Ordnungsökonomik*.

The relation between Ordoliberalism and MPS continued through time, important ordoliberals even became presidents of the society (such as Wilhelm Röpke, Friedrich Lutz and Herbert Giersch); Ötsch et al. (2018), in their book on ordoliberal networks, stress the nexus between these and MPS.

4.1.1 Freiburg School: Walter Eucken and Franz Böhm

Order

The concept of order is a fundamental ordoliberal core concept. It can be interpreted in a normative and in a descriptive sense. To define it in the normative sense, early ordoliberals often use the Latin term '*Ordo*'. The *Ordo* constitutes the goal of Ordoliberalism: a 'humane and functioning' ('*menschenwürdige und funktionsfähige*') order that must be realized by establishing a competitive economic order that secures freedom and coordination among individuals (Eucken 1940, 239, 1952, 14). The nature of the *Ordo* is independent from the human will: humans do not invent it nor create it out of nothing. Rather, they discover it through scientific inquiry (Böhm 1950, XLVI). Scholars – namely, economists and jurists – play a crucial role: they must be independent from economic interests and devoted to the study and the realization of the *Ordo*. In the descriptive sense, instead, the orders are the whole of norms, rules and states of affairs that determine the lives of the individuals. Society is divided in orders: economic, legal, political, social and so forth.

An essential component of the concept of order is the interdependence among orders and among specific components of an order: what happens in one order necessarily affects the others, and the changes occurring in a component of an order will influence the other components. Interdependence between the economic and the other orders is central in the reasoning of Freiburg ordoliberals (Böhm 1949, 180; Eucken 1952, 7): they wanted to show how the tendency towards collectivism, far from being only an economic phenomenon, would eventually affect also the social and political order. For instance, the selection of the ruling class in a competitive market economy is different than that of a monopolistic or centralized economy. In the former, the selection is bottom-up, mirroring the dispersed character of production. In the latter, selection is from above, as it reflects the power of central administrations. Also the political order is linked to the economic order. A federal state cannot hold its plural character for long, if the national economy strives after the realization of a central plan.

Similarly, in a centralized economy democratic and legal rights will tend to be sacrificed in favour of the plan (Eucken 1948, 68, 1952, 49–50).

This happens because the centralizing logic of a monopolistic or planned economy is incompatible with the safeguards of federalism, democracy and rule of law. There is not even need of a legal change for this transformation to occur. Rights will not be legally abolished, nor the state order formally changed. Simply, the transformation happens *de facto*: these institutions will be voided of their sense. The conclusion that the ordoliberals draw from this reasoning is that the ordering principles of all orders must be in harmony (Eucken 1952, 133). It is impossible to have a pluralist and democratic political order if the guiding principle of the economic order is incompatible with pluralism and democracy.

Interdependence also applies to specific sectors within orders. The typical case is economic policy. Governments, blame the ordoliberals, disregard the interdependence among the sectors of economy. Instead of pursuing comprehensive policies, they carry out selective (*'punktuelle'*) interventions, which have unintended consequences on the whole order. This results in a slippery slope: each intervention causes a disturbance on the price mechanism and sets the stage for another one. Moreover, *'punktuelle'* interventions usually create privileges for specific sectors of society. Privileges increase the economic power of these sectors and makes it easier for them to ask for further interventions. According to the ordoliberals, then, selective interventions are conducive to centralization (Böhm 1971, 5, 11; Eucken 1948, 69).

Ordoliberals refuse the Marxist dichotomy between structure and superstructure: the interdependence is not only from the economic to the other orders, but also vice versa. For instance, the formation of monopolies and trusts, that changes the form of the economic order, is often fostered by laws and state interventions (Eucken 1948, 18). In turn, these concentrations of economic power tend to affect the preference formation of the government, which results in further interference on the legal and economic orders (Eucken 1952, 127).

The Freiburg School mainly focuses on the economic and legal order, and on their interdependence. The economic order (*'Wirtschaftsordnung'*) is the most important: it constitutes the structure within which the economic process (*'Wirtschaftsprozess'*) takes place (Eucken 1940, 180). It is impossible to find any solution to problems that arise in other orders – from the spiritual to the political – as long as the economic process does not take place within an appropriate *Wirtschaftsordnung* (Eucken 1948, 77). Also the social turmoil that characterizes industrial societies is but an aspect of the problem of the economic order (*das ordnungspolitische Problem*): distribution

of wealth and the level of employment depend in fact on the economic process and its steering (Eucken 1952, 12–13).

The concept of *Wirtschaftsordnung* distinguishes Ordoliberalism from the Historical School and the Austrian School. On the one hand, the Freiburg School criticised the Historical School because it theorized the impossibility of drawing general theories of human behaviour. Its analyses were bound to the historical context and had no validity outside it. On the other, Freiburg ordoliberals claimed that the theories of the Austrian School were based on abstract and unrealistic assumptions and, therefore, could not be used as guidelines for economic policy. The concept of *Wirtschaftsordnung* was the ordoliberal proposal to overcome this impasse. Against the Historical School, they claimed that all individuals share a same feature, regardless of the historical context: the fact that they follow an economic plan in order to take care for themselves. This common attitude allows the generalisation of economic theories. The generalisation is not limitless, though. In fact, the concrete economic life of the individuals takes place within a context defined rules, institutions, customs and values: the whole of these forms in a nation constitutes its *Wirtschaftsordnung* (Eucken 1940, 238). This context affects how individuals pursue the universal impulse to take care for themselves and for their families. Therefore, *contra* the Austrians, the validity of economic theories is not universal, but is bound to the different economic orders.

Early ordoliberals distinguish between two general models of economic order: centralized economies (*‘zentralgeleitete Wirtschaft’*) and exchange (or market) economies (*‘Verkehrswirtschaft’*). The difference between them depends on who elaborates and carries out the economic plans (Böhm 1949, 9). If there is a single plan, we have a centralized economy; if there is more than one plan, we have an exchange economy. The two orders follow a different organizing principle. The principle of the centralized economy is subjugation: all individual efforts must serve the realization of the single plan. In exchange economies, instead, the different plans cooperate through coordination (Böhm 1950, xxxii, 1971, 19; Eucken 1940, 79).

Among centralized economies, Eucken distinguishes between self-sufficient economies (*‘Eigenwirtschaft’*) and centrally-administered economies (*‘Zentralverwaltungswirtschaft’*). The former model corresponds to the self-sufficient agricultural communities and has been eliminated by industrialization. The latter represents, in turn, the current alternative to the exchange economy. Centrally-administered economies vary depending on whether trade is completely forbidden, barter is allowed, or freedom of consumption exists (Eucken 1940, 79–83). In centralized economies, the economic process is steered by a single economic plan. They are characterized by authoritarianism, arbitrariness and the use of great economic power for the realization of the plan (Böhm 1950, xxvi; Eucken 1940, 87). Centralized economy represent the nemesis of the *Ordo*: while the latter is a

humane order based on the free coordination of individuals, the former is an economic system that turns individuals into tools for the realization of the plan and is based on the highest level of coercion.

Exchange economies are the modern form of economic order. They are characterized by a plurality of economic plans that lock together: the steering of the economic process does not derive from a single administrative will, but results from the conjunction of all single economic plans combined. Exchange economies require a communication system that allows the single plans to connect to each other. This system is constituted by the price mechanism and by the monetary system.³⁴

In simple economies, only a restricted number of variables is involved in the production process: therefore, it is possible that production takes place according to a single plan, and that the whole process is overseen by a single authority. In modern, integrated economies this is not the case anymore. The production process of a nation has become by far too complex to be handled by a single authority and according to a single, comprehensive plan (Eucken 1949, 8). The price mechanism offers a ‘scarcity indicator’ that allows individuals to know what needs to be produced and to what amount. However, prices do not always discharge optimally their function of scarcity indicators: their effectiveness depends on the openness of the market; the more the market is open, the more effective the prices work as scarcity indicators – and, consequently, as a coordination system. Eucken distinguishes 25 possible forms of markets (*Marktform*) within exchange economies, depending on the degree of openness of supply and demand (Eucken 1940, 111).³⁵ The most closed form of market is a ‘bilateral monopoly’, where both supply and demand are monopolistic. In this *Marktform*, prices are not effective scarcity indicators, as they are heavily influenced by the two monopolistic actors. On the contrary, the most open form of the market is full competition (*vollständige Konkurrenz*): in this case, no individual actor can interfere with price formation, so prices are effective indicators.

It is important to note that the forms of the market vary according to the specific markets and to the zone. So, it is possible that the electricity market is fully monopolistic, whereas the labour market is partially oligopolistic; or that the raw material market is fully competitive in a region and partially monopolistic in another. The overall character of a national *Wirtschaftsordnung* is determined by the prevailing *Marktform*. The more the forms of the market approach *vollständige Konkurrenz*, the more the *Wirtschaftsordnung* is free and closer to the *Ordo*; the more they are

³⁴ Unlike the price system and its relation with the forms of the market, Eucken’s analysis of the monetary systems is not relevant for this ideological analysis. I will briefly return on Eucken’s preferences on the monetary system later, when dealing with the principles of *Ordnungspolitik*.

³⁵ Both demand and supply have five levels of openness. From the more to the least open, they are: competition, partial oligopoly, oligopoly, partial monopoly, monopoly. The *Marktform* results from the level of openness of supply and demand. For instance, a *Marktform* characterized by partial demand oligopoly and supply monopoly is a ‘supply monopoly limited by partial oligopoly of demand’.

monopolistic, the more the economic order is similar to a centralized economy – with all the burden of authoritarianism that follows (p. 199).

As we will see below, the *vollständige Konkurrenz* is a central component of the early ordoliberal conception of competition – and will be harshly criticized by the following generations of ordoliberals. The efforts of economic policy should aim to realize the conditions for full competition; when this is not possible, the state should intervene on the outcomes of the market process to change them *as if* they were the result of full competition.

Exchange economies present three advantages compared to centralized one. First, they rely on a rational and effective calculation device to steer their production: the price mechanism. Centralized economies rely on statistics and macroeconomic analyses to determine their planned production. This method has three downsides. First, it requires a semi-divine, comprehensive knowledge of the state of affairs and of the consequences of decisions to be effective (p. 139). Second, focusing on aggregate figures distracts from the actual mechanisms of the economic process (Eucken 1940, 156, 1952, 63). Finally, central planning is rigid: if the plan is flawed or poorly implemented, the consequences can be recognised only *ex post*, not during the process. Price mechanism, by contrast, provides step-by-step signals on the success of the plan and allows timely adaptation if it proves to be wrong. Moreover, it does not require a central administration capable on a complete knowledge, but relies on the limited knowledge of the single economic actors.

Second, exchange economies allow much more freedom. The prices work as signals: they provide incentives to act in certain ways, but do not prescribe any specific behaviour. If someone ignores the price signals, the worst consequence is an economic loss. In the case of centralized economies, instead, individuals are forced to realize the central plan. They cannot decide what to produce, nor choose their job: the production is determined by the plan and they are assigned a job depending on the necessities of the plan. Ignoring or disobeying the plan results not only in an economic loss, but also in marginalisation and possibly persecution (Böhm 1949, 48).

Finally, in exchange economies – and especially in fully competitive economies –, the production is steered by the will of the consumers: competition makes sure that the producers who do not abide by consumer interest are punished. To the opposite, the more centralized an economic order is, the more the production is steered by the particular interest of holders of economic power.

The forms of the *Wirtschaftsordnung* affect the functioning of economic and social institutions (Eucken 1952, 103). The price system, for instance, exists both in market and centralized economies. In market economies, the price is determined by supply and demand and, as we have seen, it has a steering function: it is the price mechanism that decides what and how much must be produced.

Instead, in centralized economies prices are fixed by authorities and serve the realization of the plan: therefore, they lose their guiding function (p. 162).

The same can be said about business associations and trade unions. In a competitive order they represent the legitimate interest of their members. Instead, in monopolistic orders they are instruments to obtain privileges, while in centralized economies they become part of state administration (p. 149).

Economic orders also differ with regard to their stability. Both centralized economies and fully competitive orders are stable systems. However, in the first case stability is achieved through the extensive use of force; in the second, stability is spontaneous and derives from a harmonious and free production process. The problem is that the types of exchange economies that deviate from *vollständige Konkurrenz* are instable and tend towards centralization (p. 197). This tendency is fostered by a further fact. While fully competitive economies are much more efficient and desirable than centralized economies, the other exchange economies are not. So, it is possible that those who are worse off in not fully competitive economies push their governments for protectionist interventions that further the tendency towards centralization.

The *Wirtschaftsordnung* is not self-sufficient: it requires a legal order to define the necessary rules for the functioning of the economic process. The liberal legal order was based on the two principles of private law and rule of law. The liberal revolutions replaced the old, privilege-based feudal order with an order based on private law: all individuals should be subject to the same legal system. Private law was not an invention of the bourgeois society: it already existed in feudal society, although it had a limited scope. The revolutionaries just elevated private law to norm of society. This had consequences on the social and political order.

The social order resulting from the liberal revolutions was a private law society (*Privatrechtsgesellschaft*). Private law society allows its members to coordinate their plan on a free basis (Böhm 1966, 84–85): the constraints to individual actions result from the need to adapt to each other's plans, not from the subjugation to a political authority. The private autonomy (*Privatautonomie*) granted by the *Privatrechtsgesellschaft* constitutes the freedom that individuals have in the market: freedom of trade, freedom of contract and private property. It allows individuals to freely exchange their properties and arrange contracts: private law society is, thus, the necessary condition for a free market economy.

Private law society, however, has its limit in the free consent of the parties involved in an agreement: the private autonomy of the individuals should not be affected by the consequences of private agreements of third parties. Therefore, the definition and implementation of the binding rules that allow the private law society to function cannot be assigned to private law. The

Privatrechtsgesellschaft needs an executive political body to enforce the legal and administrative framework necessary for its existence: the state.

The relation between state and society is defined by the rule of law: the duties of the state must be clearly specified, while the rest is up to the members of society. From the principle of private autonomy derive the competences of individuals, such as the decision to establish an enterprise and to determine its management (p. 119). The task of the liberal state, in turn, is to secure private autonomy from illegitimate restrictions both from the government and from other private actors.

Usually, economic orders evolve spontaneously throughout the historical process (*‘gewachsene Ordnung’*). However, orders have occasionally been established through an economic constitution (*‘Wirtschaftsverfassung’*) which is, according to Eucken, a general decision on the forms of the economic order (Eucken 1940, 51–52). The liberal order of the 18th and 19th century represent such kind of established order. Just as the ‘legal’ constitution defined the principles of the liberal legal order, i.e. private law and rule of law, the economic constitution defined the core principle of its economic order: competition.³⁶

The problem with *laissez-faire* liberalism, according to Eucken, is that it failed to recognize the protection of the *Wirtschaftsverfassung* as a function of the state. Early liberals were convinced that, as long as the principles of rule of law and private law were respected, a liberal and competitive order would have spontaneously followed (Eucken 1952, 27). So, the liberal constitutions safeguarded the basic principles of their legal order, but not the economic constitutional principle of competition (Eucken 1949, 3–4, 1952, 26).

Contrary to the expectations, economic actors used the freedom granted by the liberal constitutions to slowly put competition aside: they used the freedom of contract to create cartels and share out the markets. This transformed the economic order, which turned from competitive into more and more centralized (Eucken 1952, 30); and the more the economic order tended towards centralization, the more economic institutions such as private property and freedom of contract became instruments of economic power.

The interdependence of the orders became manifest. The *laissez-faire* legal order allowed the suppression of competition, which caused the transformation of the competitive economic order into an increasingly centralized economy. The transformation of the economic order, in turn, caused the concentration of economic power, which allowed economic groups to pressure the government and

³⁶ Together with competition, Eucken (1940, 53) also mentions private property and freedom of contract as principles of the liberal economic order. However, these two principles are shared with the liberal legal order; competition, instead, is peculiar to the economic order.

determine its policies. Eventually, the economic groups became so powerful to identify their interests with the interests of the nation, thus setting the stage for planned economy.

According to the ordoliberals, then, the failure of the liberal state was caused by the fact that it did not safeguard its economic constitution. By only focusing on the respect of the legal principles of rule of law and private law, the liberal constitutions left the definition of the economic order to the spontaneous forces of the market. This, however, produced a backlash on the overall order, as the transformation of the economic order affects also the political and social orders: the definition of the economic order has a constitutional value and, therefore, should not be left to the private. The ordoliberals propose, then, that liberal states not only safeguard their legal constitutions, but also their economic constitutional principle of competition.

Competition

The economic order conducive to the *Ordo* is a competitive order (*‘Wettbewerbsordnung’*). It represents the only order that allows the functioning of the price system and the free coordination and realization of individual plans (Böhm 1950, xv). Only in a competitive order price are effective signal of scarcity: no single economic actor, in fact, would have enough power to unilaterally influence price formation. Therefore, competition fully unfolds its potential in a situation of *vollständige Konkurrenz* (full competition). To the contrary, the more economic power grows and actors exert an influence over the prices, the more they lose their signal function – eventually losing it, in planned economies. The conclusion is clear: competitive orders are more effective than non-competitive, as they can rely on the price mechanism to optimize production.

However, competition has not only an economic significance. It also has a political and moral value, as it safeguards freedom, fairness and justice within the market system. Competition is in fact a device to neutralize power (*Entmachtungsinstrument*). It reduces power by dispersing it (Eucken 1952, 375) and makes sure that individuals, despite being dependent on the market and on society as a whole, do not depend on anyone in particular (Böhm 1971, 20; Eucken 1940, 201). Moreover, it makes sure that the producers employ their resources to satisfy the consumers and not to concentrate economic power.

According to Eucken, Marx was wrong in blaming competition for the exploitation of the workers. On the contrary, it is the lack of competition that allows capitalists to exploit workers. In a fully competitive order, workers can avoid exploitation by choosing among different job offers. Instead, when competition lacks – either because a firm is monopolistic, because of trust agreements or because of central planning – the workers have to accept any condition. Competition reduces the

dependence of individuals to powerful economic groups: in this sense, it represents a solution to the social questions.

Competition is a universal phenomenon. Men always compete to get their share in a world of scarce resources: in exchange economies competition takes place in the market according to a framework of rules, whereas in centralized economies it occurs through political struggle by means of force. Therefore, it is impossible to suppress competition from human life. What is possible, instead, is to shape the form of competition through a regulatory framework.

Not all forms of market competition are compatible with a free order. Ordoliberals distinguish between hindrance competition (*Behinderungswettbewerb*) and performance competition (*Leistungswettbewerb*) (Eucken 1949, 25). *Behinderungswettbewerb* is based on the creation of impediments to other competitors and on the exploitation of consumers. It results in the concentration of power and, eventually, in the suppression of competition itself. Instead, ordoliberals support the latter type of competition. *Leistungswettbewerb* is a competition based on the performance of economic actors: their success is based on the quality of their product, on the efficiency of production and on cost reduction, not on the economic power they can mobilize to prejudice their competitors and consumers.

The competitive order is threatened by economic actors, who constantly look for protection from the deleterious effects of competition (Eucken 1949, 5, 1952, 31). The search for protection takes two forms. The first is exerted through the political order. Economic actors form pressure groups and ask for interventions to mitigate competition to the government. These interventions, however, cannot be but particularistic, since the reduction of competition benefits that specific group but damages the rest of society. Böhm condemns this behaviour with severe words: ‘demands are made [to] the legislator or the government to elevate cheating to a legislative or governmental programme’ (Böhm 1966, 140). When these requests succeed, they start the slippery-slope dynamic. On the one hand, they damage the price mechanism, thus making the production less effective and setting the stage for further interventions. On the other, they cause a concentration of power in the hands of the groups that benefit from protection, and puts them in a favourable position to further pressure the government. A liberal state that aims to secure a competitive order, therefore, should avoid this kind of interventions.

The other way is pursued through private arrangements, and takes the form of *Behinderungswettbewerb*. Economic actors, who are supposed to compete, agree to constrain competition at the expenses of the public or of other competitors. For instance, cartels could fix prices to raise their profits or pressure their supplier to boycott new-comers, whereas trade-unions could

force firms to hire only their members. This kind of behaviour constitutes a misuse of freedom and leads to the concentration of economic power and to a reduction of competition.

Although hindrance competition formally conforms to the principle of freedom of contract, it actually prejudices private autonomy. As we have seen above, private autonomy knows its limit in the free consent of the parts involved: the consequences of agreements and actions undertaken in private autonomy should not involve third parties. This is clearly not the case with hindrance competition. In the examples above, the freedom of consumers, suppliers, competitors and workers is unfairly restricted through the arbitrary actions of economic actors. So, *Behinderungswettbewerb* is not compatible with a competitive economic order, and should be forbidden by the state.

To the contrary, a liberal state should foster *Leistungswettbewerb*, the only type of competition to be compatible with a free competitive order: it safeguards freedom directly, by preventing that particular groups arbitrarily prejudice the private autonomy of the others, and indirectly, by impeding the concentration of economic power and the subsequent degeneration of the order. Unlike *Behinderungswettbewerb*, which results from the universal research for protection from competition, *Leistungswettbewerb* is not a natural phenomenon. It requires the active action of a state that aims to safeguard the economic constitutional principle of competition.

Freedom

According to the ordoliberals, freedom is the essence of humanity. Liberal revolutions, which have delivered individuals from feudal privileges and personal dependence relations, and industrialization, which improved production capacity, have laid the foundation for an order based on freedom. The failure of the liberal state allows to criticize *laissez-faire* liberalism and its policies, but not its core principle of freedom (Eucken 1952, 176–78).

Freedom is closely linked to the concept of order. They belong to each other: freedom has its limit in the order, and the order must necessarily safeguard freedom.³⁷ Ordoliberals conceive freedom primarily in negative terms. However, this does not imply total absence of coercion: individuals are still dependent on each other and bound to respect the rules. Rather, it means absence of a specific kind of coercion: arbitrary intrusion exerted through economic power (Böhm 1949, 49).

In the competitive economic order, freedom takes the form of private autonomy: the freedom of the individual to dispose of his properties and to arrange consensual agreements (Böhm 1971, 20). This means that, within the *Wirtschaftsordnung*, individuals are free to choose how to carry out their plans (Eucken 1949, 23). Just like competition, freedom has both an instrumental and an intrinsic value. From the first point of view, it allows the unfolding of human creative potential, thus improving

³⁷ '[...] ordnen heißt in Freiheit ordnen', see Eucken (1952, 179).

the production process. But freedom has also a substantial value. On the one hand, it is a constitutive component of the concept of *Ordo* as an order based on free coordination instead of subjugation. Therefore, freedom is desirable *per se*. On the other, it is the logic complement to competition: if individuals are supposed to compete with each other, they need the freedom to do so.

Freedom is not boundless, though. While individuals should enjoy the highest degree of freedom within the economic order, they should not be allowed to interfere with the rules norming the economic process, nor to alter the form of the market with their actions (*ibid.*). The task of defining the framework for the economic order belongs to the state. But the state cannot freely choose these rules: since the *Ordo* exists independently from human will, rules must be discovered and applied, not invented. Conversely, if the state decides to apply rules or interventions that diverge from the *Ordo*, this is not freedom, but arbitrary exertion of power.

The most serious threats to freedom come from within the economic order (Eucken 1948, 73–74). Using the economic freedom granted by the liberal revolutions, economic actors have lessened competition, *de jure* or *de facto*. As we have seen above, this behaviour not only was detrimental to the private autonomy of the rest of society, which saw its freedom decrease as consequence of others' private decisions, but also resulted in a slow shift of the economic order towards centralization. Yet, all of this was legal, as liberal states safeguarded free enterprise and freedom of contract, without considering that they could be used against third parties' private autonomy.

This had two consequences. First, it allowed the concentration of economic power and started off the tendency towards centralization. Second, they decreased the freedom of society. With the concentration of economic power into few corporations and cartels, workers lost the possibility of choosing among different job offers. This made them dependent on their employers, who could arbitrarily put pressure on them (Eucken 1952, 126). Similarly, also the consumers lost the possibility of choosing among different product. The unbound freedom of economic power resulted in the loss of self-determination for the rest of society.

But it is not only economic freedom to be harmed. When the centralization process reaches its last stage – i.e. central planning – all freedoms are mortally wounded. All production efforts are devoted to the realization of the plan, whereas resources to form critical and plural thought (universities, libraries, publishing houses, etc.) grow smaller. Eventually, freedom of thought is eliminated: criticism towards the plan is seen as sabotage activity and dealt with through courts and judges (p. 130). The conclusion is clear: freedom can exist only within the framework of a competitive order. If the state and the legal order do not prevent economic actors from altering the economic order and from prejudicing competition, they will use freedom to annihilate freedom itself.

Power

The ordoliberal conception of power is twofold: it can be useful or hazardous. In the first sense, power is necessary for free enterprise: everyone needs a certain amount of power to carry out their plan. However, the ordoliberals swiftly add, nobody should have more power than the minimum required to take care of their business, and it always must be compatible with competition (Eucken 1949, 64, 1952, 376). This first conception of power is marginal in Ordoliberalism, though. Rather, their criticism focuses on the latter sense: power as a threat to society.

Power is the mirrored image of freedom (Eucken 1952, 175). If freedom essentially consists in the absence of coercion, power consists in arbitrary limitation of individual private autonomy. While freedom must be constrained in order to work and survive, power tends to continuously erode its bounds and expand. Freiburg ordoliberals conceive it primarily as private economic power: economic actors exert it to increase their profits and to seek protection from competition. Economic power can take many forms: big enterprises, corporations, cartels. Sometimes they grow autonomously, other times the legal order offers incentive to their formation. But, regardless of their origin, all forms of economic power share an essential feature: their presence alters the economic order and drives it towards centralization (Eucken 1932, 298). Therefore, the state should not just fight the misuse of economic power; it should rather prevent the formation of power groups in the first place (Böhm 1949, 30; Eucken 1952, 172).

The wrongful exertion of state power is also a consequence of private power: when economic actors become sufficiently strong, they pressure the governments to adopt favourable policies (Eucken 1949, 7). As the government complies to these requests, the state becomes a tool in the hands of economic powers. This kind of public interventions take the form of privileges that benefit particular groups at the expenses of society. The universal research for protection from competition results in what ordoliberals call ‘refeudalisation’: the private law society is replaced by a new order based on vested interests (Böhm 1966, 140–41). This process is similar to what modern Public Choice economics terms rent-seeking.

According to the ordoliberals, the decline of the liberal state is a story of unbound economic power that erodes the liberal political and social order. At the beginning of the liberal era, economic power was dispersed. Single actors disposed of economic power on a limited scale: for instance, an enterprise could behave as a monopolist in the labour market of its district but, as a seller, be part of a competitive market. Over time, these concentrations of economic power grew. Eventually, they formed more or less institutionalized formations, such as cartels and corporations.

Laws could not prevent this from happening, as *laissez-faire* liberalism assumed that, as long as rule of law, free enterprise and freedom of contract were respected, the competitive character of the economic order would be preserved, too. Even when the states decided to sanction cartel agreements, they proved timid and ineffective. This not only resulted in a further concentration of power; it also affected the political order, as cartels and corporation had become enough powerful to pressure the governments.

Economic groups do not exert their power just in terms of bribery or brute force. They can also count on powerful ideational resource. On the one hand, they can count on ideologies, that are used to mobilize population and raise consensus. On the other, they rely on a subtler instrument: economic science. Economic theories are used to justify state interventions on the productive process, full-employment policies, price control. According to the ordoliberalists, these theories are biased, because they overlook the interdependence of the orders. Each intervention harms the competitive order and compromises the functioning of the price mechanism, thus paving the way for other interventions. As a result, these theories are dangerous, as they not only fail to solve the problems they were supposed to, but also worsen the situation as they make production less efficient and hamper competition.

The consequences are known: less competition and freedom (Eucken 1949, 4, 1952, 174), refeudalisation, worsening of the social question and increased exploitation (p. 44-5, 126). The intertwining between economic power and state reached its last step when particular interest finally identifies with national interest. The door to central planning was open: the state gave up any remaining authority, and became an agency for the powerful groups that control the national production (p. 177).

Private property can contrast, to a certain extent, the concentration of economic power. A wide class of smallholders is a stronghold against the social transformation caused by centralization, while a planned economy where private property endures is better than a collectivistic one, as the owners can resist the will of central administrators. However, the best safeguard to power concentration is a strong state that enforces a competitive economic order.

State

Cited by Eucken as the first of the three ordering powers (*'ordnende Potenze'*, the other two are science and the churches Eucken 1952, 325), the state is another ordoliberal core concept. It is linked to the concept of order, as it represents the 'executive' body of the social order, and should protect freedom and competition against economic power. The task of the state is to establish and secure the functioning of an economic constitution conducive to a competitive order.

Ordoliberals advocate a *strong* state, which can resist the pressure of economic powers. When the state interferes with the economic process, it takes on tasks that do not belong to it and carries them out less effectively than private actors in a competitive order. Its competences increase, but its authority diminishes: it becomes a weak state, subject to particular interest (p. 327).

Instead, the *strong* state limits itself to establish and enforce the framework for the working of the economic process. This does not imply that the ordoliberal state is passive. On the contrary, it is rather active: it should protect its economic order from private power just as it defends its borders from a foreigner army (Böhm 1928, 63). The problem of the liberal state was that it effectively protected the competitive order from state power, but did not the same with regard to private power (Eucken 1952, 52).

Therefore, the role of the state is not a matter of quantity, but of quality of the action (p. 336). The interventions of the ordoliberal state aim to assure the competitive character of the economic process, not to interfere with it. In Eucken's words: 'State planning of the forms [of the economic order] – yes; state planning and direction of the economic process – no' (p. 331).

Ordnungspolitik

In order to realize the economic constitution, the state has to implement a specific economic policy: *Ordnungspolitik*. This untranslatable term indicates an economic policy based on two principles. First, it must define and maintain the framework for a competitive order. Unlike other economic policies, that try to reach their objectives by intervening in the economic process, *Ordnungspolitik* aims to influence the outcome of the process by changing the conditions that shape the economic order (Eucken 1949, 18). The intervention on the economic order is not arbitrary, though: its model is the concept of full competition. The *Ordnungspolitik* of the Freiburg School primarily consists in defining the rules for a fully competitive order. Only if the market, for structural reasons (e.g., a natural monopole), cannot be made fully competitive, *Ordnungspolitik* allows the state to intervene in the outcome of economic process, restoring it *as if* it was achieved in a *vollständige Konkurrenz* situation. The second principle of the *Ordnungspolitik* is that it must reflect the interdependence of the orders. Unlike particular interventions fostered by other economic policies, ordoliberal *Ordnungspolitik* must always consider that interventions in a specific sector of the economy reverberate on other sectors (p. 23)

According to Eucken, an *Ordnungspolitik* that establishes a competitive order is the best social policy (Eucken 1952, 312). As we have seen above, according to Freiburg ordoliberals competition is not just an economic tool to assure productivity. Rather, it is the necessary complement to freedom: competition makes sure that individuals are free and do not develop dependence relations with

economic powers. Therefore, a competitive order not only reduces scarcity through means of efficient production, but also allows individuals to take care for themselves and not being dependent on anybody in particular.

Given its instrumental role to the realization of the ordoliberal core, *Ordnungspolitik* could appear more an adjacent than a core concept. However, there are two reasons, one logic and the other cultural, that explain why this is not the case. The logical reason is that *Ordnungspolitik* complements the core on an equal level. It realizes the concepts of order, freedom and competition, and represent the specific kind of action that the state must undertake to safeguard those principles without turning into arbitrary power. Without the concept of *Ordnungspolitik*, state power would have no limits, and the ordoliberal core would collapse. The cultural reason is that *Ordnungspolitik* is present in all ordoliberal instances, although in different forms. So, the concept of *Ordnungspolitik*, as an economic policy aimed at preserving the competitive order and informed by the interdependence of the orders is a fully-fledged ordoliberal core concept.

Eucken draws a list of seven³⁸ constitutive (*‘konstituierend’*) principles and four regulatory (*‘regulierend’*) principles of *Ordnungspolitik*. The *konstituierend* principles represent general principles that orient the realization of a competitive order. They can be classified as adjacent concepts, as they substantiate the concept of *Ordnungspolitik*, and are also linked to other core concepts. In turn, the *regulierend* principles represent peripheral concepts, as they constitute guidelines to deal with specific situations in which full competition cannot be achieved only through the application of the constitutive principles.

The first, fundamental principle (*‘Grundprinzip’*) of *Ordnungspolitik* is a functioning price system. As we have seen above, distortions of the price mechanism hamper production and are conducive to power concentration.

The second principle is the primacy of monetary policy: all the efforts of an economic policy are vain without monetary stability (Eucken 1949, 34). Eucken envisaged an international monetary system based on three principles. First, it had to work automatically: central bankers should not have any discretion in monetary policy. Second, it should be stability-oriented. Finally, it should have an automatic stabilizer based on a fixed-commodity standard in order to avoid excessive inflation or deflation (Eucken 1952, 169; see also Sally 1996, 239). Moreover, he criticized excessive inflation (Eucken 1952, 116–17), which had destructive effects on the economic order and was conducive to centralization.

³⁸ The interdependence of all the constitutive principles is occasionally referred to as the eighth constitutive principle.

The third principle is open markets, which is linked to the choice for *Leistungswettbewerb* against *Behinderungswettbewerb*. Open markets are an economic constitutional principle that cannot be prejudiced by private actors. Arrangements and behaviours that damage this principle must therefore be forbidden. Also customs policy must be oriented towards this principle, so that it does not harm free international trade.

The fourth principle is private property, which is a necessary condition for competition and freedom. However, the respect of private property alone is not conducive to a competitive order: in non-competitive orders, such as a monopolistic one, private property of the means of production can be used as an instrument of economic power. So, if private property is a necessary condition for a competitive order, a competitive order is a necessary condition to make sure that private property of the means of production is oriented to fair economic and social purposes.

Similarly, also the fifth principle, freedom of contract, must be oriented to competition. While contracts are necessary to a free and competitive economy, those aimed at limiting competition should be forbidden.

The sixth is the legal principle of liability (*Haftungsprinzip*): ‘who has the benefits should also pay for the damage’ (Eucken 1952, 279). The progressive erosion of the liability principle has favoured the destruction of the competitive order and the concentration of economic power. Restoring the *Haftungsprinzip* means to make sure that profits derive from actual performance and not from the concentration of economic resources. In order to avoid moral hazard, risk and responsibility must be bound together.

The seventh principle of *Ordnungspolitik* is the constancy of economic policy, necessary to improve predictability and foster investment.

The application of the constitutive principles may not necessarily result in full competition. Some markets could be natural monopolies, whereas competition alone could not prevent negative externalities, such as the destruction of the environment. For this reason, *Ordnungspolitik* allows the state to intervene on the market outcomes to make them conform to the criterion of full competition. In this case, the action of the state should be guided by the four regulatory principles: monopoly control, controls over anomalous supply trends (especially in labour market), income policy, reckoning of negative externalities. In the first three cases, the state could fix the prices or, respectively, the wages *as if* they were formed through a process of full competition, whereas in the fourth it would quantify the value of the externality and integrate it on the price.

Adjacent concepts

In the discussion of the core principles of the Freiburg School, we have already mentioned some ordoliberal adjacent concepts, such as constitutive principles of *Ordnungspolitik* and the rule of law. Among the constitutive principles, the two adjacent concepts that characterize Ordoliberalism the most are responsibility and sound money. The relevance in the ordoliberal discourse and the reception by the German public of these two principles are such that they could appear as core concepts. Nonetheless, their subordinate position with regard to the core makes them adjacent concepts, however important and characteristic they are in the ordoliberal morphology.

Before concluding the analysis of the Freiburg School, it is worth mentioning two other ordoliberal adjacent concepts. Towards the end of his posthumous book *Grundsätze der Wirtschaftspolitik*, Eucken mentions three ‘ordering powers’ that should contribute to the realization of the *Ordo*. The first of these powers is the state. Given its importance in the ordoliberal morphology, it is part of the core. The other two belong instead to the adjacency: they are the churches and science. Churches are important, as they teach necessary moral values for a free and humane order. Moreover, Eucken praises the subsidiarity principle of the Catholic social doctrine, claiming that liberal values are compatible also with Catholicism.

More interesting is here the role of science. Ordoliberals distrust politics, as it is keen to comply with economic power. It is up to science and to its clerks – the scientists – to discover the *Ordo* and to work out policies conducive to it.

4.1.2 Sociological liberalism: Wilhelm Röpke

Order

Just like the Freiburg School, Wilhelm Röpke’s sociological liberalism starts from a conception of interdependent orders: what happens in one sooner or later affects the others. Orders need compatible basic principles: a society cannot be authoritative in its economic order and maintain a liberal political order (Röpke 1948, 20, 1950, 87). The difference between Röpke’s and Freiburg Ordoliberalism lies in the scope of analysis (see Kolev 2009, 27). While Eucken and Böhm focused on the interdependence of the economic and legal order, Röpke broadened his view in order to catch the relation between them and the social and moral orders.

Also for Röpke, the question of the order of the economy was fundamental. He distinguished three main forms of economic orders. The first, self-sufficient economy, relates to a system without division of labour. The other two, market economy and collectivism, are characterized by division of labour. Self-sufficient and market economies have a pure and degenerate form: respectively, free peasantry and feudalism, and competition and monopoly. Collectivism exists only in one form, as it

is considered degenerate *per se* (Röpke 1948, 5–6). Röpke favoured a competitive economic order, based on free markets, a free and elastic price mechanism and oriented towards the consumer (p. 26). Only such an economic order is compatible with human nature, with freedom and with a humane social and legal order (Röpke 1960, 5).

The Freiburg School dealt with the links between the economic and the legal order, and Röpke agreed with their argumentation. However, he added, a liberal order needs something more than rules: the market order, in fact, is nested within a social and moral order (p. 91). A competitive market economy is only possible within a system of bourgeois values:

‘a individual effort and responsibility, absolute norms and values, independence based on ownership, prudence and daring, calculating and saving, responsibility for planning one's own life, proper coherence with the community, family feeling, a sense of tradition and the succession of generations combined with an open-minded view of the present and the future, proper tension between individual and community, firm moral discipline, respect for the value of money, the courage to grapple on one's own with life and its uncertainties, a sense of the natural order of things, and a firm scale of values’ (p. 98).

Especially the sense of responsibility is, according to Röpke, a basic value for a well-ordered society (Röpke 1948, 192, 1950, 164). The economic order also needs sociological conditions: small and structured communities and a certain autonomy for the individuals, so that they can provide for themselves and count on their neighbours’ solidarity. In this sense, the Swiss society represented Röpke’s model. Without these social and moral conditions, market economy cannot last for long (Röpke 1960, 94).

Because of the emphasis on the social and moral orders, Röpke’s account of the crisis of the liberal state differs from Eucken’s and Böhm’s. The crisis of the liberal state is not anymore a story of economic power spilling over from the economic to the political and eventually the social order. Rather, it starts from the social and spiritual order and flows to the economic.

It all started with the industrial and liberal revolutions. On the spiritual side, they affirmed the strength of human mind: free thought could be used to criticize the *ancien régime* and to create instruments to improve production. These positive facts, however, paved the way for rationalism, i.e. the overestimation of the power of reason (Röpke 1950, 37). Rationalism offered the basis for economic and social ideas that claimed that the production process could be controlled through an act of will of the state: for short, planned economy. Röpke called ‘cult of the Colossal’ this trust in the capabilities of the state and central administrations. Before turning into reality, central planning appeared in the order of ideas (p. 61).

The industrial revolution also had sociological consequences. Indeed, it increased production at unprecedented levels, considerably reducing the problem of scarcity. However, this transformation unleashed the violent force of market competition. Communities were swept away and individuals eradicated from their environment.

Two distinct processes took place at once. One is sociological: massification (*‘Vermassung’*). The individuals, previously integrated in structured communities, were pushed in slums and barracks and forced to work in colossal industrial plants. From individuals, they turned into an indistinct mass (Röpke 1948, 132, 1960, 55). The other process affected the moral order: proletarianization (*‘Proletarisierung’*) (Röpke 1950, 10). In their villages, individuals could rely on solidarity and had a certain degree of independence: peasants could cultivate their piece of land, artisans could craft products for use or exchange. The violent transformations caused by industrialization deprived them of those means that assured stability: their houses, their piece of land, the solidarity of their neighbours (Röpke 1948, 139). They first became dependent on their employer and eventually to the welfare state.

Therefore, massification and proletarianization represent the two causes of the social crisis. According to Röpke, the social question is not a problem of low wages and excessive working hours. Rather, it is a matter of living conditions: the lack of freedom and social bonds cause dependence and insecurity (Röpke 1950, 14). A comprehensive liberal policy should restore the framework for a free and well-ordered society.

Competition

Röpke shares with the Freiburg School the conviction that an economic order based on competition is the necessary condition for a free and humane order. Competition is not only a tool to secure the efficiency of the production process (p. 104). It also plays a political role. On the one hand, it contrasts the concentration of economic power, by dispersing property and by forcing the producers to abide to the desires of the community (p. 127). On the other, it secures autonomy in the economic sphere, which is the economic counterpart of democracy (p. 104). The realization of genuine competition represents one of the main objectives of a liberal economic policy (Röpke 1948, 27).

Röpke’s conception of competition differs from Eucken’s and Böhm’s with regard to its relation with the social order. As we have seen above, the Freiburg School basically equates competition policy and social policy: given that the social question is caused by lack of freedom and competition, its solution consists in restoring a competitive system. Röpke partially agrees: indeed, restoring a competitive framework is a necessary condition to solve the social crisis. However, this is not enough. In Röpke’s view, the economic order is nested in the social and moral orders which provide it with

the necessary resources for competition: moral values, such as self-discipline, justice and fairness, and social resources, such as independent individuals, family, church and communities. Not only competition is unable to produce these conditions, but it also consumes them (Röpke 1950, 52, 1960, 125). The economic cycle requires that some succeed, and that others fail. Those who fail are forced to adapt their economic plan but, in the meanwhile, their ability to take care for themselves is put under pressure. As long as they can rely on the solidarity of their family or community, or on their property, skills or piece of land, this is not a problem: they can resist throughout the hard times. But if, because of massification and proletarianization, large masses of individuals are deprived of their resilience, competition results in social crisis.

So, despite being a necessary condition for a free order, competition has also an innate tendency to its own disruption. While the Freiburg School claimed that this tendency was fostered by forces external to competition – i.e. by those who seek protection from it –, in Röpke's view this tendency is inherent to the very logic of competition. As a consequence, he claims that a competition policy, as advocated by the Freiburg School, should be paired with a social policy, enforced by a strong state, that secures a solid moral and social framework for the competitive order (Röpke 1950, 181).

Ordnungspolitik

Röpke's conception of order and competition results in a different idea of *Ordnungspolitik* than the Freiburg School. In both cases, the concept retains its fundamental components: the objective of establishing and securing the framework for a competitive order, and the principle of interdependence of orders. However, given Röpke's broader conception of order, his *Ordnungspolitik* results broader, as well.

Röpke identifies four pillars for *Ordnungspolitik*. The first is anti-monopoly: economic policy should establish a genuine competition – modelled after the concept of full competition – by breaking monopolies down, if possible. In case of a natural monopoly, the control should be taken over by the state. This first pillar is similar to Eucken's regulative principle of monopoly control.

The second pillar is *anti-laissez faire* and is, in turn, divided into two components. The first one is a framework policy, similar to the Freiburg conception of *Ordnungspolitik*. The state must establish the framework of rules that allow for a competitive economic order. Among the others, the state has also the task of establishing a monetary system. Just like Eucken, Röpke favours an automatic system: his model was the gold standard (p. 192).

Instead, the second component, liberal interventionism, is neatly different: in fact, it allows state social interventions. According to the Freiburg School, an economic process that takes place in full competition is automatically fair: limited interventions are allowed only where full competition lacks,

and only in order to restore the outcomes that would be achieved in a situation of full competition. In Röpke's vision, instead, the competitive process can result in socially undesirable outcomes that can threaten the competitive order itself. A liberal policy should therefore not shy away from intervening and avert these consequences.

The interventions fostered by Röpke are not to be arbitrary, though: they must conform to two criteria. First, they must be market conform ('*marktkonform*'): interventions must not hamper the functioning of the price system. For instance, rent subsidies are market conform interventions, whereas rent price fixing is not. Second, they must foster adaptation ('*Anpassung*') rather than conservation ('*Erhaltung*'). A competitive market process causes transformations that affect people's lives: workers may lose their job and enterprises may be obliged to change production or be forced out of the market. These are necessary events in a market economy, but they also are a source of social tensions. A liberal interventionism should smoothen these transformations. Interventions should be limited in time, and make sure that the individuals involved recover their independence as fast as possible. By contrast, welfare interventions that assist people 'from the cradle to the grave' are oriented towards conservation, as they do not provide individuals with the means to take care of themselves. Not only they distort the economic order, as tend to inflate state budget, but they perpetuate the causes of the social crisis: they increase the dependence of the masses to the state and contribute to the disappearance of the sense of responsibility.

The two first pillars involved specifically economic policies. The other two, instead, have a 'sociological' approach and are very similar to each other. They are a 'structural policy' (*Strukturpolitik*) and a social policy (*Gesellschaftspolitik*). They include policies aimed at de-proletarianization, de-massification the de-centralization of property: 'the distribution of income and property, the size of the businesses, the distribution of population between town and country and between industry and agriculture' (Röpke 1948, 30). These policies aim to decentralize and spread properties to restore its moral value (p. 156-8), and to turn as many individuals as possible into countrymen, craftsmen and small-holders (p. 31-3).

Röpke wants to replace the massified and proletarianized society with a social model drawn from Switzerland: small communities and small to medium firms. Such a society represents, in Röpke's vision, the ideal context for a humane and decent life (p. 30).

Freedom and Power

Röpke's conception of freedom is essentially the same as the Freiburg School. He interprets it as negative freedom, claims that freedom must be constrained not to turn into its opposite (Röpke 1950, 49), and that it is not just an economic pre-requisite for a liberal society, but has a social and

moral value *per se* (Röpke 1948, 13). Unlike the Freiburg School, which focused on freedom in its economic dimension, Röpke stressed the importance of sociological conditions, such as a structured society, family, and property.

With regard to the opposite of freedom, power, Röpke's conception is again similar to the Freiburg School: its concentration is dangerous that must be prevented through a liberal policy. However, he stressed more strongly than Eucken and Böhm the danger represented by state power: according to him, it represented the most tangible threat to freedom (Röpke 1960, 33).

State

Röpke's conception of the state is similar to the Freiburg School. He too invokes a strong state as guardian of the competitive order (Röpke 1950, 93). When the state is overburdened with tasks, as is the case of the welfare state, this distorts not only the economic order, but also the social one: it disrupts the sense of responsibility and the balance between individuals and community, making them dependent on public assistance (Röpke 1948, 92). The consequences are bureaucratization and centralization.

Röpke identifies three principles of a liberal state: legitimacy, democracy and subsidiarity. They are all necessary, as the lack of one causes instability and coercion. Political power must necessarily be legitimate: an illegitimate power undermines the social order and is doomed to collapse. Legitimacy alone, however, is not sufficient, as political power can be legitimate and yet oppressive. This is why power has also to be democratic, instead of authoritative. But again, democracy is not enough: the Jacobin power was indeed democratic, but its centralizing tendency turned it into a dictatorship (Röpke 1960, 66). Therefore, the state must also be based on the principle of subsidiarity: it secures the decentralization of power and avoids its transformation into oppression. But subsidiarity alone is not enough, either: the feudal order was legitimate and decentralized, but lacked of the democratic character (Röpke 1948, 86–90).

What distinguishes Röpke's work from the other ordoliberalists is the emphasis on the international order, an issue on which he, unlike his Freiburg colleagues, extensively elaborated. His view can be summarised as 'liberalism from below' (see Sally 1997) and holds the nation state as unit of analysis. The realization of the international *Ordo* follows a bottom-up logic: nations must respect the principles of a liberal order at home as a necessary condition for an international liberal order (Röpke 1950, 235, 1959, 10). Conversely, efforts to establish such an order from above are doomed to fail.

A liberal international order is based on two prerequisites. First, the confidence in a moral, legal and institutional standard: inviolability of the rule of law, and a code of standards, principles and values that allow for a fair trade (Röpke 1959, 72). Second, an international monetary system, in turn based on liberal monetary orders at the national level, on flexibility of prices and costs and, again, on liberal values (p. 16, 76-7).

Röpke's model for the international order was represented by the European system of the 19th century. It had five economic features: interdependence and interconnection of the markets; multilateralism; an international monetary system, based on the gold standard; no prohibitive customs duties; free circulation of capitals, goods and people. The fact that the European states respected this conditions allowed the international system to work without needing a world state. The system was also possible thanks to a common liberal spirit that secured the respect of international rules and the de-politicization of trade. When the liberal spirit succumbed to the politicization of economy and to centralization, the international order collapsed, as well (p. 74, 156-8).

This conception of an international order explains his criticism towards the European integration process, modelled after Jean Monnet's neo-functional design (p. 229). Röpke qualified the integration process as an attempt of integration from above and considered it doomed to instability. Moreover, he believed that this type of integration had centralizing effects. A liberal integration process would take away parts of sovereignty from the state and dissipate it in a competitive order: monetary policy discretion would be given up in favour of an automatic mechanism, whereas industrial planning would be replaced by competition. By contrast, European integration took away sovereignty from the states only to transfer it to a superior central authority: this was the case of the European Coal and Steel Community (ECSC), that transferred to a supranational body the competence over industrial planning (p. 108).

This centralizing tendency had a further downside: while a liberal integration process is open for new members, the principle of supra-nationalization of planning power would prevent new states from joining in (p. 262). Finally, Röpke criticized the neo-functional concept of 'spill-over', according to which the integration of economic sectors would eventually result in a political integration. Political entities, says Röpke, were never born for economic reasons. On the contrary, economic integration is a consequence of political decisions: Switzerland did not owe its origins to a union of cheese producers, but to the will of citizens and peasants to protect their freedom and rights from their feudal and authoritarian neighbours (Röpke 1966, 46). In Röpke's view, European integration should be an open, federalist process from below, and should restore the international order previous to the two world wars (Röpke 1950, 242). Correspondingly, he supported a

harmonization from below, steered by international competition, while regarded with suspicion the harmonization from above fostered by neo-functionalism.

4.1.3 Social Market Economy: Alfred Müller-Armack

Social Market Economy (*Soziale Marktwirtschaft*) is the economic policy that has characterised the first decades of the German Federal Republic. This concept is bound to the names of Ludwig Erhard and Alfred Müller-Armack and owes much to Ordoliberalism – especially to Röpke’s and Rüstow’s sociological liberalism (Müller-Armack 1962, 297). However, Ordoliberalism and Social Market Economy did not completely overlap. Müller-Armack’s version, that is analysed below, presents some differences, especially in the conception of competition and of the role of economic policy.

The concept of Social Market Economy is closely linked to the ordoliberal tradition, but fails to be a core or an adjacent concept. It is an extremely vague term that indicates a number of economic policies, ranging from Müller-Armack’s conception up to conceptions more consistent with the other currents of Ordoliberalism. In all these cases, however, Social Market Economy never represents a value *per se*, but is always intended as the concrete implementation of other, more central principles. Moreover, the formula ‘Social Market Economy’ has been so successful that is now employed in different circumstances, often with little or no reference to its original meaning.

For these reasons, the Social Market Economy can be considered a perimeter concept of Ordoliberalism. Despite its peripheral position, though, *Soziale Marktwirtschaft* remains an important concept, as in contemporary German politics the reference to the ordoliberal tradition often takes the form of a reference to the Social Market Economy.

Order and power

Müller-Armack’s conception of order draws from the other ordoliberals. Society consists of interdependent economic, political, social and moral orders. A well-ordered society requires an overall, constitutional decision on the kind of order that must be established: if the objective is a free society, all policies, especially economic, must be compatible with freedom (Müller-Armack 1946, 81–82, 1952, 462).

Again, a competitive economic order is deemed the only compatible with a free society (Müller-Armack 1946, 89, 109). By contrast, planned economies serve particular interests (p. 29) and lead to authoritarianism. In this sense, it is worth noting that Müller-Armack, just like Röpke and differently from Eucken, is much more worried by state power than by private power.

Finally, Müller-Armack agrees with the other ordoliberalists that a competitive order is not self-sustaining, but needs a strong state to establish a suitable framework (Müller-Armack 1956, 244).

Competition and freedom

Müller-Armack's conception of competition partly overlaps with that of the other ordoliberalists. He deems competition as a necessary instrument of social organization. In order to serve the common good, it must be full (*vollständige Wettbewerb*) and performance-oriented (*Leistungswettbewerb*) (Müller-Armack 1946, 91, 1952, 463). Like Röpke, he also claims that competition requires moral and social conditions which is not able to regenerate by itself. Moreover, it tends to consume social bonds and to isolate individuals (p. 460).

However, his conception of competition differs with regard to its relation with the social order. As we have seen above, according to Freiburg ordoliberalists, the social question was primarily a question of freedom and, therefore, of competition: thus, the best social policy was an *Ordnungspolitik* aimed at establishing and preserving competition. In turn, for Röpke, competition was part of a broader social order and frictions could arise between the two. Nonetheless, competition was still a fundamental part of the social order, and state interventions aimed at mitigating the consequences, not correcting the outcome. In both cases, the outcome of the competitive process has a value *per se*, as it represents the realization of freedom.

In Müller-Armack's case, this is different. Competition is not part of the social order: they follow a divergent logic and must be reconciled through social and economic policy. Müller-Armack only recognizes to competition an instrumental value to limit power and to efficiently direct production. However, in his view, neither the starting conditions nor the outcomes of the competitive process are necessarily compatible with social standards. Therefore, politics is allowed to correct market outcomes and re-orient them to achieve social goals (Müller-Armack 1946, 106, 1952, 459–62, 1962, 302).

Ordnungspolitik, Social Market Economy and state

Social Market Economy is the 'irenic formula' (*'irenische Formel'*) to conjugate the divergent objectives of freedom and social security (Müller-Armack 1952, 461, 1962, 314). Müller-Armack's Social Market Economy significantly differs from the Freiburg and Röpke's conception of *Ordnungspolitik*. We have seen that, according to the Freiburg School, *Ordnungspolitik* and social policy essentially overlapped. In Röpke's case, instead, there is a friction between competition and the social order. A competitive order requires some sociological conditions to exist; so, together with an anti-monopoly and a framework policy similar to the Freiburg School, Röpke prescribes also a

series of liberal interventions and social policies that smoothen the tension between competition and the social order. However, all these measure primarily aim to preserve the competitive economic order: social policies serve the competitive order. In Müller-Armack's *Soziale Marktwirtschaft*, the opposite is true: the increased economic wealth obtained through a competitive market economy is used to pursue social objectives.

The degree of freedom and constrain in a society depends on the economic order (Müller-Armack 1951, 204). In a market economy, the degree of freedom of the individuals is determined through the competitive process in an impartial and automatic way (p. 290). Therefore, establishing a competitive economic order means securing freedom. In this sense, *Ordnungspolitik* in the Freiburg sense represents a fundamental component of SME: the economic policy must establish the framework for a competitive order and remove the obstacles to competition through rules and interventions (Müller-Armack 1946, 119).

The social pillar of SME derives from the need to consider individuals not only as producers and consumers, but as people. SME owes much to Röpke's conception of *Ordnungspolitik*: they share the same aim – de-proletarianization and the harmonization between the economic and social orders – and guiding principles – social and economic policies must be *marktkonform* (Müller-Armack 1946, 19, 132, 1952, 463, 1959, 254) and foster adaptation to the market (*Anpassungsintervention*) (Müller-Armack 1962, 304). Some policies prescribed by SME are compatible with Röpke's *Ordnungspolitik*: for instance, a stability-oriented monetary policy to secure the functioning of the price mechanism and to safeguard savings and property (Müller-Armack 1960, 278), or regulations to improve safety and healthiness in workplaces (p. 280).

However, Müller-Armack's conception of competition leaves the door open for several types of interventions that are incompatible with the other currents of Ordoliberalism. Since the competition process has only an instrumental value, it is possible to alter its outcomes to serve social objectives, as long as the interventions are compatible with the criteria of market conformity and adaptation. So, while SME forbids a centralist welfare state, it allows redistributive interventions (Müller-Armack 1946, 106, 1956, 246) by the state in the form of benefits, subsidies and grants or through taxation. Moreover, it fosters counter-cyclical macroeconomic policy to defend the level of employment (Müller-Armack 1960, 279) and the industrial sectors threatened by competition (Müller-Armack 1962, 305). These policies represent heavy interventions in the economy that are at odds with the *Ordnungspolitik* of the other currents of Ordoliberalism.

The succeeding generations of ordoliberals have harshly criticized Müller-Armack's conception of Social Market Economy. Viktor Vanberg (2002) claims that the problem of Müller-

Armack's Social Market Economy lies in the concept of competition. According to Freiburg ordoliberals, competition is the other side of freedom and the realization of a privilege-free society: altering the outcomes of the competitive process contrasts the constitutional decision of a free order. By contrast, Müller-Armack's conception allows interventions in the competitive process: in fact, it only has an instrumental value and can be altered to achieve social objectives. This, however, sets the stage for sectorial interventions such as counter-cyclical policies – exactly the *punktuellen* interventions that, according to Eucken and Böhm, cause the re-feudalization and the slippery slope towards centralization. This morphological analysis confirms Vanberg's proposition: Müller-Armack's conception of competition as a mere tool allows him to expand his conception of economic policy to comprehend such interventionist measures. According to Vanberg, instead, the principle of market conformity in the ordoliberal sense should not be interpreted as conformity to the adjacent concept of a functioning price mechanism (as Müller-Armack did), but to the principle of a privilege-free order; this would ensure that social measures benefit the whole community and not just specific sectors. In a similar spirit, Lange-von Kulesa and Renner (1998) speak of *Ordnungskonformität*.

According to Goldschmidt and Wohlgemuth (2008c, 270–71), the *Soziale Marktwirtschaft* fails to be an irenic synthesis between market and the social order, as it does not integrate these two aspects on a constitutional level, but represents 'a dualistic conception which first separates and then mediates between conflicting objectives of freedom and social justice. As a result, the areas of economic and social policies tend to be viewed as separate fields and become antagonistic'.

Lange-von Kulesa and Renner (1998) point to a further difference between the ordoliberal and Müller-Armack's conception: the state. While, in the 'classic' ordoliberal view, the state lacks the knowledge to steer the economic process and must limit itself to establishing and maintaining a competitive order, in Müller-Armack's approach the state can successfully implement counter-cyclical policies to support the economic process. This results in a much more activist state than the ordoliberal strong one.

4.2 Second generation: Erich Hoppmann

Erich Hoppmann introduces elements of Friedrich von Hayek's social philosophy into the ordoliberal paradigm, bringing him to revise the core concepts of Ordoliberalism. As we will see below, the Hayekian conception of limited knowledge will be especially important in Hoppmann's *Ordnungsökonomik*. According to Hayek, knowledge is dispersed throughout society, and people carry only small bits of information. They cooperate with each other in the market through a discovery and creative process. It is a discovery process, because they learn how to reach their objectives by interacting with each other. But it is also creative, because the outcomes are created through the

process and cannot be predicted *ex ante*. Therefore, individuals are characterized by a constitutional ignorance: not only they have a limited knowledge, but it is also impossible for them to predict the outcome of the process.

Order

Like all ordoliberal, Hoppmann shares the conception of an economic order interdependent with the other societal orders. He focused on the relation between the economic, moral and legal orders. Hoppmann distinguishes two types of morals. A solidaristic one, which has developed throughout the millennia and urges people to help their neighbours; and one, more recent, based on impersonal market relations. The first derives from the nature of human beings as part of small communities, such as the family or the village. The second one applies to large societies, where individuals are not linked through personal bonds. It relies on values such as fairness, respect of private property and of contract, responsibility, liability, and commitment (Hoppmann 1990, 15–19, 1993, 17–20). While the former characterizes small groups, the latter moral order serves as basis for a competitive market economy and for the liberal state: while solidarity is the moral foundation of small communities, tolerance is the moral foundation of an open society (Hoppmann 1990, 21).

Therefore, Hoppmann rejects the criticism that market has no morals: it only relies on different morals than the solidaristic one which characterizes families and small communities. Not only the two moral orders are not antithetic, as one does not exclude the other, but they are also interdependent: individuals that want to take care for their families and neighbours, following the first morals, will find the means to do so in a market which is ordered after the second (p. 9-10).

Redeeming the man from egoism and sin is not task of the market: the market must only provide individuals with means to carry on their business. If they undertake immoral actions in the market, it is a matter of individual, not market morals: after all, egoism exists beyond the market (Hoppmann 1993, 20). Moreover, since trades on a competitive market are always advantageous for both sides, market has the merit of channelling egoistic impulses towards the common good (Hoppmann 1990, 8).

Obviously, the moral order alone is not sufficient to secure a competitive economy: also a legal order is necessary. Hoppmann claims that rules must be abstract, clear and general. Above all, they must have negative character: they should not prescribe any specific behaviour, but specify what kind of actions are forbidden (Hoppmann 1973, 10, 1990, 25). Negative rules, together with the price system, fulfil the informational and communicative function necessary for a spontaneous market order (Hoppmann 1993, 9, 12). Rules and prices are the signals that individuals endowed with limited knowledge use to orient themselves

A last issue regarding the concept of order is the relation between the concept of *Ordo* – which, according to Eucken, must be established from a ‘fundamental decision’ – with Hayek’s conception of cultural evolution. How is it possible to consciously establish an *Ordo* if, because of the constitutional ignorance, the outcome of the evolution process is unpredictable? Hoppmann gives a Lamarckian answer: men can only try to establish the rules a competitive order; it is up to their successors to assess the effectiveness of these rules, to preserve the good ones and to change the others. In this way, the competitive order is both a product of human action and of cultural selection (Hoppmann 1995, 51).

Competition

Hoppmann’s conception of competition is modelled after Hayek’s. He interprets competition as a discovery process (Hoppmann 1993, 10): individuals have but a fragmented knowledge and, in order to take care of themselves, they must learn where to find what they need and how to get it. To do so, they can count on two effective signal systems: negative rules, that instruct them on what kind of behaviours are forbidden, and the price mechanism, that tells them what is needed, to what amount and where. Hayek defines the competitive economic order a game of catallaxy. It differs from a natural order, because it results from human actions; but it is neither an artificial order, as it is not based on a conscious design. Rather, it is a spontaneous order which arises from the individual actions and wills of those who engage in the competitive process, but does not depend on anybody’s action or will in particular.

Given its spontaneous and creative nature of competition, it is impossible to predict the outcomes of a fully competitive market: the outcome is created in the competitive process and cannot be inferred *ex-ante*, since nobody has enough information to do so. It is only possible to define the condition for a fair competition, namely freedom, intended as the absence of state coercion and illegitimate restraints posed by economic power (Hoppmann 1973, 12, 16).

This conception of competition leads to the rejection of the early ordoliberal concept of *vollständige Konkurrenz*. As we have seen above, the concept of full competition represented the criterion of *Ordnungspolitik*: the state should establish a framework that establishes full competition and, when this is not possible, should intervene in the market to make sure that the price mechanism would work *as if* there was full competition. From Hoppmann’s Hayekian perspective, however, this is just impossible: since the outcome of the market process is spontaneous, the efforts to determine *a priori* how it would look like in condition of full competition is but a ‘pretence of knowledge’ and should be dismissed as an arbitrary act. In his view, competition is still the fundamental principle of the market order and, therefore, of *Ordnungspolitik* (Hoppmann 1967, 1973, 9, 1993, 2). However, it

should be interpreted in a negative sense, as absence of state coercion and private economic power. In turn, the *decontestation* of competition as *vollständige Konkurrenz* should be rejected. The dismissal of this interpretation of competition, claims Hoppmann, does not prejudice the structure of Eucken's reasoning: it is a side-effect of Eucken's neoclassical approach, and can be dismissed without harm (Hoppmann 1995, 52).

State

Generally speaking, Hoppmann claims that the most serious threats to competition and freedom derive from state power, which should be limited. Often, state interventions on the economic order are justified through solidarity; however, this kind of measures are illegitimate, because they serve particular interests and create privileges. Rather, state action should be based on tolerance, not on solidarity: this means that the use of state authority should be limited to the establishment and maintenance of the competitive order (Hoppmann 1990, 21–22).

Hoppmann assigns two tasks to the state: first, to take care of compliance, modification and development of rules; second, to provide for goods that the market fails to deliver. This does not contradict what said above: in fact, where the state has the monopoly of authority, it should have no discretion, and where it has discretion, it should not have the monopoly. The state has a monopoly in establishing and maintaining the framework of economic order, but should have no discretion, since it should follow the principles of *Ordnungspolitik*. In turn, the state has discretion over what kind and what amount of goods to provide, but should have no monopoly, as it should not exclude private actors from production of those goods (Hoppmann 1993, 22–23).

The transformation of the rules should follow the principles of cultural evolution and of constitutional ignorance. So, governments should proceed gradually and focus on one rule at a time, so that it is possible for them to single out the consequences of the change and evaluate its effects (p. 31).

Hoppmann shares Hayek's vision of the state. In his view, parliaments have too much power and serve particular interests by approving discretionary laws. To overcome this situation, he puts forward two proposals. First, a constitutional clause that compels that laws must have an abstract, general and negative content: this would prevent illegitimate state interventionism in the economic process (p. 25). Second, the separation of the parliament into a legislative and an executive chamber. The former would legislate according to the principle of abstractness, generality and negative character of the law, whereas the latter would appoint the government (p. 24).

Despite his mistrust of parliamentary institutions, Hoppmann still believed in the necessity of democracy. Because of the constitutional ignorance, there exist no expert or group of sages that knows

in advance what measures will be conducive to the *Ordo*. Democracy is the political counterpart to competition: a way to coordinate fragmented pieces of knowledge. It constitutes, therefore, an instrument for the evolution of the *Ordo* through cultural selection (p. 32-3).

Freedom

Freedom is a fundamental concept of Hoppmann's Ordoliberalism. It represents the logical necessary condition for the existence of morality. In order for a moral action to exist, the individual must be free to choose at least among two different lines of action; if he is forced from above to adopt one, no moral choice is possible. Therefore, there can be no morals without freedom (Hoppmann 1990, 4, 1993, 17).

Moreover, freedom and the market are in an interdependent relation (Hoppmann 1993, 12). On the one hand, there can be no freedom without market, as the market constitutes the stage where individuals of an open society can interact with each other. On the other, there cannot be market without freedom, because the market, intended as a spontaneous order, requires that individuals freely employ their pieces of knowledge and capabilities.

This second aspect is especially relevant in Hoppmann's conception. As we have seen above, it is impossible to positively measure the efficiency of a competitive process: because of the constitutional ignorance, we do not know how actors in a market should behave. Therefore, freedom becomes the criterion to measure the efficiency of the market order (p. 13, 16-7). Freedom, intended as lack of state coercion and private illegitimate restraints, allows individuals to employ their partial knowledge to orient the production process in the most advantageous way. Only individuals know what they need and how to get it; any intervention of a superior entity, such as the state, would in turn be harmful, as it would lack sufficient information to guide a complex production process (Hoppmann 1990, 5, 1993, 16). Therefore, freedom and economic efficiency are two sides of the same coin (Hoppmann 1973, 18).

Ordnungspolitik and power

Hoppmann's conception of *Ordnungspolitik* is much more similar to the Freiburg School than to the other currents of Ordoliberalism: *Ordnungspolitik* consists primarily in setting a regulative framework for economic competition, while other kind of social interventions are ruled out. However, his Hayekian approach led Hoppmann to revise Eucken's conceptions. In particular, some constitutive principles are reinterpreted, whereas the regulative principles are rejected *en bloc*.

All the constitutive principles are maintained by Hoppmann as foundations for the *Ordnungspolitik*; two of them, however, are corrected in the light of Hayek's theories. The first is the

primacy of monetary policy. The problem with this principle was that, according to Eucken, monetary stability would be achieved through a state monopoly on the issuing of money. Instead, Hoppmann adhered to Hayek's proposal of a de-nationalized monetary system. Private institutions should be allowed to create currencies; it would be up to the free competition to select the most stable currencies, thus making sure that the good money drives out the bad (Hoppmann 1995, 44).

The second revised principle is open markets, which should be secured, according to Eucken, against market restrictions posed by the state and by monopolies. According to Hoppmann, open markets should be secured primarily against state restrictions: usually, monopolies rise as a consequence of state interventions. If such interventions are forbidden and a proper framework is established, the monopoly problem would be solved to a large extent. In turn, the natural monopolies that would spontaneously rise do not represent a threat to open markets, as they have an innovative origin, do not cause restriction of production and tend to become obsolete. Above all, to secure open markets, the state can only rely on prohibitions, while it cannot impose 'as-if' prices to restore a 'natural' price, because of the constitutional ignorance (p. 44-5).

The rejection of the concept of *vollständige Konkurrenz* and of all kind of 'as if' policies implies also the rejection of the four regulative principles of *Ordnungspolitik*, which urge the state to intervene on the outcomes of the market process to make them coherent with full competition. Since the concept of *vollständige Konkurrenz* cannot serve as criterion anymore, the principles of monopoly control, control over anomalous supply trends and income policy are inapplicable. Regarding the principle of reckoning of negative externalities, it is put in the wrong way: the negative externalities should be forbidden *ex ante* through appropriate rules, not dealt with *ex post* (p. 47-8).

A correct conception of *Ordnungspolitik* is the best way to prevent the emergence of private power. Concentration of economic power is often caused either by direct state interventions or by flaws of the regulative framework. Moreover, because of the constitutional ignorance, it is impossible to distinguish what constitutes economic power and what does not. Therefore, the best way to contrast private power concentrations is to prevent its formation in the first place by banning state interventions and establishing rules that forbid behaviours conducive to power concentration.

A comparison between Böhm's and Hoppmann different views on the issue of company mergers will better illustrate the point. In Böhm's view, company mergers can be a legitimate business strategy. Often, however, they are undertaken for reasons of economic power: to control the markets and to alter competition. When this happens, according to the regulative principles of *Ordnungspolitik*, the state should be allowed to break the new company up and restore competition (Böhm 1949, 36). From Hoppmann's point of view, instead, this solution is not viable. Also because

of the constitutional ignorance, we do not have any terms of comparison to distinguish between legitimate and illegitimate company mergers: in what case would it constitute a concentration of power, and in what it would not? Given this impossibility, he proposes the most radical measure: company mergers should be forbidden as a general rule (Hoppmann 1973). This solution respects the criteria of abstractness, generality and negativity of the rules, and prevents the concentration of economic power.

4.3 Third generation: Viktor Vanberg

Through time, Ordoliberalism has been accused of been more ideological than scientific. The texts of its founding fathers had acquired an almost sacral status and ordoliberals failed to update their doctrine in the light of new approaches. As a result, the ordoliberal research programme was marginalized in the German economic scholarship (see Feld and Köhler 2011).

Viktor Vanberg tried to revitalize the ordoliberal tradition by integrating it with new international economic approaches. Ordoliberalism was a precursor of other approaches that, independently from it, developed similar theories, such as the New Institutional Economics and, especially, James Buchanan's Constitutional Economics. These approaches provide the instruments to carry on in a scientific, non-ideological way the same themes of the original Ordoliberalism. Vanberg's works gave a new stimulus to a group of ordoliberal scholars, mostly gathered around the *Walter-Eucken-Institut*, to develop the ordoliberal tradition in the light of these new approaches.

Order and freedom

Vanberg focused on the interdependence of the economic and political order. Following the constitutional economics approach, he divided both orders into a constitutional level – i.e. the level of the rules – and a sub-constitutional level – the level of the actions (Vanberg 2009, 108–9). To better explain this distinction, he uses the metaphor of a game. The rules of the game represent the constitutional level, whereas the strategies and actions of the players are the sub-constitutional level. The purpose of Vanberg's approach is to explore how different rules affect the strategy and the actions of the player and to understand what kind of rules are conducive to a free and humane order (Vanberg 2000a, 24).

In the economic order, the sub-constitutional level is constituted by the market. The *Privatautonomie* – i.e. the freedom of the individual in its private capacity – theorized by Böhm takes place there (Vanberg 2009, 113). The market is a spontaneous, creative and open-ended order in the Hayekian sense, and within it actors should be granted the highest level of freedom. As important as *Privatautonomie* is, though, it depends on a more important freedom. The freedom of choice within

the rules depends in fact on the freedom of choosing – or, better, of contributing to the choice of – the constitutional rules that determine the sub-constitutional level. If the freedom to choose within the rules is the *Privatautonomie*, Vanberg calls the freedom of choosing between rules ‘*Individualautonomie*’; it represents the foundation of freedom (Vanberg 2003, 107, 2005b, 167).

The rules of the economic order are chosen in the political order. Its constitutional level is constituted by the rules that norm the decision-making process, whereas the sub-constitutional level is constituted by the concrete process that brings to the adoption of laws.

In early Ordoliberalism, the character of the *Ordo* was transcendental: it existed beyond human’s will and had to be discovered through the alacritous work of independent scientists – the result of which was represented by Eucken’s ‘Decalogue’ of constitutive principles of the *Ordnungspolitik*. This conception of the scientific research exposed the flank to every kind of – justified – criticism and represented one of the weakest spots of the whole ordoliberal theory. To overcome this evident flaw, Vanberg proposes to adopt two objective concepts as foundation for policy making and as measure for its efficiency: consumer sovereignty and citizen sovereignty (Vanberg 2000a, 37–40). This does not entail that Vanberg rejects Eucken’s constitutive principles as Hoppmann did with his regulative principles. Rather, it means that they cannot be used anymore to legitimize policy prescriptions: in Vanberg’s approach, prescriptions are legitimate if they increase consumer or citizen sovereignty, not if they conform to Eucken’s principles.

Consumer sovereignty means that the economic order should be organized so that the producers are made responsive to consumer interest. This principle corresponds to the ordoliberal concept of *Leistungswettbewerb*: both concepts imply that competition should be oriented to satisfy the wants of the consumers, not those of the producers. Consumer interest can be used as a criterion for consensual policy making because individuals, as consumers, have common interests, whereas, as producers, their interests are conflictual. This conflict of interests can be explained by referring to the distinction between constitutional and sub-constitutional level. At the constitutional level, both consumers and producers have an interest in a competitive order: it allows to choose among different goods and to get them at the lowest price possible. At the sub-constitutional level, however, producers have an interest to be exempted from the detrimental effects of competition: nobody wants to lose his job or his profit because of other competitors. As a result, only consumer interest constitutes a criterion for consensual policies (Vanberg 2000b, 89).

Similarly, citizen sovereignty means that the political process should be modelled so that the producers of policies – i.e. politicians – are made responsive to the common good of the citizens – but not to their particular interest. In order to serve the interest of the citizens, the political process must allow the governments to undertake projects that serve all citizens (enabling constitution) and

limit their power to prevent that they harm the interest of some or all citizens (limiting constitution). There is a trade-off between these two principles: the more a government is able to carry out programmes, the higher is the possibility that the interests of some citizens are hurt; conversely, the more citizens are safeguarded against measures that harm them, the more difficult is for the government to carry out any programme at all (p. 89-90).

To escape this problem, citizens agree on decision-making rules such as majority voting. However, the majority rule is not a guarantee for the constitutional interest: decisions taken by majority could benefit some at the expenses of others, as is the case with protectionism. Therefore, additional constraints, such as those posed by competition among governments, may serve to make the political process more consistent with the constitutional interest of all citizens (Vanberg 2010, 4).

Competition and Ordnungspolitik

Vanberg's conception of competition as organizing principle not only of the economic, but also of the political order represents a major contribution to Ordoliberalism (Vanberg 1993, 3–4). Vanberg conceives a constrained and safeguarded competition that represents the solution to three problems highlighted by three eminent liberal authors: Adam Smith's incentive problem, Franz Böhm power problem and Friedrich Hayek's knowledge problem (Vanberg 1993, 5, 2005a, 48). In the economic order, competition encourages producers to orient themselves towards consumer's wants, limits and disperse their economic power, and constitutes a discovery procedure in the Hayekian sense (Vanberg 1993, 5–6). Constrained competition means that not all kinds of competition should be allowed, but only those that correspond to the ordoliberal principle of *Leistungswettbewerb* (p. 8). Safeguarded competition, in turn, means that the economic order should be protected against anti-competitive interests. Freiburg ordoliberals were well aware of this problem, which they called *Refeudalisierung*; however, they focused much more on the threats posed by private power rather than on those coming from the political order (p. 9).

Using the concepts of constitutional economics and game theory, Vanberg elaborated on the relation between political process and rent-seeking. As we have seen, while on the constitutional level there is a common interest in a competitive economic order, on the sub-constitutional level everyone has an interest in protectionist measures that defend them against competition. Just as Böhm claimed, these interventions are discriminatory, as they benefit those who are protected and damage those who are not. Despite their discriminatory nature, politicians will be well disposed to dispense these measures, if they can help them to be re-elected. So, rent-seeking constitutes a prisoner's dilemma: although a competitive order would be the best outcome for everyone, as long as the political process makes it possible to adopt protectionist measures, pressure groups will ask for and obtain privileges.

There are two ways to prevent governments from embracing discriminatory policies: constitutional restrictions and competition among governments (p. 10-2). Constitutional restrictions are the solution proposed by early ordoliberalists: with the concept of *Wirtschaftsverfassung*, they urged liberal states to introduce the protection of the competitive principle at the constitutional level. Unfortunately, this strategy has proved only partially effective: it relied on the conception of a *strong* state, but did not specify how concretely the state should become strong and resist the pressure of economic interests. In this sense, competition among governments poses an external and much more effective constraint to the state (Vanberg 2000b, 96).

Also the political order is organized by competition. In a sense, there is a competition *for* the government, that is the process through which parties and candidates compete to be elected. Much more relevant, however, is the competition *among* governments (or among jurisdictions). Two types of competition among governments can be distinguished. An indirect one, whereby the characteristics and regulative framework of a state affect the competitiveness of its domestic producers (Vanberg 2000b, 92, 2010, 3); and a direct one, whereby governments adapt their regulative framework, their taxation system and their services to attract resources – such as taxpayers or capital – to their jurisdiction (Vanberg 1993, 13). Vanberg interprets competition among governments in this latter sense.

Jurisdictional competition solves the same three problems of economic competition. It forces governments to become more sensitive to the preferences of their citizens – and the more effective is competition, the more responsive are the governments; it limits the power of the government; and it allows the parallel test of different policies, providing decision-makers with standards of comparison to evaluate the best policy solution (Vanberg 2000b, 91).

Just as economic competition, also competition among governments must be constrained. It requires a federal *Ordnungspolitik* to define the rules of a fair competition. These rules should prescribe, for instance, the elimination of barriers to the movement of capital and people, the ban on state subsidies, and deal with externalities to make sure that costs and benefits of governmental choices fall on the citizens of the respective jurisdictions. The federal *Ordnungspolitik* should especially safeguard the *Äquivalenzprinzip* ('principle of constitutional equivalence'): those who decide the rules should be, as far as possible, those upon which their consequences fall, be they negative or positive (Vanberg 2004, 123). This means, for instance, the prohibition of transfer programmes between jurisdictions, as they contradict the very principle of governmental competition (Vanberg 1993, 19).

The safeguard against anti-competitive interests on the political order depends on the freedom of movement of taxpayers and capital: if they deem the provision of service by a state not adequate to taxation, they can vote with their feet and leave the jurisdiction. This limits the power of the state and encourages governments to be more responsive to their needs. So, the easier it is for taxpayers and capital to move among jurisdictions, the more governments are responsive to their citizens' constitutional interests – and, consequently, citizen sovereignty increases (Vanberg 1993, 15, 20, 2010, 3).

Competition among jurisdictions is a step forward in the conception of the evolution of the *Ordo*, which has always been an issue for Ordoliberalism. Early ordoliberals claimed that it was up to science to explore the characteristics of the *Ordo* and to work out rules conducive to it. The second generation of ordoliberals adopted the Hayekian cultural evolutionary perspective: rules are chosen by individuals and selected through time. Competition among governments adds another element: different rules and policies can be tested at the same time, and this allows to better evaluate their effectiveness. This does not necessarily imply a multiplication of policies; to the contrary, competition among governments can result in a harmonization of rules.

This harmonization is radically different from the one from above feared by Röpke: it is, in fact, an *ex-post* harmonization that does not derive from a central administration, but from a free choice – constrained by competition – of democratic polities (Vanberg 1993, 18). However, *contra* Röpke, competition among governments is a constraint that comes from outside the state. In Röpke's view, the international *Ordo* can only arise if all the nations respect the competitive order within their borders: a competitive order within the state is, thus, the necessary condition for a competitive order at the international level. In Vanberg's conception, it is international competition among governments that contributes to the enforcement of the competitive order at the national level. Like Röpke, Vanberg has a preference for a federal order for Europe. His federalism is not centralist: it does not entail the transfer of national sovereignty to a central authority that replicates the functions of the state to a larger scale. Rather, his federalism is competitive: the parts of sovereignty given up by national states are not transferred, but dissipated through competition among governments (p. 21). A federal *Ordnungspolitik* as described above would regulate this competition and should be complemented by the right of the Member States to exit from the federation – which would be the political counterpart of the economic right of capital and taxpayers to exit from a jurisdiction (p. 15). In this sense, Vanberg's competitive federalism represents an innovative contribution to the ordoliberal paradigm.

State and power

The transformations caused by globalization play a crucial role in Vanberg's conception of the state (Vanberg 2010, 1–2). Globalization is characterized by technological and political-institutional innovations that increased the mobility of people, capitals, commodities and services (p. 3). This increased mobility made possible to distinguish between two functions of the state that, before globalization, tended to overlap: on the one hand, its role as a *joint enterprise of its citizens* that enforces the framework for the relations among its members and carries out projects in their common interest; on the other, its role as a *territorial enterprise* that legislates and enforces the rules under which everyone – citizens and non-citizens – can carry out their activities within its territory (p. 5).

These two roles of the state affect individuals in two corresponding capacities: respectively, as *citizens* and as *jurisdiction-users*. Citizens are the members of the polity; the government responds to them and its efficiency is measured after their constitutional interest. Instead, jurisdiction-users may or may not be members of the polity, and act as private; they can be considered the consumers of the regulative framework and of the services offered by the state as a territorial enterprise (p. 5). Businesses constitute the pure example of jurisdiction users (p. 16). Citizens that live or carry out their activity within the territory of a state are also jurisdiction-users, while not all jurisdiction-users are necessarily citizens; similarly, citizens of a state that live and carry out their activities abroad are not jurisdiction users.

The rules and regulations of the state can be divided in two categories: rules that refer to its role as enterprise of citizens, that define the rights and duties of its members; and rules that relate to its function of territorial enterprise. The latter norms correspond to the private law of the early ordoliberal: the framework of rules that norm the interaction of jurisdiction-users in their private capacity. The social order that results from this legal order is private law society and, as the early ordoliberal theorized, it is the necessary condition of the market. (p. 5-6).

In both its functions, the state draws its legitimacy from the constitutional interest of its citizens, not that of the jurisdiction-users. However, this latter interest plays an indirect role: states, in fact, aim to attract jurisdiction-users in order to gather resources to carry out projects in favour of their citizens (Vanberg 2000b, 92, 2010, 6).

Competition among governments constrains the power of the state to carry out its projects to benefit its citizens. For those who believe that a democratic state has an *a priori* list of tasks to pursue, this constraint represents a problem, as it limits the possibility of the state to fund those activities. In Vanberg's words,

[i]f one supposes a substantive a priori list of activities that democratic governments have to pursue, one may quite easily arrive at the conclusion that competition among jurisdictions impedes governments from fulfilling some or all items on such a predefined "democratic agenda" (Vanberg 2000b, 93).

But

[i]f, instead, one adopts a procedural understanding of democracy, as implied in the criterion of citizen sovereignty [...], one cannot arrive at any judgement without looking more closely at the issue of what kinds of policies can be expected to be encouraged or discouraged by competition among jurisdictions. In other words, one needs to examine whether the fact that citizens and jurisdiction-users may take advantage of the opportunities offered by competition among jurisdictions can, indeed, be said to prevent governments from serving common interests of their citizens (*ibid.*).

In his view, not only the constraint posed by competition among governments is not harmful, but is also advantageous for the constitutional interest of the citizens, as it makes it difficult for the governments to adopt protectionist policies that benefit particular groups and damage the common interest of the citizens. The example of taxation shows how competition among governments can serve these objectives.

Vanberg distinguishes two principles of taxation: ability-to-pay and benefit. The ability-to-pay principle is predominant: people are taxed according to their capacity, independently from the benefit they receive from state activities financed with their money (Vanberg 2010, 8). The benefit principle, in Vanberg's view, is more consistent with a democratic polity: it implies that taxation is related to some kind of benefit. Considering the two functions of the state and the two categories of citizens and jurisdiction-users, it means that jurisdiction-users should not be forced to pay for projects and activities that only benefit the citizens.

Following the benefit principle, two categories of taxation exist: those paid by citizens in their capacity as members of the and those paid by jurisdiction users to have the right of carrying out their activities in the territory of the state. Competition among governments pushes the states toward the benefit principle: the increased ability of jurisdiction-users to exit from jurisdictions that impose taxations they are not willing to pay forces government to take more into account their interest, if they do not want to see their tax-base flee (p. 9). The benefit principle does not prevent that citizens agree on public services or social insurance schemes, as long as they do not constitute a protectionist measure: it only requires that these schemes are not funded by jurisdiction-users' money (p. 14).

Two last clarification must be made on the role of the benefit principle as rationale of taxation. First, the logic of the benefit principle does not prevent that citizens, in funding their social insurance schemes, from being taxed according to their ability to pay. The benefit principle only prescribes that jurisdiction-users are not forced to pay for projects that only benefit the citizens; but it is in the citizens' interest that their tax obligation is determined according to their ability to pay. 'The package of services that the governments could finance would be inevitably rather slim if what the poorest members of the polity are able to contribute would define the upper limit of taxes that citizens might be charged', wisely says Vanberg (*ibid.*).

Second, the fact that jurisdiction-users should not be forced to pay services that only serve the citizens does not entail that citizens do not benefit from services funded by jurisdiction-users. Jurisdiction-users' money can be used to fund a number of infrastructures and services that benefit citizens, as well.

Similarly, competition among governments also discourages the state from imposing regulation constraints to the jurisdiction-users as means to serve the citizens. Minimum wages, dismissal protections and similar are all measures that could be imposed in a situation of limited mobility of the resources, but become more and more unbearable in a globalized world.

With globalization, the two functions of the state, the distinction between members of the polity and jurisdiction-users and the benefit principle finally emerge. State power is limited because jurisdiction-users can decide to exit the jurisdiction if they are not satisfied with taxes or services, and this brings governments closer to the benefit principle. Protectionist policies become unsustainable in a globalized world.

If we compare the early ordoliberal conception of the state with Vanberg's, we can see that its relation to competition is changed. According to the early ordoliberal, a *strong* state is one that resists the pressure of the economic powers and limits itself to the task of establishing and maintaining the framework for a competitive order. The relation between state and competition is unidirectional: a strong state is needed for a competitive order. In Vanberg conception, instead, the relation is bidirectional: the state still needs to enforce a competitive order, but competition can help the state to be strong and escape the pressure of economic interests. In this sense, the *competitive* state theorized by Vanberg replace the old ordoliberal conception of a *strong* state.

According to the critics, competition among governments creates a prisoner dilemma that takes the form either of an *intra*-jurisdictional or of an *inter*-jurisdictional dilemma. In the first sense, it means that competition among governments brings the citizens of a jurisdiction to put themselves in a worse situation than one where there is no competition. In the second sense, it means that competition among governments motivates citizens of different jurisdictions to inflict mutual damage, thus creating an undesirable situation for all (Vanberg 2000b, 94). Vanberg rejects these accusations: in his view, competition among governments does not cause these problems, but merely exposes them; moreover, it also provides a way to solve them.

Regarding the *intra*-jurisdictional question, Vanberg observes that what worsen the situation of all the members of a community is not competition, but the protectionist measures that lessen competition. Competition among governments makes it difficult to pursue such measures, as tax-

payers not willing to bear their costs can exit the jurisdiction. Competition among governments does not cause this problem, but reveals its existence. Moreover, it represents a solution to the protectionist problem, as it encourages the governments to give up protectionist practices (p. 94-8).

The *inter*-jurisdictional question is linked to the ‘race to the bottom’ argument: competition among governments would cause an unbridled fiscal race to the bottom in order to attract capitals, which would prevent states from delivering their social security schemes. Vanberg proposes to distinguish between problems caused by free-riding and by proper competition. In the case of free-riding, economic actors can exploit the shortcomings of an international competitive order to enjoy the benefits without paying for their price. In this sense, the problem is not about competition *per se*, but about a poor framework of rules; therefore, it could be solved through an appropriate *Ordnungspolitik* (p. 98-9). In the case of problems caused by competition, mobile resources would be free to exit the jurisdiction if they consider the services provided by the state inadequate to the level of taxation if compared to the other alternatives. This does not necessarily mean that they will migrate to the cheapest jurisdiction: just as a consumer does not buy the cheapest product, but the one with the highest value for money, in the same way an entrepreneur will not look for the cheapest jurisdiction, but the one that offers the best level of services with regard to taxation (Vanberg 2010, 13). Therefore, competition among governments does not cause a race to the bottom: at most, it exposes the fact that taxpayers are not willing to pay a certain level of taxation related to a certain level of jurisdiction services provision. And, again, it offers an incentive to the governments to conform their taxation and provision of services to a fair level – that is, according to the benefit principle (Vanberg 2000b, 99–100).

Competition among governments, says Vanberg, does not cause a race to the bottom nor, *per se*, the dismantling of the welfare state. If, in conditions of increased capital mobility and jurisdictional competition, governments cannot afford to maintain their social expenses, this is because their welfare states have grown beyond the level of sustainability. This was possible because, before globalization, governments could shift the burden to the jurisdiction-users or to future taxpayers. These strategies concealed the true cost of the welfare state – competition among governments just exposed their unsustainability (Vanberg 2010, 19).

5. Ordoliberalism as an ideology

We have seen how, despite the changes through time, there exist an ideological core that links early Ordoliberalism to its latest evolutions. **Table 1**, at the end of the chapter, offers a graphical representation of the different decontestations of the ordoliberal core.

The concept of **order** is central. All ordoliberalists aim at the creation of a free and humane *Ordo*. They consider the human society as divided into different, interdependent orders and the economic order has always a special relevance. Different groups of ordoliberalists focus on different orders: the Freiburg School focused on the interdependence between the legal and economic order, Sociological Liberalism and Social Market Economy on the relation between the economic, the social and the moral order, Erich Hoppmann on the economic, moral and legal order, Viktor Vanberg on the economic and political order.

While other early ordoliberalists focused on the national level, Röpke elaborated on the international *Ordo*. His conception could be described as ‘liberalism from below’: the international liberal order is a consequence of the respect of the (ordo)liberal principles within the national borders. Efforts to create an international order from above are not desirable because of their centralizing tendency: they transfer national sovereignty to an upper level, which becomes much more powerful – and dangerous – than the traditional nation state. An international order from above fosters subjugation instead of peace. In Röpke’s liberalism from below, instead, national sovereignty is not transferred to a central authority, but dissipated through competition; only this type of international order assures peaceful relations among the states.

Also Vanberg elaborated on the issue of the international order. He supports a competitive federalism based on a federal *Ordnungspolitik* to norm the competition among jurisdiction. In a spirit similar to Röpke, Vanberg rejects a centralist federalism based on the concentration of power into central authorities; state power should be replaced by competition. The difference with Röpke’s conception is that, in Vanberg’s view, international competition not only requires, but also strengthens the national competitive orders. In both conceptions of international order, however, nation states play a fundamental role.

Another fundamental concept is **competition**. For all ordoliberalists, the economic order conducive to the *Ordo* is a competitive one. However, they have different conceptions of competition. Among early ordoliberalists, the Freiburg School claimed that competition represented the best solution to the social problem of industrial societies: there was no contradiction between competition and social objectives. Sociological liberalism has a different point of view. Although competition is part of a free social order, there is a tension between the two: competition consumes social resources and, if not constrained, risks to have a disruptive effect. In Müller-Armack’s conception of Social Market Economy, instead, there is a sheer opposition between competition and the social order: competition is necessary for efficiency purposes, but has by no means any moral value. Despite these relevant differences, early ordoliberalists agreed on two further components of the concept of competition. First,

not all types of competition should be allowed: only *Leistungswettbewerb*, i.e. the competition oriented towards performance and satisfaction of the consumers, is legitimate. Second, competition must have the character of *vollständige Konkurrenz*, full competition, in order to fully discharge its function.

The second generation of ordoliberalism took on board Hayek's conception of competition as a creative discovery process. It is not possible anymore to predict the outcome of an efficient competitive process; efficiency can only be determined as absence of constraints: the freer competition is (within the rules, of course), the more efficient it is. This conception leads to the dismissal of the concept of *vollständige Konkurrenz*, which is considered by the new generations of ordoliberals as a superfluous neo-classical residue of Eucken's thought.

With Viktor Vanberg, competition becomes the organizing principle not only of the economic order, but also of the political one: a constrained and safeguarded competition – a *Leistungswettbewerb* – among governments can foster a fairer political order. The state is not anymore and not only the actor that enforces competition: it becomes itself a subject to competition.

The concept of **freedom** primarily consists in the absence of arbitrary coercion, but not in the absence of all constraints. Although freedom means that individuals do not depend on anybody in particular, they still depend on the market and on society as a whole. Above all, they must abide by the rules. For Böhm, the *Privatautonomie* was the freedom granted in a private law society: individuals are free to use their property and to make agreements. However, freedom granted by *Privatautonomie* is bound to the order of the private law society: the actions undertaken by individuals in their private capacity should not alter the economic order. So, private actors are not free to make agreements and behave in such a way to prejudice competition, the founding principle of the economic order.

In Hoppmann's Ordoliberalism, freedom becomes the criterion for the efficiency of the market process. Given their fragmented knowledge, the highest degree of freedom is needed so that individuals can optimally allocate their pieces of information. Moreover, freedom is the necessary condition for morals to exist: moral actions, in fact, are only possible if the individuals can choose among different conducts. A system without freedom is a system without morals.

Vanberg elaborates on Böhm's concept of *Privatautonomie*. In his view, freedom within the market is but a component of a broader freedom. Following the lesson of the early ordoliberals, he claims that the economic competitive order is the result of an overall constitutional choice; therefore, the freedom that individuals have in the market derives from their freedom to determine – or, at least,

contribute to – this constitutional choice. So, *Privatautonomie* derives from the *Individualautonomie*, which is the capability to take part to the constitutional choice.

With regard to **power**, it represents the nemesis of freedom: power consists in arbitrarily limiting others' autonomy. If freedom thrives only within some bounds, power knows no limits and tends to erode its constraints. In all versions of liberalism, power is something that must be limited through competition and political action. For the Freiburg School, the problem of power is essentially the problem of private economic power. For the other currents of Ordoliberalism, instead, the main threat to freedom comes from state power.

In Vanberg's view, the efforts to limit power through constitutional constraints provided only a limited remedy. State power can be best limited through the competition among governments. In this sense, power confirms its opposite nature to freedom: the more taxpayers and capitals are free to move among jurisdictions, the more state power is constrained.

It is up to the **state** to enforce the economic constitution of a competitive economic order. Early ordoliberals evoked a *strong* state to fulfil this task. When the state surrenders to particular interests and pressure groups, it starts an interventionist policy which results in a slippery slope. Each intervention causes distortions that set the stage for a further and wider intervention: interventionism tends, therefore, to centralization. The increased number of functions that the state takes on itself does not result in an increase of the strength of the state; to the contrary, the more the states takes on tasks which do not belong to it and is not able to fulfil, the more it becomes dependent on the interests of power groups. A strong state is one that resists such pressures and sticks to its main role: establishing and maintaining the framework for a competitive order.

Vanberg revised the ordoliberal conception of the state. Evoking a strong state is not a solution against the pressure of power groups. How can a state concretely be strong and escape such pressure? For Vanberg, competition among governments is the solution. Jurisdictional competition, made possible by the increased mobility of people and capital caused by globalization, makes protectionist interventions unsustainable, thus giving the state an opportunity to escape the pressure of internal interest groups. If, according to early ordoliberals, the relation between state and competition was unidirectional (the strong state enforces the competitive order), in Vanberg conception, the relation is bidirectional: the strong state enforces competition, but competition helps the state to be strong. Vanberg's *competitive* state replaces the early ordoliberal conception of a *strong* state.

Ordnungspolitik is the last concept of the ordoliberal core and represents a trademark of Ordoliberalism. Despite its instrumental character, there are two reasons why *Ordnungspolitik* represents a fully-fledged ordoliberal core concept. The first is logic. It complements the ordoliberal core on an equal level with other core concepts: without it, the concept of state would absorb the other core concepts and the core would collapse. The second is cultural: all ordoliberal currents have their type of *Ordnungspolitik*.

Beyond the differences, all conceptions of *Ordnungspolitik* share two common elements: first, *Ordnungspolitik* aims to create and preserve the framework for a competitive order; second, it takes into account the interdependence among and within orders. For the Freiburg School, *Ordnungspolitik* represents the best social policy. It consists in establishing a regulative framework based on the *konstituierend* principles elaborated by Eucken; therefore, it consists primarily in rules, while specific interventions are residual and must adhere to Eucken's regulative principles.

In Röpke's sociological liberalism, the conception of competition and its relation to the social order result in a different conception of *Ordnungspolitik*. Competition is a necessary and desirable phenomenon in a free society, so Röpke prescribes an anti-monopoly and a framework policy in all similar to the *Ordnungspolitik* of the Freiburg School. However, because of the detrimental effects of competition on the social order, a specific social policy is required. On the one hand, it takes the form of liberal interventionism, based on the principle of market conformity and of adaptation. On the other, it takes the form of Röpke's *Strukturpolitik* and *Gesellschaftspolitik*. What matters here is that, although these other policies are 'beyond supply and demand', to cite Röpke's famous book, they still all serve the functioning of a competitive economic order.

Things radically change in Müller-Armack's *Soziale Marktwirtschaft*. In his conception, competition and social order are opposed to each other. The economic policy of Social Market Economy does not aim to preserve the competitive order. Indeed, it prescribes an *Ordnungspolitik* to maintain a competitive economy; however, it uses the increased wealth produced by the competitive market to seek social goals. So, the relation between social policies and economic order is reversed, compared to Röpke's conception: social policies are not meant to sustain the competitive economic order; it is the competitive economic order that sustains the social policies.

Hoppmann's conception of *Ordnungspolitik* sticks to the Freiburg interpretation: a rule-based policy aimed at establishing and maintaining a competitive order. His Hayekian approach brought him to reject Eucken's regulative principles and to revise some of his constitutive principles.

Vanberg, in turn, proposes to assume the principles of consumer and citizen sovereignty as criteria for the *Ordnungspolitik*. His view does not exclude social schemes for the citizens, as long as

they are paid by those who benefit from them and not by jurisdiction-users. Moreover, he fosters a federal *Ordnungspolitik* to norm the competition among governments.

In dealing with the different currents of Ordoliberalism, we have dealt with a number of **adjacent** concepts. Some of them can be found in all versions of Ordoliberalism, while the relevance of other has grown smaller through time. Among the most relevant concepts, we can mention the concept of **responsibility**. In the Freiburg School, it could be found among Eucken's constitutive principles as the legal principle of liability. In Röpke's Sociological Liberalism and in Hoppmann's approach, it was among the necessary moral values for a competitive economic order. In Vanberg, it can be found in the principle of constitutional equivalence and on the benefit principle in taxation. Another common adjacent concept is **monetary stability**. For the ordoliberals, sound money is necessary to secure private property and to make sure that the price system discharge its role of signal system for the coordination of the individuals in the economic order. Closely linked to monetary stability is the concept of **de-politicization of monetary policy**. All ordoliberals favour some automatic mechanisms to steer the monetary policy, be they the gold standard, as in Röpke's case, or the competition among currencies, as in Hoppmann's case. Among other relevant adjacent concepts, there are **private property, rule of law, freedom of contract, democracy, subsidiarity**.

Among the concepts that lost their relevance through time, the role of **science** is an interesting case. Early ordoliberals assigned a great value to scientists who, thanks to their independence, were the only who could understand the *Ordo* and to work out the policies conducive to it. Indeed, this way of thinking about science was not very scientific. Eventually, it turned into a sort of cult of personality: ordoliberal prescriptions and studies drew their legitimacy more from their adherence to the works of the founding fathers than from any objective standard (Feld and Köhler 2011, 177–78). Viktor Vanberg tried to overcome this flaw by introducing the concepts of consumer and citizen sovereignty as normative criteria for the prescriptive part of the *Ordnungsökonomik*. The legitimacy of *Ordnungsökonomik* would not derive anymore from its adherence to Eucken's constitutive principles, but to these objective two criteria that represent an accepted measure based on methodological individualism.

Finally, the concept of **social market economy** should be considered as a characteristic ordoliberal peripheral concept. Two reasons explain why this concept, despite being so peculiar to Ordoliberalism, is a peripheral one. The first reason is logic: social market economy recalls an economic policy based on the ordoliberal core and adjacency. So, it represents the concrete implementation of more central concepts. The second is cultural. This concept is extremely vague, and can indicate an array of economic policies ranging from an *Ordnungspolitik* in the strict sense of

the Freiburg School to the economic policy theorized by Müller-Armack. Moreover, this formula was so successful that is now employed in various circumstances devoid of its original ordoliberal meaning.

This morphological analysis of Ordoliberalism requires a last remark. What has been analysed here is the trajectory linking early Ordoliberalism to the Freiburg tradition of *Ordnungsökonomik*. Not all of those who today refer to Ordoliberalism are part of this tradition. The most significant case is the famous German economist Hans-Werner Sinn. He explicitly refers to the early generation of ordoliberals, but rejects some of the most relevant innovations of the new *Ordnungsökonomik*. In particular, he dismisses the concept of competition among governments as incompatible with the original ordoliberal thought, and points it as one of the causes of the recent global crisis (Sinn 2010, 161–64).

6. Conclusions

This morphological analysis has explored Ordoliberalism as an ideology. Ordoliberalism is a liberal-conservative ideology, with a clear predominance of the conservative element caused by the importance of the concept of order within its core. The ordoliberal core is formed, together with the concept of order, by the concepts of competition, freedom, power, state and *Ordnungspolitik*. Among the adjacent concepts, we can mention responsibility, monetary stability, de-politicization of monetary policy, private property, rule of law and freedom of contract. The concept of social market economy can be defined as a peripheral concept: it is a vague concept, but is often linked to Ordoliberalism.

Given its continuity through time, Ordoliberalism can be defined as an *established* ideology and because of its specific conceptual patterns – mainly linked to its peculiar core concept of *Ordnungspolitik* – it is a *distinct* ideology. Its nature as a *full* ideology is more questionable.³⁹ This analysis has shown that its core deals with a comprehensive range of political issues; therefore, Ordoliberalism is potentially a full ideology. However, we must also bear in mind that Ordoliberalism is primarily an economic (and legal) doctrine; so, while we can expect that economists and jurists supporting this scholarship fully embrace it, the same is not necessarily true for other experts, such as politicians, and for the general public. For them, Ordoliberalism could also take the form of a thin ideology – if they refer to the ordoliberal paradigm to interpret some specific political issues, such as economic policy or European integration, but not others – or of a marginal component of another ideology – if ordoliberal concepts are used to serve another ideological core. This use of ordoliberal

³⁹ For the definition of established, distinct, full and thin ideologies, see Freedon (1998b) and chapter 2.

concepts would correspond to the popular version of Ordoliberalism suggested by the literature (see Hien and Joerges 2018).

Ordoliberal concepts are widely employed in today German politics. Top-level German bankers such as Jens Weidmann and Jürgen Stark quoted Eucken in their speeches, former Finance minister Wolfgang Schäuble is known for his sympathy with Ordoliberalism, the last national party conference of the CDU, which elected the new party president Annegret Kramp-Karrenbauer, has approved by wide majority a motion with the title ‘Economy for people – Social Market Economy in the 21st century’. The euro-sceptical party *Alternative für Deutschland* was originally founded by a group of ordoliberal professors, and even Sahra Wagenknecht, the leader of the radical leftist party *Die Linke*, criticized the government from an ordoliberal light in her pamphlet *Freiheit statt Kapitalismus*. Whether Ordoliberalism takes the form of a full or thin ideology or of a component of another ideology, can only be established through means of an empirical morphological analysis.

This morphological analysis aims to overcome the flaws of the current debate on Ordoliberalism. First, it is not limited to early Ordoliberalism, but explores its evolution through time. Second, it provides a non-reductionist account of Ordoliberalism: the conceptual structure that forms the ordoliberal ideology is reconstructed and analysed in a comprehensive way. Third, the analysis can serve as basis to assess what can be defined ordoliberal and what not, and to account for the differences among ordoliberals.

According to Young (2017), when something is defined ordoliberal, we should specify to what branch of Ordoliberalism we are talking about. Her proposition reflects a legitimate concern: given the superficiality that often characterizes the use of the concept of Ordoliberalism in the literature, more precision would be advised. However, it is not always possible to link certain propositions to certain specific branches of an ideology. After all, ideas are used to solve problems and to deal with concrete situations, not to assert the glory of those who produced them. So, as Freedman aptly remarks (1999a), those who employ ideas undertake a creative process no less than those who produced them in the first place. This fact creates a distortion that could conceal the link between idea producers and consumers. For instance, the consumer of ordoliberal ideas could draw from ideas of different ordoliberal currents and reinterpret them in a creative way.

The morphological analysis of ideologies provides a flexible and rigorous solution to the problem posed by Young. On the one hand, it allows to qualify ideas or positions as ordoliberal without the need of precisely tracing them to a specific ordoliberal current: what is needed is just a family resemblance to the ordoliberal ideological core. On the other, it allows to interpret the different positions among ordoliberals as caused by different decontestations of the same core concepts.

	Order	Competition	Freedom	Power	State	Ordnungspolitik
Freiburg School	<i>Ordo</i> Interdependence Economic order Legal order	Organizing principle of the economic order <i>Leistungswettbewerb</i> <i>Vollständige Konkurrenz</i> <i>Entmachtungsinstrument</i>	Absence of arbitrary constraints <i>Privatautonomie</i>	Private power	Strong state Must implement a competitive order	Constitutive principles Regulative principles
Sociological Liberalism	<i>Ordo</i> Interdependence Economic order Social order Moral order	Organizing principle of the economic order <i>Leistungswettbewerb</i> <i>Vollständige Konkurrenz</i> <i>Entmachtungsinstrument</i> Tension with social order	Absence of arbitrary constraints Depends on sociological conditions	State power	Strong state Must implement a competitive order Base of the international order	Anti-monopoly <i>Anti-laissez-faire</i> <i>Strukturpolitik</i> <i>Gesellschaftspolitik</i>
Social Market Economy	<i>Ordo</i> Interdependence Economic order Social order	Organizing principle of the economic order <i>Leistungswettbewerb</i> <i>Vollständige Konkurrenz</i> Opposite to the social order	Absence of arbitrary constraint Opposite to the social order	State power	Activist state Must implement a competitive order Must achieve social objectives	Social Market Economy
Hopmann	<i>Ordo</i> Interdependence Economic order Moral order	Organizing principle of the economic order <i>Leistungswettbewerb</i> Discovery process	Absence of arbitrary constraints Measure of efficiency of the market	State power	Hayekian conception Must implement a competitive order	Constitutive principles
Vanberg	<i>Ordo</i> Interdependence Economic order Political order	Organizing principle of the economic and political order <i>Leistungswettbewerb</i> <i>Entmachtungsinstrument</i> Discovery process Competition among governments	Absence of arbitrary constraint <i>Individualautonomie</i>	State power	Competitive state Must implement a competitive order Must further the interest of its citizens Base of the international order	Consumer sovereignty Citizen sovereignty Federal <i>Ordnungspolitik</i>

Table 1. Ordoliberal Morphology

Chapter 4

Ordoliberal ideas on the European integration process: a conceptual approach

1. Introduction

With the outbreak of the Euro crisis, the role of Ordoliberalism in Europe has become the subject of a wide media and academic debate. The debate can be subsumed under the question of the ‘ordoliberalization’ of Europe: has Europe become more ordoliberal after the crisis? In order to answer this question, it is necessary to understand what are the ordoliberal ideas on the European integration process. This task, however, is more complex than it seems. Ordoliberals have different and often opposite ideas on many fundamental issues of European integration (see Jacoby 2014). Again, Freedén’s morphological approach can help clarifying the differences within the ordoliberal camp. According to the morphological approach, different positions within the same ideological family are caused by a different interpretation of a common set of political concepts. Therefore, understanding the ordoliberal ideas on Europe and accounting for their differences requires first and foremost to identify the political concepts that underlying the ordoliberal discourse on Europe. This is the purpose of this chapter.

First, I will deal with the different positions in the literature with regard to the ordoliberalization question. As we have seen previously, the literature disagrees on the role of Ordoliberalism during the Euro crisis. Some authors claim that it determined the actions of the German government, thus leading to the ordoliberalization of the European economic governance; other authors reject this argument, claiming that Ordoliberalism played a marginal role, if any. Three recent articles (Hien and Joerges 2018; Biebricher 2018b; Cardwell and Snaith 2018) fittingly represent the different positions on the field, answering the ordoliberalization question in different ways: one negatively, one affirmatively and one holding an intermediate position. After having summarized their arguments, I will propose a collaboration between Freedén’s morphological approach and the ideational current of the New Institutionalism to properly understand the influence of ordoliberal ideas during the Euro crisis. In section 3, I will analyse the theoretical contributions on Europe of three important ordoliberal scholars – Wilhelm Röpke, Manfred Streit and Viktor Vanberg – to identify the political concepts underlying the ordoliberal ideas on Europe: the ordoliberal core concepts of order, state and *Ordnungspolitik*, and the adjacent concepts of responsibility, subsidiarity and monetary stability. In sections 4 and 5, I will review the ordoliberal debates, respectively, on the European Monetary Union and on the Euro crisis, to assess how a different interpretation of those common concepts brought ordoliberals to have divergent positions. In section 6, I conclude arguing the specificity of the ordoliberal approach on Europe and raising the question of the relation between ideas and interests.

2. The debate on the *ordoliberalization* of Europe

As we have seen in the previous chapter, the Euro crisis sparked a wide media and academic debate on the role of Ordoliberalism in European integration. The debate was polarizing. Many authors were firmly convinced of the ordoliberal nature of the European responses to the crisis: they started to rediscover the origins of Ordoliberalism, to trace ordoliberal ideas within the German government, to analyse their transposition in the European reforms and to evaluate their effects. By contrast, others were far more sceptical: in their view, German behaviour was determined by national interest and pragmatism rather than ideology, and European reforms reflected more these interests than Ordoliberalism. A compromise between the two camps was made all the more difficult by the politics underlying the debate: as Hien and Joerges (2017c) observe, the criticism of Ordoliberalism was ultimately a criticism of the German handling of the crisis. As a result, the critics of Ordoliberalism mostly (with some exceptions) came from outside Germany, especially from Southern countries, whereas the sceptics tended to be German scholars.

The debate can be subsumed under the question of the *ordoliberalization* of Europe: have the reforms undertaken during the crisis made (or, at least, tried to make) the European Union more ordoliberal as it was before? Three important contributions have recently dealt with the ordoliberalization thesis. While they did not bring the debate to an end – they all answer differently to the question of ordoliberalization – they are nonetheless noteworthy, as they well represent the different positions on the field. The article by Josef Hien and Christian Joerges (2018) refutes the ordoliberalization thesis, the one by Thomas Biebricher (2018b) supports it, whereas the one by Cardwell and Snaith (2018) takes an intermediate position, recognizing a sort of ‘accidental’ ordoliberalization of Europe.

In their contribution on the renewed ‘European interest in the ordoliberal tradition’, Hien and Joerges (2018) criticize the literature for constantly overlooking two important features of Ordoliberalism: its dimension as a legal order and its Protestant roots. This caused an overestimation of the direct impact of ordoliberal ideas on the handling of the crisis, which were, according to the authors, much less relevant as is often assumed (p. 143). The ordoliberal tradition had its heyday in Germany in the first years of the Federal Republic. At that time, Ordoliberalism was strong in the academia and in politics. Yet, it was not hegemonic, as it was challenged by the more corporatist and solidaristic Catholic social doctrine. Müller-Armack’s conception of *Soziale Marktwirtschaft* represented the effort to synthesize these two currents – a synthesis that has never been fully accepted by the ordoliberals, who nonetheless continued to use the definition of Social Market Economy to

describe their political agenda. The pension reform in 1957, fiercely criticized by the ordoliberals, epitomized their defeat: ordoliberals had to settle for other secondary, yet important acts, like the anti-monopoly law, the Bundesbank Act and the institution of the *Sachverständigenrat*, the German Council of Economic Experts (GCEE) which is considered an ordoliberal stronghold (p.149-50). Already the domestic history of Ordoliberalism, argue the authors, should cast some doubts on its influence on European integration: how could the ordoliberal paradigm, which was weak even in Germany, become hegemonic at the continental level?

The formative phase of the European Economic Community (EEC) showed indeed some similarities with the ordoliberal agenda, such as the opening of the national markets or the four freedoms established by the EEC treaty justiciable in front of the European Court of Justice (ECJ): all these elements were consistent with the ordoliberal concept of *Wirtschaftsverfassung*. However, they derived more from the logic of integration through law and from its market-rational nature, than from an ordoliberal agenda. The same can be said about the following steps of integration: the principle of mutual recognition, sanctioned by the *Cassis de Dijon* ruling, was compatible with the Hayekian/ordoliberal conception of competition as a discovery process, but assuming a direct influence of Ordoliberalism on the ruling would be misleading. Moreover, the growing number of regulatory competences on fields such as environmental and labour policy and consumer protection was at odds with the ordoliberal conceptions. Even in the case of the Maastricht Treaty, that is often considered permeated with ordoliberal logic, the influence of Ordoliberalism is questionable. Among German economists, the road to the monetary union was highly contested, and many ordoliberal economists contrasted it (as we will see in section 4). Furthermore, the key elements upon which the ordoliberal consensus on the monetary union rested – namely, the nature of the union as a *Stabilitätsgemeinschaft* and the non-politicization of the economic integration – soon proved unstable: eventually, political discretion prevailed over legal rules (p. 150-5).

Therefore, according to Hien and Joerges, it is impossible to speak of an ordoliberalization of Europe. The Maastricht Treaty did not establish a legal order as envisaged by Ordoliberalism; rather, it institutionalized an unstable order based on the separation between the European competence over monetary policy and the national competence over fiscal and economic policy. Beyond the institutionalization of an independent central bank and the reference to the principle of *Stabilitätsgemeinschaft*, which proved not to be successful, there is not much Ordoliberalism in Maastricht. The situation has not changed after the crisis. The policies undertaken against the crisis are a far cry from Eucken's *Ordnungspolitik*, and the volume of regulations adopted would horrify any ordoliberal. Even the Fiscal Compact, that provides the transposition of a debt-brake rule into the national constitutions, falls too short from establishing an *Ordnungspolitik* based on the link between

the legal and economic order. Finally, the non-ordoliberal character of the crisis policies has been confirmed by the rulings of the ECJ on the competencies of the ECB. Given the highly complex nature of monetary policy, the decisions of the ECB are not justiciable by a court: therefore, the discretionary decisions of the ECB should be respected as a matter of principle. Again, this perspective conflicts with the ordoliberal principle of an economic policy driven by legal, rather than discretionary criteria (p. 155-8).

If Ordoliberalism did not have any direct influence over the policy crisis, it had an indirect one because of its Protestant foundations. Ordoliberalism continues to be influential in Germany as a political culture: during the crisis, German politicians have frequently referred to ordoliberal concepts. These concepts were all the more popular among the German electorate as they resonated with its Protestant values. However, the Ordoliberalism carried by today German politicians is not a complex economic or legal theorisation. Rather, it is a popularized version: a sort of ‘Ordoliberalism of the people’, that appeals to the German Protestant background and lacks the complexity of ‘original’ Ordoliberalism (p. 160-2).

In response to Hien and Joerges, Thomas Biebricher (2018b) defended the ordoliberalization thesis. His argument focuses on two issues: the correct understanding of the role of ideas in politics and the proper definition of the ordoliberalization thesis. During the Euro crisis, the German government did not commit itself to the realization of an ordoliberal order at the European level: despite the suggestion by Bundesbank president Jens Weidmann,⁴⁰ German decision-makers did not consult Eucken’s *Grundsätze* before choosing their strategy. Following the insights of the ideational current of the New Institutionalism, Biebricher argues that ideas should not (or, at least, not only) be interpreted just as sources of concrete policies. Rather, their power lies in their function as heuristic instruments used by policy-makers to interpret the situation, to define their interests and to work out their strategy. Therefore, claiming that ordoliberal ideas influenced German policy-makers means that they adopted an approach based on ordoliberal principles to deal with the crisis, not that they based their actions on the letter of the ordoliberal classics. Ordoliberal ideas were not necessarily transmitted directly and consciously (for instance, through the universities): although empirical evidence show that ordoliberal ideas are embedded in German ministries, Biebricher is not interested in this kind of argumentation. Ideas are spread throughout society: their transmission can be opaque and unconscious. Therefore, the ordoliberalization thesis does not imply that the German government

⁴⁰ ‘I definitely recommend that all politicians put under their pillows a copy of Eucken’s book *Grundsätze der Wirtschaftspolitik*’, Jens Weidmann ‘Crisis management and regulatory policy’, Walter Eucken Lecture, 11 February 2013. Available at <https://www.bis.org/review/r130214c.pdf>.

consciously sought to establish an ordoliberal order during the Euro crisis, nor that the reforms of the EU economic governance have established a fully-fledged ordoliberal economic constitution. What matters, according to the author, is that the Eurozone shows similarities with Ordoliberalism independently of whether this results from conscious or unconscious actions. This suffices, at least, not to exclude an influence of ordoliberal ideas on the integration process (p. 176-7).

According to Biebricher, the institutional arrangement of the Economic and Monetary Union (EMU) reflects three ordoliberal conceptions. First, the task of establishing the institutional framework for a competitive order based on the principle of *Leistungswettbewerb*. This conception does not apply only to private actors, but also to states: in the Eurozone, this principle is embodied in the system competition among European states. Second, the strong state, which must implement this institutional framework and be secured by the detrimental influence of rent-seeking pressure groups. According to Biebricher, this conception reflects an authoritarian conception of the state, which is complemented by the third and last feature: the ordoliberal trust in science and technocratic elites (p. 178).

The reforms of the Eurozone since 2011, according to Biebricher, reflect these conceptions. An ordoliberal reading of the crisis deems undisciplined states as the main culprits for the Euro crisis. The solution lies, accordingly, in designing an institutional framework to enforce more strictly the system competition and to increase the accountability of national governments. Although the supranational institutions of the EU, such as the Commission and the ECB, are not equivalent to the strong state envisaged by Eucken, they perform a similar task: the isolation of, respectively, budgetary and monetary policy from democratic control. Moreover, the economic governance of the EU is based on economic criteria which are far from neutral and imply a distributional effect of the costs of the crisis in favour of the creditor countries. Despite the political character of these policies, they are handled by the institutions as a technical issue: this also reflects the ordoliberal tendency to depoliticize the issues of economic governance (p. 181-3).

Therefore, Biebricher holds the ordoliberalization thesis for justified. He agrees with Hien and Joerges when they claim that the overburden of regulations has little in common with the ordoliberal *Wirtschaftsverfassung*, or that the economic governance of the EU is by far more convoluted than the sober *Ordnungspolitik* supported by Ordoliberalism. However, the ordoliberalization thesis does not imply that the EMU exactly works according to the ordoliberal principles. Rather, it aims to grasp the tendency of the economic integration process to incorporate ordoliberal elements. The fact that many features of the economic governance differ from the ordoliberal prescription does not necessarily disprove the thesis; it just means that the ordoliberalization process is still 'in progress' – although it might never reach the end (p. 185).

The paper by Cardwell and Snaith (2018) takes an intermediate position on the issue of ordoliberalization. They recognize that it is legitimate to speak of an ordoliberalization of Europe: to be sure, the EU shows elements that reflect the ordoliberal ideology. However, this is not necessarily the result of a conscious implementation of an ordoliberal agenda. In other words, what seems ordoliberal does not necessarily derive from Ordoliberalism. The concept of ordoliberalization works better as a descriptor than as a causal explanation: it should be used to describe the current situation of the European Union, rather than to explain why it shows ordoliberal features (p. 1055).

Qualifying the European Union as a full-fledged ordoliberal construct would be wrong. First, because this would imply a direct causal connection between early Ordoliberalism and contemporary Europe. This, however, would be impossible: Ordoliberalism is internally variegated, and the different currents within the ordoliberal family are conducive to a wide range of positions on the process of European integration. So, the authors conclude, it is impossible to ascribe to a single ordoliberal current the result of the integration process, which is by far more complex. While the direct influence of ordoliberals on some policies is documented, for the vast majority of other issues such influence does not exist. Second, because the scope of European integration goes far beyond the economic constitution: it includes a number of issues and follows logics that have few to do with Ordoliberalism and that have been influenced by several other ideas and interests.

How can the ordoliberal aspects of the EU be explained, then? The authors claim that the features that look like ordoliberal could be more accidental than the result of a conscious commitment to the ordoliberal ideology and put forward three possible trajectories of this ordoliberalization 'by accident'. First, it could be linked to the prominent role of Germany in the later stages of the integration process. According to this reading, Germany was more interested in protecting itself from the negative externalities of its undisciplined partners than in pursuing a conscious ordoliberal agenda. The outcome of the deliberation between Germany and other Member States would be a compromise on some minimum rules that is 'empirically similar to Ordoliberalism'. The second trajectory involves the clash between interventionist and market-oriented Member States, which would result in an ordoliberal compromise. In a continuum between Keynesianism and Neoliberalism, the authors claim, Ordoliberalism occupies an intermediate position, incorporating elements from both, but not totally agreeing with either. Keynesian and neoliberal oriented Member States could therefore agree on an intermediate, ordoliberal settlement: again, ordoliberalization would emerge not as a conscious design, but as a compromise. The third and last trajectory involves the type of integration that has been carried on during the crisis. The reforms of the European economic governance took the form of regulations of fiscal and budgetary policy, which are also the

subject of the ordoliberal conception of economic constitution: this could explain why the reforms on these issues seem to have an ordoliberal character (p. 1063-4).

These three articles brought an important contribution to the discussion of the influence of Ordoliberalism in Europe during the Euro crisis. The article by Hien and Joerges is among the few works to account for the evolution of Ordoliberalism after the demise of its founding fathers and for the stance of the ordoliberals towards the integration process. Moreover, their article deals straightforwardly with an issue often overlooked by part of the literature: the fact that many aspects of the economic governance of the EU have little to do with Ordoliberalism. Finally, it recognizes that a crude version of Ordoliberalism still influences German politics, thanks to its Protestant foundations. The paper by Caldwell and Snaith focuses on the multilateral logic of the integration process and argues that ordoliberalization could be the result of compromises and, therefore, that what seems ordoliberal does not necessarily derive from Ordoliberalism. Furthermore, the two authors aptly point out that it is the nature of the recent reforms of the Eurozone, which consist of regulation on issues related to the economic constitution of the EU, to give them their ordoliberal character. Finally, the merit of Biebricher's paper is that it proposes to analyse the influence of Ordoliberalism in Europe through the lenses of the ideational Institutionalism, a current of the New Institutionalism which aims at investigating the role of ideas in politics. Besides their merits, however, some of the assumptions and of the judgements of these papers need further discussion.

The rejection of the ordoliberalization thesis by Hien and Joerges seems based on too strict criteria. It is indeed true, as the authors claim, that the EU is characterized by an overburden of regulation that contrasts the concept of a sober *Wirtschaftsverfassung* based on justiciable criteria. And it is also true that the ordoliberal components embedded in the EU economic governance work quite differently as how the founding fathers of Ordoliberalism would have prescribed. However, the fact that a policy outcome differs from an ideational model does not exclude that those ideas have influenced it. The mere correspondence between a reform and the original formulation a certain set of ideas is arguably a too restrictive criterion to evaluate the influence of those ideas on that reform. Rather, assessing the influence of ideas on politics should be based on two criteria. First, on their role in shaping the preferences of decision-makers: in order to claim that a set of ideas influenced a reform process, it is necessary to prove that the relevant decision-makers shared those ideas and that their actions were motivated by them. Second, on the fact that these ideas are somehow reflected in the reforms. Ideas can influence policy-making not only by yielding specific policy recommendations, but also by structuring the perceived interests of the actors, by providing sociological insights on the

appropriate actions to undertake, by setting values to guide political action, and so forth. All in all, the influence of ideas in politics should not be reduced to the mere prescription of a set of policies.

European integration is a long and complex process that concerns a number of policy areas and requires the coordination of many national and supranational actors. Even if all the members of the German government were ordoliberal zealots (which was not the case), it would have been difficult for them to gather the necessary consensus to wipe out the previous framework and establish a European *Ordnungspolitik* in its pure form. Based on the above, in order to assess the influence of Ordoliberalism on the reforms of the EMU during the crisis, we should answer two questions.

First: did the German government hold ordoliberal ideas? According to the article, German politicians shared a crude version of Ordoliberalism: was this ‘Ordoliberalism of the people’ just a matter of consensus among the electorate, or was it something that influenced the German stance during the crisis?

Second: do the reforms of the EU economic governance reflect these ordoliberal ideas? Hien and Joerges say they do not, as they do not respect the principle of a formal economic policy based on justiciable criteria. In their words,

[f]or the time being, it is unforeseeable how and when the new forms of economic governance could be transformed into an *Ordnungspolitik* in the sense of the ordoliberal tradition. The specific feature of this policy was its legal force, the interdependency of legal order and economic order: Foucault understood this interdependency as follows: “What does applying the principle of the rule of law in the economic order mean? Roughly, I think it means that the state can make legal interventions in the economic order only if these legal interventions take the form solely of the introduction of formal principles. There can only be formal economic legislation. This is the principle of the Rule of law in the economic order.” It was precisely this postulate of an economic policy bound to justiciable criteria that Ernst-Joachim Mestmäcker declared to be indispensable (Hien and Joerges 2018, 157).

However, the fact that the justiciability of the economic norms represents a core characteristic of Ordoliberalism is questionable. Although Mestmäcker defined it ‘indispensable’, it appears clear that the principle of justiciable economic norms was not a value *per se* in the ordoliberal ideology. Rather, it was instrumental in substantiating the ordoliberal core principles of order, competition and *Ordnungspolitik*: binding economic rules to the legal order was in fact a means to preserve the competitive order from being taken over by private or state power. To use the wording of the morphological approach, then, the justiciability of economic norms represents a perimeter concept, not a core of the ordoliberal ideology.

The fact that the new European economic rules are not judiciable, then, does not allow to automatically reject the ordoliberalization thesis. The ordoliberalization argument, in fact, focuses more on the objective of Ordoliberalism (the establishment and preservation of a competitive order)

than on the means to achieve it (justiciable economic norms). In this sense, the attention should be drawn more to the core of the ordoliberal ideology, than to its periphery.

Regarding the article of Cardwell and Snaith, a first remark concerns their use of ordoliberalization as a descriptor. Is it really useful to qualify as ordoliberal features that just *seem* ordoliberal, but have no causal connection with Ordoliberalism? The authors claim that

‘[O]rdoliberalism does not consist of a fully-fledged set of principles, values or conditions that enable it to be easily distinguished from other macroeconomic approaches (such as Keynesianism or (neo-)liberalism). [...] Its content can be briefly summarized as follows: efficient markets do not arise spontaneously; making markets function requires ‘constitutive rules’; these rules involve an onus on price stability; law (particularly competition/anti-trust regulation) is necessary to ensure enforcement; and lastly that the ‘social’ function of ordoliberalism is served by the stabilization of market functions rather than by redistribution’ (Cardwell and Snaith 2018, 1054).

While it is true that contemporary Ordoliberalism, intended as an economic doctrine, shares the methods of mainstream economics, if we look at it as a political ideology, things drastically change. Ordoliberalism has a structured ideological core that distinguishes it from other currents of Neoliberalism and that allows to generate complex conceptualizations. The summary of the ordoliberal tenets by Cardwell and Snaith is correct, but is also partial and oversimplifying. If we take on their definition of Ordoliberalism, we could indeed assume that many features of the European governance *look like* ordoliberal; but if we go a little deeper in our understanding of Ordoliberalism, defining ordoliberal those very same features would become much more problematic. In order to avoid an inflation of the term ‘ordoliberal’, it would be preferable to define ordoliberal only those features that not just look like it, but are consistently coherent with the ordoliberal morphology and that are causally linked to Ordoliberalism.

Furthermore, the definition of Ordoliberalism as a compromise between Keynesianism and Neoliberalism appears questionable for a number of reasons. As we have seen in the previous chapter, Ordoliberalism arose as a component of the neoliberal movement in the 1930s. Its exponents called themselves – and, in Germany, often continue to be called – neoliberals, and many ordoliberals were and are part of both international and German neoliberal networks (see Ötsch, Pühringer, and Hirte 2018; see also chapter 3). In this sense, Ordoliberalism is an integral part of Neoliberalism. Intended as economic theories, Neo/Ordoliberalism and Keynesianism can partially overlap, to the extent that neoliberal mainstream economics accepts the validity of Keynesian economics in limited cases.⁴¹ But,

⁴¹ Specifically, mainstream economics accepts the validity of the Keynesian macroeconomic demand management only on the short period, while refutes its effectiveness on the long period.

in their ideological dimension, Keynesianism and Ordoliberalism appear incompatible, as they rely on conflictual and probably irreconcilable premises. On a continuum between Keynesianism and Neoliberalism, Ordoliberalism would basically occupy the same spot of Neoliberalism. This claim will become evident in discussing the ordoliberal ideas on European integration and will be carried on in the conclusions of this chapter.

The reference to ideational Institutionalism by Biebricher is particularly intriguing, as this scholarship is specifically devoted to investigate the role of ideas in politics (see Blyth 2003b; Hay 2008; V. A. Schmidt 2008). However, Biebricher remains too vague in his paper, and his argument needs further elaboration. In particular, three issues should be taken further: the nature of ideas, their functioning and their transmission. Here, I propose to combine the insights of ideational Institutionalism with Freedden's (1997) morphological approach. The cooperation between these two complementary approaches promises to be fruitful, as they help to cover each other's gaps (see Finlayson 2013). The morphological approach provides a deep understanding of the nature and content of political ideas, and also allows a more rigorous conceptualization – all issues that remain largely implicit in the ideational Institutionalism. Ideational Institutionalism, in turn, is more insightful on the transmission and the actual impact of ideas.

When dealing with ideas, social scientists leave often implicit the question of their nature: usually, they answer the question on what certain ideas are *about*, but tend to overlook the question on what ideas *are* in the first place. In the case of the studies on Ordoliberalism, a large part of the literature identifies ordoliberal ideas with what exponents of Ordoliberalism said or wrote. This tautological perspective, endorsed by many scholars, is indeed correct, but also rather problematic. For sure, what Eucken, Röpke and other founding fathers of Ordoliberalism wrote can be defined ordoliberal. But is it also true the opposite, i.e. that *only* what they have written can be properly considered ordoliberal? This would clearly be a uselessly constricting perspective and, in fact, nobody subscribes to it. Rather, what makes ideas ordoliberal is their underlying logic. Here is the source of the problems: how can we conceptualize this logic so that we do not end up constrained in a literal interpretation of some 'founding' texts, but also avoid an excessively loose interpretation? Freedden's morphological analysis of ideologies offers a suitable framework to deal with this issue.

As we have seen in chapter 2, political concepts constitute the building blocks of political thinking. All political concepts have a vast, yet limited set of meanings: the concept of freedom, for instance, can be interpreted as positive (freedom to do something) or negative freedom (freedom from something), but cannot logically be interpreted as the lack of possibility to do something. Apart from the constraints posed by logic, there is not a meaning more correct than another: both the positive and

negative interpretation of freedom are fully legitimate, and the prevalence of one meaning over the other depends on cultural and political circumstances, and can always be reversed. In this sense, political concepts are *essentially contested concepts*. However, in order to convey meaning, it is necessary to suspend the essentially contested nature of the concepts and to choose one among all possible meanings. Freedden calls this process *decontestation*. Decontestation always involves a number of concepts. A single concept is in fact too indeterminate to convey any meaning on its own, and always needs other concepts to be ‘filled’ with meaning: in the case of freedom, for instance, we need a concept that specifies who is the subject of freedom, and another that specifies what the freedom is *from* (in the negative sense) or *for* (in the positive sense).

Based on Freedden’s conceptual approach, I propose to define ideas as the result of the decontestation of groups of concepts. Accordingly, ordoliberal ideas are ideas resulting from the decontestation of concepts from the ordoliberal core, adjacency or periphery. Two remarks should be made here. First, there is a logical difference between ideas and the concepts that underpin them: ideas are the result of the decontestation or, in other words, of the interplay between concepts. So, ideas do not correspond to a single concept, but are based on more concepts. Second, there is a difference between ideology and ideas: in the case of Ordoliberalism, the ideology is constituted by the structure of core, adjacent and peripheral concepts as analysed in the previous chapter; ordoliberal ideas, in turn, derive from the decontestation of part of the concepts present in the ordoliberal morphology.⁴²

This conceptualization of ordoliberal ideas copes with the two problems evidenced above. On the one hand, it frees us from the constraints of a literal interpretation of the ordoliberal texts. On the other, it reduces the arbitrariness associated to interpretation, as it compels to specify the reason why certain ideas can be defined ordoliberal. For instance, if I had to explain why budgetary discipline in Europe can be an ordoliberal idea, I should show that it is linked to the ordoliberal concepts of competitive order, of *Ordnungspolitik*, of responsibility and of state.⁴³ Of course, in this kind of ideational analysis interpretation and discretion of the researcher can never be ruled out; however, specifying the concepts underlying ideas makes the process more transparent and open to scrutiny.

⁴² My definition of political ideas is similar to Freedden’s notion of *perimeter*, but does not overlap with it. According to Freedden, perimeter concepts result from the contact between the ideological core and adjacency with the ‘real world’: in this sense, political ideas can be perimeter concepts. However, in my conception, political ideas can be more abstract and do not have necessarily directly practical implications.

⁴³ Obviously, the fact that the ordoliberal ideology *can* lead to the idea of budgetary discipline in Europe does not entail that this idea can *only* result from Ordoliberalism: various decontestation patterns starting from different concepts can lead to similar, if not same ideas. Otherwise, no consensus would ever be possible, and politics would be much more conflictual.

According to Biebricher, ideas do not offer a ‘tool-box’ of pre-determined policies to choose from in case of emergency. Rather, they should be seen as ‘instruction sheets’ that help decision-makers to interpret the ‘real world’ and to work out policies and strategies. This conception of the functions of ideas derives from ideational Institutionalism and tallies with Freedon’s approach. As we have seen in the previous chapter, ideologies are constituted by three clusters of concepts: the core and the adjacency, which represent the ‘ideational’ part of an ideology, and the periphery, which consists of concrete policies, actions and strategies and derives from the contact between the ‘ideational’ part with the ‘real’ world. If ideas worked only as tool-boxes, decision-makers could only use the external part – the periphery – of an ideology. In the case of Ordoliberalism, this means that the only ‘tools’ allowed would be the legal rules sanctioning Eucken’s eight constitutive principles of *Ordnungspolitik* and the instruments provided by the four regulative principles. Alternatively, they could rely on Röpke’s anti-monopoly policy, liberal interventionism and on his nebulous *Struktur- and Gesellschaftspolitik*. If this was the case, we should recognize that Ordoliberalism has ceased to exert whatsoever influence on the world – if it ever had. However, if we consider the heuristic function of ideas, the ‘ideational’ part of an ideology (i.e. its core and adjacency) comes into play: the ideological concepts are used to make sense of the situation and to elaborate strategies. In this sense, we can say that ideas exert a causal effect on the world through the decontestation of political concepts, which then informs political actions.⁴⁴ As a consequence, in order to trace the causal impact of ideas on politics, it is necessary to identify the political concepts that underlie the decontestation.

The nature of ideas as clusters of decontested political concepts can also help clarifying the relation between their transmission and their functioning. According to Biebricher, Ordoliberalism could have influenced the German government during the Euro crisis even if its members were not convinced ordoliberals. In fact, ideas can also unconsciously affect the behaviour of politicians:

“[...] the interpretation of institutional possibilities and constraints, but also the identification of interests and preferences especially in times of political and economic turbulence, takes place in the light of ideational influences the actors are not necessarily aware of” (Biebricher 2018b, 176; translation is mine).

Therefore, the author concludes, it is not implausible that ordoliberal ideas, transmitted for example through institutional tradition, still exert a strong influence on German politics – an influence that could go beyond the direct ascendancy Ordoliberalism still has on some high-level officials. This can happen because, besides the direct transmission of Ordoliberalism (for instance, in the

⁴⁴ Here I have considered the case whereby the direction of the decontestation is from the core to the periphery: ideas have a causal effect because they determine political strategies that are meant to affect the political world. Freedon also accounts for the opposite case, whereby the direction is from the periphery to the core. Obviously, in this case, the direction of the causal force is inverted: it is not ideas to affect the outer world, but vice-versa. This is especially the case for new ideologies, which tend to be affected by external events.

universities), ordoliberal concepts are widespread among German parties and public (Dullien and Guérot 2012; Hien 2017). Some of them are rooted into German politics: the CDU, for instance, vindicates the heritage of Ludwig Erhard and often refers to concepts like *Soziale Marktwirtschaft* or, more occasionally, *Ordnungspolitik*. Other concepts, such as the *Haftungsprinzip* or the logic of self-help, are embedded within the German Protestant culture. Although, as we have seen in the previous chapter, the ordoliberal ideology consists of a quite complex structure of core and adjacent concepts, it is possible that politicians selectively (either consciously or unconsciously) pick up only parts of the ordoliberal morphology: this would result in a simplified version of the ordoliberal ideology, equivalent to the ‘Ordoliberalism for the people’ envisaged by Hien and Joerges.

So, ordoliberal ideas, although not necessarily in their complete, structured ideological form, are spread throughout the German society: we can find them in the parties, in think-tanks, in the media, etc. But can these kind of ideas be properly qualified as ordoliberal? After all, the ordoliberal morphology consists of many generic concepts (e.g., order, power, state, responsibility...) that can be part of other ideological families. The mere presence of these concepts does not necessarily make an idea ordoliberal: these concepts can in fact be employed to uphold positions that have nothing to do with Ordoliberalism. What really matters is whether these concepts are decontested in a way that is compatible with Ordoliberalism.⁴⁵ For instance, let us consider three important concepts of the ordoliberal morphology which, however, are not unique to Ordoliberalism: state, responsibility and stability. An ordoliberal decontestation of these three concepts would imply that, during the Euro crisis, stability can be obtained if the states behave in a responsible way. A non-ordoliberal interpretation would be that, in order to maintain stability, stronger states must take the responsibility to help the most indebted countries. In both cases, the same concepts are employed, but with rather different outcomes – one consistent with Ordoliberalism, the other opposite to it.

To properly speak of ordoliberalization, therefore, we must 1) specify what set of concepts define the ordoliberal ideas on European integration and 2) assess whether these ideas had a causal effect on the reforms of the EU economic governance. While the following chapters of the thesis will be devoted to the second aspect, in the rest of this chapter I will focus on the first. My objective is to identify the political concepts that underpin the ordoliberal perspectives on the European integration. Based on this, it will be possible, in the next chapters, to draw hypothesis on whether and to what extent the position of the German government and the reforms of the Eurozone can be defined ordoliberal.

⁴⁵ Note that this is a *necessary* but not *sufficient* condition: to properly define an idea as ordoliberal, it is also necessary to prove the existence of a (even indirect) link to the ordoliberal tradition.

The task is complicated by the differences within Ordoliberalism, that often result in divergent positions on the issue of the integration process. These divergences do not imply that some are ordoliberal and some are not, or that some are more ordoliberal than others. It is quite common that exponents of the same ideological families hold different, if not conflicting, positions on the same issues. Freeden's morphological approach accounts for this kind of differences. Ideologies, according to Freeden, are not rigid structures: although all the instances of an ideological family must have in common the core and a certain number of adjacent concepts (so, they all must carry a *family resemblance*), there is wide space for the interpretation of the concepts. Some could stress different concepts than others or decontest the same concepts in different ways. Therefore, differences within the same ideological family are caused not by different core or adjacent concepts, but by different interpretations of the same concepts.

In the next section, I will analyse three views on European integration by ordoliberal authors in order to identify the basic concepts ordoliberals employed to deal with the issue of European integration. In the following sections, I will analyse the ordoliberal debate on two contentious moments of European integration: the creation of the monetary union and the management of the Euro crisis. These two debates made visible the divisions within the ordoliberal camp. With my analysis, I will show the existence of a common set of concepts that characterize the ordoliberal discourse on Europe, beyond the differences among ordoliberals.

3. Ordoliberal ideas on Europe

When dealing with the ordoliberal ideas about the European integration process, the literature tends to rely on 'classic' ordoliberal texts, such as Eucken's *Grundsätze*, and to apply their logic to the European context. Although it is legitimate to deduce ideological positions on specific issues by interpreting some 'founding texts', this strategy seems questionable for two reasons. First, because the *Ordnungspolitik*, at least for the first generation of ordoliberals, was primarily considered a domestic issue (Wohlgemuth 2008). Therefore, transposing ordoliberal ideas, originally meant for the domestic level, to the European level seems not adequate to grasp the ordoliberal perspective on the integration process. Rather, it would be necessary to identify the political concepts that underlie those ideas, following the approach explained in the previous section, and figure out how they would look like in the European context. Second, because an ordoliberal literature on the integration process exists, although it is often overlooked. So, in order to reconstruct the ordoliberal ideas on European integration, it would be advisable to consider not only the ordoliberal foundational texts, but also those expressly devoted to this issue. In this section, I will analyse and compare the views of three important ordoliberal thinkers – Wilhelm Röpke, Manfred Streit and Viktor Vanberg – to show that,

beyond the differences, ordoliberal ideas on the integration process are based on a set common concepts.

A remark needs to be made here. This analysis, which will serve as basis for the next chapters, is not a systematic review of all ordoliberal positions on Europe. It just aims to point out the principles, the topics and the concepts that inform the ordoliberal discourse on Europe. *Contra* Young (2017), I claim that, in order to assess the influence of Ordoliberalism in Europe, it is not necessary to unequivocally link the thought of a supposedly ordoliberal politician to a specific ordoliberal current or scholar. Since ideas are transmitted in an opaque way, it is not always possible to trace this kind of nexus; moreover, politicians could draw inspiration from different currents and interpret them in a creative way. Rather, what matters is to identify the concepts upon which ordoliberal ideas on Europe are based and define the differentiated, but limited, set of ideas and judgements that they can generate. This is the aim of the rest of this chapter.

3.1 Wilhelm Röpke's 'liberalism from below'

Among the early ordoliberals, Röpke was the most devoted to international issues (see Sally 1997). Although a convinced Europeanist, he has been a fierce critic of the integration process, which he deemed oriented towards collectivism (Feld 2012). In his view, as we have seen in the previous chapter, international integration starts from below: for it to succeed, the states must abide by the principles of a liberal order first and foremost within their boundaries. The national prerequisites for international integration depend on the interdependence of the economic, political-institutional and moral orders. The economic conditions are a liberal monetary and financial order, flexibility of prices and wages, and freedom of trades. With regard to the political-institutional framework, the state must not only be democratic, but its power must also be decentralized and limited, to avoid the politicization of economic issues. Finally, an international order also requires a shared set of values and principles, such as the respect of private property and of individual freedom: since the state is the highest political authority, if it does not commit itself to these values, an international order based on cooperation cannot exist. Therefore, Röpke argues, international economic integration is not a purely economic matter, but requires a previous 'social' integration on these issues (Röpke 1959, 73).

However, economic integration is only one aspect of a wider European integration, that must be decisively sustained by political integration. Röpke was a strong advocate of federalism based on a logic of subsidiarity, both in the national and in the international context. Nation states are an indispensable level of political organization, but they need both sub-national and supra-national institutions, to properly deal with 'the problems of our age' (p. 56). But the subsidiarity principle and the displacement of authority through several levels of government are not only motivated by

effectiveness. The decentralization of power – either economic or political – is in fact one of the main objectives of Röpke’s liberal agenda: supra-national institution should curb the discretionary power of the nation states. The excess of power of the states should be eliminated, not transferred to the supranational institutions: on the contrary, these should limit themselves to abstract, regulatory competences (p. 108).

Röpke’s model of European integration was the nineteenth century international system. Its economic order was based on five elements. First, it was an interconnected and interdependent system: all markets were linked and formed a sort of world-market. Second, it was a multilateral system, not only because trade developed multilaterally, but also because it was potentially open to new partners. Third, an international monetary system – the Gold standard – granted the full convertibility and instituted a global payment community. Fourth, it lacked of prohibitive custom duties. Fifth, free circulation of goods, capitals, and people were granted (p. 155-9). Although the nations were not bound together through supranational institutions, the system could work because a liberal ‘open society’, based on common cultural and moral principles, functioned as a substitute for a world-state and allowed a de-politicized economic system (p. 75). When these prerequisite faltered, the international system failed. The governments politicized the economy and adopted all kinds of interventionist policies, from exchange controls to protectionist tariffs and direct interventions. This led to collectivism and to international tensions, eventually resulting in war.

In this light, it is possible to understand Röpke’s ideas on European integration. According to him, the integration process should have consisted in restoring the conditions that characterized the international system before the first World War: re-establishing free exchanges, full currency convertibility, multilateralism and open markets. Rather than integration, it should have been a *re-integration*. This process should start from within the European states: they should commit themselves to a stable monetary policy, the prerequisite for a system of fully convertible currencies, and give up their interventionist policies, which prevent prices and wages to be determined by the market.

On the contrary, European integration has followed the opposite, top-down logic: the functionalist approach posited that the creation of supranational institutions would be conducive to integration. According to Röpke, this was a delusion. Institutions such as the ECSC and Euratom not only were collectivist and interventionist in their logic, but also lacked the potential multilateralism that characterized pre-war European integration: joining them required a too demanding loss of sovereignty for them to be desirable for other partners. In turn, the common market, as instituted by the Rome Treaty, was divided into two groups of states: the first, represented by Germany, with disciplined and balanced economic policies; the other, represented by France, with chronic difficulties in external payments. Wages in France did not reflect the productivity of labour: they were politically

pushed up through inflationist policies. The only solution would be giving up full-employment and welfare policies and the self-commitment to a disciplined monetary policy conducive to full convertibility. However, this can only be obtained by a voluntary decision of the state, not induced through a supranational institution. On the contrary, it is much more probable that the association between sound and undisciplined states would result in a harmonization towards the worst, as ‘the sick would contaminate the sound’. Röpke was highly sceptical about the common market which, in his view, would strongly enhance this tendency. He preferred the logic of the European Free Trade Association (EFTA) which offered more possibilities for the disciplined countries to resist to the bad practices of other countries (p. 259-69). Röpke’s scepticism was also shared by Ludwig Erhard, who criticized the *dirigiste* inclination of the EEC (see Wohlgemuth 2008).

The core ordoliberal concepts underlying Röpke’s ideas of European integration are order, state and *Ordnungspolitik*. The nature of the integration depends on a *Gesamtentscheidung* (general decision) on its order: it can either be from above, based on supranational entities endowed with political powers; or from below, based on the free will and coordination of the participants. Röpke clearly supported the latter. Such kind of integration is based on the free association of nation states according to a federalist principle. Moreover, it requires that, within national boundaries, the economic, political-institutional and moral orders are compatible with an international liberal order. This means that a liberal *Ordnungspolitik* at the national level is the necessary condition for the emergence of the international order. Together with these core concepts, Röpke’s ideas are supported by other adjacent concepts. Among them, the concept of monetary stability seems particularly important. A stable monetary order is a prerequisite for full currency convertibility, a fundamental feature of the international order. However, its relevance goes far beyond its economic dimension: the commitment to a stable currency prevented the states to adopt inflationary policies which distort the international economy, create tensions among states and, eventually, disrupt the international order. In this sense, stable money is also a political stabilizer. Another adjacent concept is subsidiarity, which underpins Röpke’s preference for a federalist integration. In his view, subsidiarity is necessary to decentralize power, and the federal entities should be endowed with tasks that are too general and abstract to be effectively dealt with by the nation states.

3.2 Manfred Streit and Werner Mussler: the economic constitution of Europe from Rome to Maastricht

Manfred Streit and Werner Mussler (Mussler and Streit 1996; Streit and Mussler 1995) adopt an ordoliberal perspective in their analysis of the European integration process ‘from Rome to

Maastricht'. They start with the concept of economic constitution, which they define as the set of rules conducive to a specific type of economic system – rules that are not located only in constitutional law, but can also be found in public and private law. In their analysis, the authors focus on the rules conducive to a market economy. Following the definition by Friedrich Hayek and Erich Hoppmann, they qualify the market system as a self-coordinated, self-organized and complex. The market is self-coordinated because no central authority steers the process. It works as the result of transactions among individuals endowed with limited knowledge: therefore, self-coordination requires competition. It is also self-organized, because individuals do not just react to the signals in the market, but can also learn from them and employ their knowledge to work out creative responses. This accounts for the complexity of the market system: given its creative character, it is impossible to forecast all the possible outcomes resulting from an initial state and direct the process towards a desired outcome. Because of its complex nature, it is not possible to predict what will happen in the process, but only what is not expected to happen (p. 5-7).

The market order requires rules to work. Rules are needed to overcome the problem of the 'constitutional ignorance' and must be abstract, negative (i.e. they must not prescribe specific behaviours, but only identify not allowed actions) and clear. This kind of rules increases the predictability of the process, as they inform actors on what they are not supposed to expect. Furthermore, given their negative nature, they are open to creative and unprecedented solutions, thus preserving the dynamicity and self-organizing character of the process. Rules also safeguard competition by constraining freedom of action. While freedom is a central value in a market economy, the ordoliberal tradition has proven that freedom can be used to suppress freedom itself, so it requires to be safeguarded against anti-competitive behaviours (p. 7-9).

The market order and the state are interdependent. On the one hand, the state is hierarchically superior to the market, as it can define the rules that discipline the market, but the market cannot do the same. However, the actors on the market can challenge the state through 'voice' and 'exit'. In a market economy, the role of the state is limited, but its task of maintaining the framework for a competitive order is much wider than that of a 'night watchman'. Conversely, any appeal to a social justice enforced by the state is both mistaken and undesirable. Mistaken, because it posits an omniscient observer capable to orient the market process to specific purposes – which is impossible, given its complexity. Undesirable, because the policies pursuing social justice tend to contradict the abstract and negative character of rules and to serve rent-seeking purposes (p. 9-10).

After having described its features, Streit and Mussler focus on the relation between the market order and European integration. Just like Röpke, they distinguish two logics of integration. First, an integration through interventionism, from above: it consists in subdividing the overall economic order

in sectors and in fixing objectives for the economic process. The second is integration through competition, which consists in establishing a non-discriminatory framework of rules that increases the possibility of choosing between goods, services and even jurisdictions. It can be qualified as integration from below, because it leaves economic actors free to choose how to pursue their interest, thus offering possibilities for jurisdictional competition. Integration through competition recognizes the role of rules in coping with the knowledge problem and the possibility that competition among jurisdiction may improve the institutional framework in creative and unexpected ways. In turn, competition through intervention is based on the omniscience of policy-makers and prefers a harmonized legislation instead of the competition among jurisdiction, which is considered useless (p.12-4).

The whole process of European integration is characterized by a tension between the centralist and the competitive logic. The Treaty of Rome establishing the EEC was conducive to a market order, as it established a framework for a self-organizing market. The liberties (free movement of capitals, goods, services and persons) that constitute the economic autonomy of economic actors are safeguarded against private (other competitors) and public actors (the Member States). This allowed a ‘competition of regulations’, as in the case of the *Cassis de Dijon* ruling. Together with this market-conducive framework, however, the integration process also included other areas that were much more consistent with the centralist logic: for instance, the European Community of Steel and Coal and the Common Agricultural Policy. The following steps of integration have furthered the relevance of the centralist logic, increasing the area of discretionary intervention of the supranational institutions, such as in industrial policy and in the field of social and economic cohesion – an ambiguous concept that opens the door to any kind of discretionary and purpose oriented policy.

Also Streit and Mussler base their reasoning on the core ordoliberal concepts of order, state and *Ordnungspolitik*. They refer to the ordoliberal argument of a *Gesamtentscheidung* between a competitive and a centralist order, which correspond, respectively, to integration through competition and through intervention. The state is primarily intended as enforcer of the *Ordnungspolitik* that discipline the economic order. In this function, the ‘competition of regulations’ helps it in selecting the more effective and successful rules. Moreover, the subsidiarity principle safeguards the competences of the Member States against an excessive expansion of the supra-national institutions. Unlike Röpke, they recognize that the European countries introduced some elements of *Ordnungspolitik* into the EEC Treaty, although more by accident – they could not foresee the consequences of the Rome Treaty – than on purpose.

3.3 Viktor Vanberg's competitive federalism

Viktor Vanberg's position on the European integration is based on his conception of *wettbewerblicher Föderalismus* (see previous chapter). Just like his other ordoliberal colleagues, he distinguishes two logics operating in the integration process: a centralist and a competitive one. According to the centralist logic, the European polity should replicate on a wider scale the nation state: European states should give up their competences to the supranational institutions, which would replace the national ones. In turn, according to the competitive paradigm, states commit themselves to rules that prescribe what is allowed in the relations among each other and towards citizens and third parties. So, the competitive logic does not imply a transfer of national sovereignty to an upper level: rather, it requires that Member States define (and stick to) an *Ordnungsrahmen* for inter-governmental competition. Despite not prescribing a transfer of sovereignty, competitive federalism constrains the power of the governments. However, this constraint has a completely different nature than the one fostered by the centralist approach. While centralist federalism shifts power to an upper level, in the competitive paradigm power is 'dissipated in a competitive arrangement' (Vanberg 1993, 21–22): therefore, the constraint on state power does not benefit other political institutions, but is in favour of consumers and citizens. Concrete integration process are never entirely based on one of these logics, but always blend them. However, according to Vanberg, the limits of European integration are related to its centralist tendency, and could be solved by increasing the specific weight of the competitive logic.

As example, Vanberg takes the case of monetary integration. According to the centralist paradigm, a monetary integration would consist in the creation of a single currency and of a central institution to administer it: political power would be shift to a supranational political entity. In turn, the competitive logic requires the definition of the rules for a competition among currencies: national sovereignty would be limited through competition itself, not by a political authority. If the Mark emerged as leading currency from the competition, this would not be caused by a transfer of sovereignty from other countries to Germany, nor would its primacy be granted by law. Rather, its primacy would derive from the choices of market actors and be based on its performance (p. 22).

Vanberg's ideas of Europe, then, are based on ordoliberal principles. First, on the interdependence between the economic and the political order, both qualified as competitive orders. Unlike early Ordoliberalism, the state is not anymore just the enforcer of a competitive order, but becomes itself part of a competitive game. So, the second concept is the competitive state. The state, intended as a territorial enterprise, must serve the interest of its citizens. To do so, it competes with other states to gather the mobile resources necessary to implement its programmes. Inter-

governmental competition reduces the arbitrary power of the governments, makes them more responsive to the common interest of their citizens, and makes it harder to adopt protectionist policies. The competition, however, must respect the principle of *Leistungswettbewerb*: therefore, it is necessary an international *Ordnungspolitik* to set the framework of rules for a fair competition among governments. It should also be complemented by a right to ‘exit’ for the Member States.

Together with these core concepts, Vanberg’s vision is based also upon ordoliberal adjacent concepts. The first is the concept of responsibility, which should be intended as the accountability of the competitive states for their policies. This concept is reflected in the *Äquivalenzprinzip*, whereby those upon which the effects of political decisions rebound should correspond as far as possible to those who take the decisions (Vanberg 2004, 123). The *Äquivalenzprinzip* is a reviewed version of Eucken’s *Haftungsprinzip* (‘who benefits must also bear the damage’): while the latter applies to market actors, the former applies to states in the field of international relations. Another adjacent concept is connected with the federalist principle: subsidiarity. According to Vanberg, subsidiarity can be interpreted in a ‘communitarian’ or in a liberal way. In both senses, subsidiarity implies a preference for the attribution of decisional power to the lower level of government, but they follow a different logic. In the communal sense, it aims to increase the ‘voice’ of the citizens: lower levels of government are endowed with more power to pursue their citizens’ desires. In the liberal sense, it stresses the ‘exit’: smaller jurisdictions decrease the exit costs from unwanted governments. So, while the communitarian interpretation of subsidiarity increases the power of the governments, its liberal interpretation serves the principle of competition among government. As a consequence, subsidiarity must be intended as a principle to secure the core concept of a competitive order (Vanberg 1997).

3.4 Core and adjacent concepts underlying the ordoliberal ideas of European integration

So, ordoliberal ideas on European integration rest on the core concepts of order, competition, state and *Ordnungspolitik*. According to the ordoliberal concept of order, the integration process can either follow a centralist, interventionist or a de-centralized, competitive logic. The latter is the only that can secure a peaceful cooperation among European countries. Because of the interdependence of the orders, this kind of integration requires an economic order based on competitive, open markets, and a political-institutional order that limits the discretionary power of the state. The state always plays a central role, either as an enforcer of the framework that allows the integration, or as an actor in the competitive game. The *Ordnungspolitik* represents the regulatory framework conducive to such a competitive order.

These core concepts are matched with other adjacent concepts, the most relevant of which are responsibility, subsidiarity and sound money. While in ‘domestic’ *Ordnungspolitik* the concept of

responsibility refers to market actors, at the European level it refers to the states. The *Äquivalenzprinzip* employed by Vanberg is illustrative: given the competitive character of the (ordoliberal) integration, states and governments should be held accountable for the consequences of their own policies. Lessening these consequences in the name of European solidarity would destroy the competitive nature of integration and inevitably lead to centralization and tensions among European countries. The subsidiarity principle consists in the preference for the decentralization of political power: the higher the level of government, the more abstract its competence. However, the power should not be merely transferred from the states to a central authority: this would just shift the problem to a higher level. Rather, the excess of discretionary power should be eliminated through competition and decentralization. Monetary stability is among the economic features of the European *Ordnungspolitik*. Unlike other features – which are rather self-explanatory, such as the openness of the markets – can be decontested in various ways, as will be shown in the next section.

These core and adjacent concepts underlie the ordoliberal ideas on European integration. Some of these ideas are common to all ordoliberals. For instance, the interplay between the concepts of order, state and subsidiarity results in the ordoliberal preference for the federalist approach to European integration. Similarly, the ordoliberal reluctance against the mutualisation of national debts is underpinned by the concepts of *Ordnungspolitik*, state and responsibility. Other ideas, in turn, differ despite being based on the same concepts. An illustrative case is the difference between Röpke's idea of integration from below and Vanberg's competitive federalism. In Röpke's view, international integration is a by-product of the respect, within the national boundaries, of the principles of *Ordnungspolitik*. On the contrary, from Vanberg's perspective, not only it is possible to define an international *Ordnungspolitik*, but it could also strengthen the *Ordnungspolitik* at the domestic level. Even if they base their argument on the same concepts of order, state and *Ordnungspolitik*, the two ordoliberal scholars decontest them in different ways, thus reaching divergent conclusions.

Although Röpke's view is older than Vanberg's, this does not imply that all contemporary ordoliberals subscribe to the latter's arguments. In his successful book on the financial crisis *Casino Capitalism*, the famous ordoliberal economist Hans-Werner Sinn (2010) blames the concept of inter-governmental competition as the main cause for the crisis. In order to attract capitals and investments, the states engaged a race to the bottom which brought them to adopt accommodating regulations for the financial sector: the state surrendered its regulatory duty in favour of financial interest groups, thus creating the condition for the crisis. As the early ordoliberals had predicted, leaving the regulatory task to the forces of competition would have resulted in ineffective regulations.

Although Vanberg and Sinn come to divergent conclusions with regard to the jurisdictional competition, it would be wrong to qualify one position as more ordoliberal than the other. Ideologies

are not rigid structures: they are always open to interpretation. In order to qualify ideas as ordoliberal, they must be based on ordoliberal concepts; but, as we have seen, ideas based on ordoliberal concepts may be divergent.

4. The debate over the Economic and Monetary Union

The institution of the Economic and Monetary Union (EMU) has been a decisive step in the integration process. For the purpose of this chapter, it represents an interesting episode, as it exposed the internal divisions within the ordoliberal camp on a concrete and relevant political issue. Kenneth Dyson (1998, 2016; 1999) has thoroughly analysed the influence of Ordoliberalism on the Maastricht treaty. The German position during the negotiation of the EMU was characterized by a tension between Ordoliberalism and Europeanism. This tension was not new to German politics, as it dated back to the early years of the Federal Republic: indicative is, in this sense, the conflictual relationship between the Europeanist Adenauer and the ordoliberal Erhard.

The ordoliberal vision within the German executive, represented by the state secretary in the finance ministry, Hans Tietmeyer, and by the Bundesbank, was modelled after the ‘coronation theory’: the EMU would be the result of a long process of economic and political union (Dyson 1998, 39). This theory was consistent with Wilhelm Röpke’s conception of liberalism from below: an international *Ordo* requires a prior social integration and the respect, within the national boundaries, of a competitive *Ordnungspolitik*. In turn, the Europeanist position was embodied by chancellor Kohl and by his vision of a ‘community of stability’. To be sure, this concept was not antagonistic to Ordoliberalism; on the contrary, being ‘based on strict fiscal discipline and economic convergence’ (p. 40), it overlapped it. These ordoliberal features of Kohl’s vision stemmed both from his convictions and from the need to secure the support of the Bundesbank and of the finance ministry. However, Kohl’s position was also motivated by his intimate Europeanism – he saw himself as a disciple of Adenauer (p. 42) – and by foreign policy reasons – mainly, the will to show that the German re-unification would have produced a Western and European, rather than a neutral Germany (p. 39). During the negotiations, Kohl’s Europeanism offered historical and political legitimation to the EMU (p. 61), whereas the ordoliberal ideas represented powerful ideational resources, offering the theoretical basis from which the German proposals were derived.

Outside of the government, the ordoliberal camp was split into two, respectively against and in favour of the EMU. The manifesto *Die währungspolitischen Beschlüsse von Maastricht: Eine Gefahr für Europa* (‘The monetary policy decision of Maastricht: A threat for Europe’), published in June 1992 on the *Frankfurter Allgemeine Zeitung* (FAZ), depicts the position of the former faction: echoing the coronation theory, it claimed that the political economies of the European states were still

too different for the establishment of a common currency. In turn, the *Ordnungspolitisches Plädoyer* by Olaf Sievert (1993) represented the pro-EMU faction of the ordoliberal camp.

4.1 The Eurosceptical camp

The sceptical appeal, promoted by Renate Ohr and Wolf Schäfer, was subscribed by 62 prominent German economists. Among them, the former social-democratic minister Karl Schiller, who had played a central role in the reception of the Keynesian paradigm in German politics, and the distinguished ordoliberal Herbert Giersch. The appeal described the EMU as a desirable objective, but the Maastricht treaty was not appropriate to reach it. This kind of union required a continuative and lasting harmonization of the economic structures of the Member States, which could not be secured by a one-off observance of the convergence criteria. Moreover, the criteria were not strict enough and could be watered down for political reasons. The manifesto also questioned the capability of the future European Central Bank to deliver on its stability function. Despite its formal independence, it would always be subject to national interests, especially because the lack of consensus among European states on a monetary policy primarily oriented to price stability. Finally, because of their lack of productivity and competitiveness, the weakest countries would experience an increase in unemployment. The divide between competitive and uncompetitive countries would be compensated through high transfer payments that, in absence of a political union, would not be democratically be legitimated. Therefore, the appeal concluded, there is ‘no compelling argument for imposing a monetary union from above on a Europe that is not yet united economically, socially and politically’. On the contrary, there are reasons to oppose it, as it would cause disruptive tensions among Member States.

According to Renate Ohr (1993), the institution of the EMU is a constitutional choice that strongly influences the regulatory framework of the international economy, and that threatens the competitiveness and the political and social stability of the European countries. She rejects the three arguments usually employed to support the EMU: the reduction of transaction costs, the elimination of monetary disturbances and the enhanced competitiveness of labour market. Transaction costs were already negligible in the European Monetary System (EMS), whereas monetary disturbances should be interpreted not as a source, but as a symptom of incorrect economic policies. With regard to the labour market argument, those who support it claim that it would have a disciplinary effect on the wages, linking them to productivity. Ohr deems this position as extremist and contrary to the tradition of the Social Market Economy. Depriving the least competitive countries of the possibility to devalue their currency would only make them even less competitive, while richer and more competitive countries would grow richer and more competitive. This would result in tensions among

European states and make it necessary to compensate them through transfer payments. Moreover, the separation between a supranational monetary policy and a national competence over budgetary and fiscal policy increases the risk of moral hazard and threatens monetary stability: since the governments would not directly pay their profligacy in terms of inflation of their own currency, they are incentivized to adopt undisciplined budgetary policies. In this situation, it would be hard for the central bank to maintain the stability of the monetary union without giving up its restrictive monetary policy. According to Ohr, the main question is: is it possible to have monetary stability in the Economic and Monetary Union? A system of competing currencies, as the EMS, is automatically oriented towards stability, as the leading currency would be the most stable. A stable monetary union, in turn, requires not only harmonized economic structures, but also a common political disposition towards stability. These prerequisites lacked in Europe, so the institution of an irrevocable monetary union is a hazard that would result in the loss of stability and in tensions among states.

Hans Tietmeyer was sympathetic with the warnings of the 62 economists but, because of his position in the German executive, could not publicly support the appeal (Dyson 2016, 158). In an article published on the FAZ, he defended the EMU, but also expressed concerns on two issues (Tietmeyer 1993). First, he pointed out that a monetary union is not conducive *per se* to budgetary and fiscal discipline; on the contrary, by increasing the interdependence between national economies, it also increases the possibility of a negative spill-over of bad practices. Therefore, stability is not an automatic by-product of monetary integration; rather, it is a political task. Since the monetary union cannot rule out divergent economic policies among Member States, the most important task is to prevent that bad national policies rebound to other countries: governments must be held accountable for their choices. In this sense, monetary transfers among states must be forbidden because they incentive moral hazard. Second, Tietmeyer was concerned about the political-institutional dimension of the integration process. While he was convinced that the scepticism towards the independence of European System of Central Banks was undue, he also complained that the EMU was not supported by a political integration: Europe needed political institutions whereby conflicts could be mediated and solved, and common values and objective could be defined. He repelled a centralist European super-state; rather, he fostered a federalist European political Union that only had competences on *Ordnungspolitik* issues and modelled after the subsidiarity principle.

4.2 An ordoliberal defence of the EMU

In an article published on the FAZ on September 1992, Olaf Sievert, Herbert Giersch's student, defended the EMU with ordoliberal arguments. In his view, the main advantage of a single European currency is that it is '*Geld, das man nicht selbst herstellen kann*' ('money that you cannot produce on

your own’). This is an epoch-making transformation as, according to Sievert, the history of money has always corresponded with the history of its abuse:

Opportunities and advantages were obtained and exploited by spending money that nobody had, but could be produced by creating earnings and capitals that had no real basis, so that could only be reclaimed (if ever) at the expense of others, and, not least, by devaluing other debts that were supposed to be paid with good money; for short, lies and deception in the garment of state authority, which represented over the centuries the attractiveness of state sovereignty over the monetary system (Sievert 1993, 14 my translation).⁴⁶

The European countries have already lost their monetary sovereignty because of welfare policies, which have turned them into hostages of group interests. With the monetary union, they have the possibility to re-establish a common monetary system, and it would be the most objective system since the Gold standard. Such system would be based on the separation of those who create money from those who use it. Member States lose their right to coin money and to ask their central banks for credit: money is, in fact, created by a central bank that has price stability as its prime function and that enjoys the highest degree of independence. All these features are part of the Treaty.

The Maastricht treaty does not establish a European super-state. On the contrary, it allows the creation of good and sound money as the *Ordnungsbedingung* (framework) for a decentralized system not only for private, but also for public actors. The monetary union takes away from the states the possibility of inflationary policies and of devaluation. This represents the regulative framework of an international competition that enforces economic rationality within the states and safeguards international investors from political discretion. This translates into increased predictability and reliability which, together with the reduction of transaction costs, should be accounted as positive aspects of the monetary union. But the greatest advantage lies in its disciplining effect on the labour markets.

The single currency forces wages to conform with productivity and brings them to their real value. It dramatically reduces the economic power of the unions, as the inflationary policies usually employed to solve distributive conflicts cannot be enacted by governments anymore. So, the burden of economic adjustment cannot be shifted to the monetary policy anymore, but must be borne by wage and social policy. These consequences are consistent with an *Ordnungspolitik* approach, as they address the behaviours, not the outcomes. Because of this advantage, Sievert argues, critics against

⁴⁶ *Handlungsmöglichkeiten und Vorteile gewinnen und nutzen, die einem nicht zustehen, indem man Geld ausgibt, das man nicht hat, aber herstellen kann, indem man Einkommen und Vermögen entstehen lasst, für die es eine reale Grundlage nicht gibt, die also, wenn überhaupt, nur auf Kosten von anderen gewonnen werden können, und - nicht zuletzt - indem man Schulden entwertet, die mit gutem Geld zu bezahlen man versprochen hat, kurz, Lug und Trug im Gewande staatlicher Hoheit, das hat über die Jahrhunderte die Attraktivität der einzelstaatlichen Souveränität über das Geldwesen ausgemacht.*

the EMU based on the Optimal Currency Area approach are mistaken: a monetary union has an optimal dimension when it is enough large to prevent wage cartels. Finally, the monetary union enhance the responsibility of the states: they have to finance themselves with money that they cannot create on their own and cannot rely on the help of other Member States, as the Treaty is equipped with the no-bail out clause.

4.3 A conceptual explanation of the divergences among ordoliberalists

The different positions of the ordoliberalists with regard to the monetary union can be explained by looking at the political concepts underlying their ideas. The sceptics stress the interdependence between the economic, political and social orders as prerequisites for the monetary union. As long as the states do not harmonize their economies and commit themselves to a disciplined economic policy, monetary integration will be a hazard. This view closely resembles Röpke's liberalism from below. The *Ordnungspolitik* conducive to international integration is primarily a domestic issue: international integration begins at home. Moreover, both according to Röpke and to the sceptics, monetary integration requires also a political integration: Europe should be a federation based on the subsidiarity principle and the supranational institutions should have abstract competences, aimed to enforce the regulatory framework.

In the absence of these prerequisites, the EMU will fail to deliver on its stability function. Responsibility, one of the constitutive concepts of *Ordnungspolitik*, is hindered by the separation between monetary policy – in the hands of a supranational institution – and budgetary and fiscal policies – which remain in the hands of the undisciplined Member States. In fact, monetary integration *per se* is not conducive to discipline, and must be supplemented by political supranational institutions that prevent negative spill-over and make the Member States accountable for their policies. This is also true for another constitutive principle: monetary stability. The sceptics support, as many ordoliberalists do, a competitive system of currencies, which they deem as stability-oriented. On the contrary, the single currency would create social tensions and would not maintain its stable character on the long run.

According to Sievert, in turn, the international *Ordnungspolitik* can be established from above and can help to enforce a competitive order within the national boundaries: the EMU represents this kind of international regulative framework. So, compared to Röpke's and the sceptics' views, the direction is inverted: if they claim that a domestic competitive order is the prerequisite for international integration, Sievert argues that international integration can help enforcing a competitive order at the domestic level. The EMU represents the regulatory framework for the competition among

European states. The conception of a competitive state is supplemented by the concept of responsibility: for the intergovernmental competition to work, it is necessary that states are held accountable for their actions, so spill-overs must be limited and transfers in favour of weakest countries must be ruled out. Monetary stability is the crucial disciplining device of the EMU architecture. It rules out the possibility for the states to adopt inflationary policies or currency depreciation and forces them to base their economic adjustment on wage and social policies. In this way, wages are not anymore the result of political pressure of the unions, but reflect their real value. In this sense, monetary stability concretizes the ordoliberal concept of *Ordo*.

It is illustrative to stress the different judgement on the concept of responsibility between the sceptical and Sievert. According to the sceptical, the EMU weakens the responsibility principle, especially because of the separation between a European competence over monetary policy and a national competence over budgetary and fiscal policies: this would increase the risk of moral hazard. According to Sievert, in turn, it is exactly this separation to enhance the responsibility of the states, as the Treaty rules out the possibility of transfers and spill-overs. In this case, it appears clear that the contradiction among ordoliberals does not lie in the concepts they use to support their ideas – which are the same; rather, it is caused by their different evaluations on the consequences of the EMU.

5. Ordoliberal ideas on Europe during the crisis

During the Euro crisis and in the following years, disagreements among the ordoliberals persisted, resulting in ‘almost diametrically opposed positions on the most important issues’ (Jacoby 2014, 71). The discord can be illustrated by looking at the different evaluations on the government led by Angela Merkel. In June 2018, Nils Goldschmidt, president of the *Aktionsgemeinschaft Soziale Marktwirtschaft*, an ordoliberal think-tank founded by Alexander Rüstow, awarded the *Kanzlerin* the Rüstow medal as a recognition for her commitment to the principles of Social Market Economy. Some days later, the former president of the think-tank, Joachim Starbatty, returned in protest his medal, polemically stating that he could not find a single reason why Merkel was bestowed the medal. Some months later, the *Ludwig Erhard Stiftung* published a vitriolic article accusing Merkel of having ‘no less than destroyed the German economic order’ (Van Suntum 2019).

The praises and the criticisms concerned, to a large extent, the conduct of the German government during the Euro crisis. The attitude of the ordoliberals towards the *Bundesregierung* ranged from open hostility – as testified by the foundation of the Eurosceptic party *Alternative für*

*Deutschland*⁴⁷ – to more benevolent positions. However, even the more benevolent the ordoliberals were never totally supportive of the strategy of the government: they sided with Finance Minister Wolfgang Schäuble, who was more inclined to ordoliberal positions, but were more sceptical towards Merkel. In particular, they criticized her concept of *Wirtschaftsregierung* (‘economic government’), which she used to describe the Franco-German consensus for the reform of the economic governance of the EU.

In the years of the crisis, ordoliberals vigorously took part to the German debate about the crisis management and the future of Europe from the universities, from the think-tanks and from their public positions; the economist rankings published by the media, which saw ordoliberal economists such as Hans-Werner Sinn or Lars Feld occupying top-positions, testify their strong influence on the debate. In the rest of this section, I will try to synthesize this debate by identifying the common features of the ordoliberal ideas on the crisis and, then, by explaining why their positions differed.

The appeal *Wirtschaftsverfassung statt Wirtschaftsregierung* (‘Economic constitution instead of economic government’) published on the FAZ on June 2012 offers a good outlook to grasp the general ordoliberal argument on the Euro crisis, not just because of its direct references to ordoliberal ideas and authors but, decisively, because it has been subscribed by ordoliberals representing both extreme and moderate positions (Jenaer Allianz zur Erneuerung der Sozialen Marktwirtschaft 2012).

The appeal starts by noting that, with the Lisbon treaty, three constitutive ordoliberal principles – open markets, *Leistungswettbewerb* and stable currency – have been Europeanised. However, the integration process has been characterized by some mistakes. Some fields follow a logic of centralist harmonization, as shown by the overburden of regulations, whereas other are characterized by interventionist policies (agricultural policy, cohesion and development funds). Regarding the monetary union, the commitment to disciplined monetary and fiscal policies has proven too weak. For the single currency to properly work, the governments needed to increase wage flexibility and the mobility of productive factors, as they represent the only levers to keep an economy competitive within a monetary union. Since the governments of most countries were not willing to do so, the monetary union turned into a cause of conflict.

According to the subscribers of the appeal, the Euro crisis can be interpreted as a consequence of the infringement of Eucken’s constitutive principles of currency stability, responsibility and constancy of economic policy. The constancy of European economic policy failed, because Member

⁴⁷ The party was founded, among the others, by a group of conservative and ordoliberal economic professors led by Bernd Lucke. However, because of the extremist drift of the *AfD*, they left the party and founded another organization, the *Liberale-Konservative Reformier*.

States could infringe their commitment to budgetary discipline without consequences, whereas the bailout of banks dissolved the nexus between investment, risk and gain. If these three principles had been respected, the Euro crisis would have not happened, sparing the EU an existential crisis.

Since its inception, the monetary union was characterized by two problems. First, it included states that did not respect the conditions to be part of it; second, its regulatory framework was not credible. As the first problem is hard to resolve – because leaving the monetary union would be extremely costly – the efforts should focus on the second. States must commit themselves to balanced budget and debt reduction. In this sense, Eurobonds, the purchase of state bonds by the ECB and a permanent rescue fund are wrong answers, as they do not urge the indebted states to adopt disciplined policies. Rather, according to the subscribers of the appeal, stable budgetary policies should be enforced through a general regulatory framework based on the following principles.

- All governments are required to balance their structural budget, following the example of the Swiss or German *Schuldenbremse*.
- All governments are required to reduce their debt to a maximum amount according to a predetermined repayment schedule.
- How to fulfil these tasks is up to the states. Neither the EU nor individual countries should make concrete requests on how other democratic countries should manage their taxes and expenditures. It is only necessary that the states commit themselves to allocate a part of their revenue to debt repayment.
- States that fail to comply must be subject to automatic sanctions, the amount of which is predetermined and which cannot be suspended by other Eurozone Member States.
- A state insolvency law that applies equally to European states must be established. There, the bankruptcy conditions must be clearly stated, as well as the order of the creditors involved in an ‘haircut’. Then, the private creditors must be consulted. Only this expectation of loss of the creditors (instead of mutualizing debts through monetarization or public ‘bailouts’) has incentive-compatible effects on investors and policy-makers (Jenaer Allianz zur Erneuerung der Sozialen Marktwirtschaft 2012; translation is mine).

The European reforms undertaken during the crisis represent important steps towards this direction, despite the lack of credible automatism for the sanctions and some interferences on the competences of the states, that should be rejected as contrary to the subsidiarity principle.

The appeal also criticizes the ECB for its monetary policy during the crisis, which has threatened its independence, and calls for a reform of the voting rights in the ECB council. Regarding the crisis policy, it claims that the best policy against the crisis is the reform of the economic and social regulatory framework to create an investment-friendly environment. The so-called *Transferunion* (i.e. the conception whereby inequalities within the monetary union should be compensated through a permanent system of transfer payments) must be rejected, the no-bail out clause must be made credible again and the Member States must return responsible for their own

funding. The solution to the crisis, the appeal concludes, does not lie in more centralization but in a credible framework of rules and mechanisms based on the principles of the Social Market Economy.

The appeal synthesizes the common elements of the ordoliberal discourse about the Euro crisis. The problems of the Eurozone concern the concepts of order and *Ordnungspolitik*. On the one hand, the economic and social structures of the European states are too divergent: some countries (the Northern) have a disciplined, competitive economy, whereas others (the Southern) are not competitive and too indebted. In this sense, the problems regarding the order concern the national dimension. On the other, the problems of the *Ordnungspolitik* concern the European level: the regulatory framework of the EMU is flawed and not credible, especially with regard to the no-bail out clause and to the Stability and Growth Pact. Consequently, the principles of a competitive order have been infringed. Financial assistance to the indebted countries weakens the responsibility principle – both of the private actors, who are relieved of the losses for their wrong investments, and of the governments, who are exempted from the consequences of their wrong economic policies. The principle of stable currency is infringed by the ECB's inflationary and complaisant monetary policy. These interventions ease market pressure on indebted countries, weakening the incentives to undertake structural reforms. They are to reject, as they handle with the symptoms of the crisis, but prevent from solving its causes, which lie in lack of competitiveness.

This reasoning is the premise for some judgements on the euro crisis which are common to all ordoliberals. First, the rejection of the so-called *Transferunion* and the reassertion of state responsibility on the decisions and the consequences of the economic policies. Then, a critical stance towards ECB monetary policy.⁴⁸ Finally, a preference for a European response to the crisis based on rules, instead of political discretionary power and interventions of supranational institutions – which results in the rejection of proposals such as the *Wirtschaftsregierung*, the European Minister of Finance, the role of the ECB as lender of last resort, Eurobonds, etc.

The ordoliberals, however, disagree on the conclusions they draw from this reasoning. As in the Euro debate, we can distinguish between those who maintain the possibility of solving the problems of the national dimension through a European *Ordnungspolitik* and those who argue that the divergences are too deep-rooted to be solved within the framework of the Monetary Union.

⁴⁸ Again, the ordoliberal attitude towards the decisions of the ECB during the crisis ranges from open hostility – according to which the ECB has destroyed the European competitive order – to a more moderate concern – Feld (2012) recognizes that its policies were needed to save the integrity of the Eurozone, but is worried about the capacity of the ECB to absorb the excess of money in the long run.

The appeal clearly leans towards the former perspective. Considered the extremely high costs of leaving the single currency, the problems must be solved within the monetary union by shaping a regulatory framework that binds the states to reduce their debts to sustainable levels and to structural balance on penalty of automatic sanctions, and by establishing an insolvency framework for the states specifying the conditions for insolvency and for the involvement of the creditors. This perspective animated policy proposals such as the European *Schuldentilgungspakt* ('debt redemption pact'), advanced by the *Sachverständigenrat* in 2012, and Schäuble's non-paper on the transformation of the ESM into a European Monetary Fund. The debt redemption pact proposed by the GCEE was based on three pillars. First, a debt redemption fund, where the Member States should amass the part of their sovereign debt exceeding the 60% of their GDP and repay it in 20 years, with the commitment not to increase their debt.⁴⁹ Second, a fiscal pact modelled after the German *Schuldenbremse*. Third, an insolvency framework for the Member States (see Feld 2012). The proposal by Schäuble, in turn, emphasized the importance of the fiscal responsibility of the states, rejected new instruments such as a budget for the Eurozone or any kind of European bonds, and supported the institution of an insolvency framework with mandatory debt restructuring in case of unsustainable debt.

The ordoliberalists who deem the structural differences among European states as too deep-rooted, instead, predicate the unsustainability of the Eurozone. The more extremists advocate the return to a competitive system of currencies as the EMS (Streit 2011) or argue that the breakdown of the Monetary Union could have stabilizing effects (Ohr 2012). More moderate positions claim a reduction of the size of the EMU: some propose the institution of a Northern and a Southern Euro (Meyer 2011), other a Eurozone limited to the most stable countries, or a 'breathing union' to allow states in difficulty to temporarily exit and fix their problems (Sinn 2014). Regardless of the temporary or permanent nature of the reduction, the logic remains the same: indebted countries cannot fix their economies within the monetary union. This perspective primarily characterizes the more radical ordoliberalists, especially those closer to the AfD, for instance Joachim Starbatty and Roland Vaubel (see note 47). However, a similar approach was also adopted by Schäuble and his state secretary Thomas Steffen during the negotiations for the third bail-out package for Greece: unlike the Chancellor, who was determined to keep Greece in the monetary union at all costs, Schäuble believed that a temporary exit would have been the only way for Greece to restore its competitiveness and honour its debt (see, for instance, Varoufakis 2017).

⁴⁹ The redemption fund envisaged by the proposal implies a certain degree of responsibility mutualisation for the national sovereign debt. Nonetheless, this is not a breach of the responsibility principle, as the mutualisation is limited by strict rules and coupled with strict surveillance, and its overarching aim is to enforcing national responsibility.

6. Conclusions

In this chapter, I have identified the political concepts that underlie the ordoliberal ideas on European integration. Political concepts represent the ‘building blocks’ of political thinking: ideas draw their causal force from the decontestation of these concepts, which allows to interpret the world, to define the interests and to elaborate strategies. Therefore, assessing the effects of ideas in politics requires, as a preliminary step, to identify the concepts that underpin them. Analysing the ordoliberal theoretical and political debate on European integration, the core concepts of (competitive) order, state and *Ordnungspolitik* and the adjacent concepts of responsibility, subsidiarity and monetary stability emerge as the foundations of the ordoliberal ideas on Europe.

The interplay between these concepts generates a set of ideas which are common to all ordoliberals: a federal approach based on the subsidiarity principle; international institutions endowed with the task of establishing the *Ordnungspolitik* for competition, not with discretionary political power, which would replicate the problems of the nation states to a higher level; the rejection of a permanent *Transferunion*; aversion to inflationary monetary policies.

Given their essentially contestable nature, political concepts can be interpreted in different ways: this explains the divergent positions among ordoliberals in the debates on the monetary union and on the euro crisis. A different decontestation or a different emphasis on certain concepts brought to completely opposite judgements on the desirability of the single currency and on the proper way out of the crisis. However, the fact that ordoliberal concepts can bring to opposite judgements on important issues does not imply that they can be used to sustain *any* position. Despite being open to interpretation, political concepts have logical and cultural constraints that limit their possible meanings: so, although the interplay of ordoliberal concepts can result in a variety of (even conflicting) ideas, their number is limited, leaving outside many options. Consequently, it would be rather hard to find an ordoliberal supporting permanent transfers to indebted countries, or the proposal of a European Finance Minister with competences on a Eurozone budget. On this basis, in the next chapters I will define as ordoliberal those ideas on European integration which build upon these concepts and interpret them in a way that is consistent with the logic of Ordoliberalism.

The set of political concepts identified in this chapter defines a specific ordoliberal approach to European integration which is not referable to other ideologies. While Ordoliberalism is similar to the other currents of Neoliberalisms, from which it differs because of its conception of the state and of the concept of *Ordnungspolitik*, its relation with Keynesianism appears much more problematic. In his *General Theory*, John M. Keynes (1936) claimed that, among the limits of classical economics, one of the worst errors was the tendency to equate nominal and real wages, which resulted in

overlooking the former in favour of the latter. By doing this, Keynes argued, classic economics condemned the nations to underemployment, as they deprived the states of the theoretical instruments to recognize involuntary unemployment and of the policy tools – e.g., monetary policies and investments – that could lead to full employment. If we look at Sievert’s case for the single currency, which represents a strong defence for the ordoliberal principle of monetary stability, we can clearly see that the ordoliberals held a rather different position. Monetary stability is the disciplinary instrument to bring wages to the ‘real’ value, without any interference from the state. So, what Keynes deemed as a blunder of classical economics, acquires the status of political objective in the ordoliberal perspective. If we also consider that Keynes wished an increased involvement of the state in the definition of the investments, whereas according to the ordoliberals this would result in the disruption of the *Ordo* (that was characterized by early ordoliberals as a semi-divine state of affairs), it becomes hard to understand how Ordoliberalism could be located somewhere between Neoliberalism and Keynesianism. Although, from the point of view of economic theory, there have been efforts to throw bridges between the two approaches, from the perspective of political theory they are antithetic.

The study of the ordoliberal conception of European integration also gives the cue to reflect on the relationship between ideas and interest.⁵⁰ To be sure, the ordoliberal conception of a competitive federalism based on subsidiarity and responsibility of the states lends itself to support the interests of a country like Germany, which is unwilling to pay for the profligacy of its indebted partners. In this sense, ideas can serve as powerful discursive instruments to defend national interests. However, it is also possible to argue that these ideas can be themselves constitutive of interests. If the EU is conceived as a competitive system, solidarity towards indebted countries can only be achieved at the expenses of the others. But that the EU is actually a competitive system is more a matter of convictions than of facts. In their above mentioned article, Streit and Mussler treat with contempt the economists that call for public interventions in the economy. According to the two authors, they fail to recognize the nature of the market as a complex system: because of this complexity, all efforts to steer the economic process to specific purposes are doomed not only to fail, but also to have disruptive effects on the market system. Unfortunately for the ordoliberals, though, the complexity argument is not exclusive of the market: it can also be applied to the political order. From this perspective, the European polity is a complex system, where the relations among the various actors and level of governments are so intertwined and multidirectional that it becomes impossible to univocally establish links of cause and effect (Ferrera and Burelli 2019). This conception of European integration challenges the ordoliberal approach, as it brings into question its basic assumptions: the fact that states

⁵⁰ See chapter 6 for a deeper and more detailed discussion on the relation between ideas and interests.

could act as if they were independent from each other and the possibility of explain their situation only in terms of their own behaviour. In other words, conceiving the European polity as a competitive rather than a complex system brings to different judgements on what the interests of the parties involved are.

Chapter 5

German ideas on the Euro crisis: A conceptual analysis of the discourses of Angela Merkel and Wolfgang Schäuble

1. Introduction

In chapter 3, we have seen that Ordoliberalism has been the subject of a wide academic debate in the years of the crisis: its influence on the crisis politics and on the reforms of the European economic governance is disputed and the debate over its role in the European integration process is still ongoing. As Young (2017) pointed out, the literature has two major flaws. First, it usually focuses on early Ordoliberalism and overlooks its evolution. Second, it considers Ordoliberalism as a monolithic theory, while it actually has always been internally differentiated (see also Jacoby 2014). To overcome these flaws, the chapter reconstructed the evolution of Ordoliberalism from its inception in the 1930s in Germany up to recent days. The analysis, based on Michael Freeden's (Freeden 1998a) morphological approach, showed that all versions of Ordoliberalism share a common set of core concepts (order, freedom, competition, power, state, *Ordnungspolitik*) and of secondary – adjacent, in Freeden's terms – concepts (such as responsibility, stable money, subsidiarity, etc.). Although the different currents of Ordoliberalism interpret these concepts distinctively, they always have a central position in the ordoliberal discourses.

Chapter 4 was devoted to the ordoliberal conception of European integration. The founding texts of Ordoliberalism were published between the 1930s and the first years of the 1950s: European integration was a central topic of these works. In particular, Walter Eucken – generally considered the 'founding father' of Ordoliberalism – died in 1950 and largely overlooked the integration process. As a result, contemporary literature, which relies mainly on the early works of Ordoliberalism and especially on those by Eucken, lacks a primary source from which to derive the ordoliberal position on the European integration process. Rather, it identifies this position by transposing the thought of Eucken to the European level. This is not necessarily wrong, but is at least partial. First, because Eucken, however important, is only one among many ordoliberal thinkers. Second, because, over the years, ordoliberals debated this topic – even heatedly. In the chapter, I traced the ordoliberal ideas on European integration by analysing a selection of texts of three ordoliberal authors (Wilhelm Röpke, Manfred Streit and Viktor Vanberg) and two highly contentious debates which polarized the ordoliberal camp (the institution of the single currency and the management of the Euro crisis). The study showed that, regardless of the differences, the ordoliberal discourses and ideas on Europe were characterized by the core concepts of a competitive order, of state and of *Ordnungspolitik*, and by the adjacent concepts of responsibility and subsidiarity.

The aim of this fifth chapter is to assess whether these ordoliberal ideas were shared by the German executive in the years of the crisis. To this end, I have analysed a corpus of approximately 200 public speeches and interviews held between 2009 and 2016 by the two German politicians most involved in the handling of the Euro crisis: Chancellor Angela Merkel and Finance Minister Wolfgang Schäuble.

The chapter will proceed as follows. In section 2, I will briefly present the debate on the role of Ordoliberalism during the crisis and my research question. Section 3 will be devoted to the theoretical framework of the analysis. In section 4, I will describe the method of the analysis and, in section 5, I will present the most relevant political concepts used by Merkel and Schäuble. In section 6, I will discuss whether the ideas of the two German politicians about the Euro crisis can be properly defined ordoliberal. Section 7 concludes.

2. State of the art

The literature on the influence of Ordoliberalism during the Euro crisis is polarized. The supporters of the ‘ordoliberalization’ thesis claim that the management of the crisis was heavily influenced by Ordoliberalism. Authors supporting this thesis agree that the ordoliberal ideology provided the German government with the ideational and rhetorical tools to interpret and deal with the crisis (Biebricher 2018b, 2018a; Blyth 2013; Clift and Ryner 2014; Dullien and Guérot 2012; Dyson 2010; Hillebrand 2015; Lechevalier 2016; Maris and Sklias 2016; Matthijs 2016; Matthijs and McNamara 2015b; Meiers 2015; Vail 2014). According to David Art (2015), ‘Merkel is simply the latest German Chancellor both to hew to the broad outlines of ordoliberalism and to be constrained by forces within the country that view themselves as the defenders of this economic paradigm’ (p. 187). Femke Van Esch (2014) claimed that ‘Merkel’s views remain predominantly Ordoliberal, but a significant reduction in the paradigmatic orthodoxy of her ideas [took] place’ during the crisis (p. 294. See also Princen and Van Esch 2016). Other authors stress the influence of Ordoliberalism in the thought of Finance Minister Wolfgang Schäuble (Biebricher 2013) and on other German institutions, such as the Bundesbank, the German Council of Economic Experts (GCEE) or the Confederation of German Employers’ Association (Young 2014a). According to these authors, the ordoliberal ideas carried by the German government were transposed at the European level during the crisis, resulting in an ‘ordoliberalization’ of the European Union.

The ordoliberalization thesis is contested by the other part of the literature, which questions the role of Ordoliberalism during the crisis. The sceptical camp brings forward two arguments. First, the influence of Ordoliberalism in Germany has been by far overestimated (Hien and Joerges 2018). The ‘golden age’ of Ordoliberalism has long ended and, as an economic theory, it is now marginal:

German economists use the same manuals as their colleagues in other countries (Feld, Köhler, and Nientiedt 2017). Second, the position of the German executive seems more oriented towards pragmatism and national interests, rather than ordoliberal principles (Burda 2017; Feld, Köhler, and Nientiedt 2015b).

Beyond the academic debate, the ordoliberals themselves are not unanimous in their judgement of the government. The former Finance Minister Schäuble is usually appreciated by the ordoliberals. In 2016, the *Walter Eucken Institut* awarded him the Walter Eucken Medal for his ‘unwavering commitment to the principles of *Ordnungspolitik* in the sense of the Freiburg School’ in the handling of the Euro crisis.⁵¹ Lars Feld, president of the institute, defined him a ‘*ordnungspolitischer Anker*’ (‘anchor of the *Ordnungspolitik*’). The Minister himself often insisted on his affinity with Ordoliberalism.⁵² Rather more ambiguous is the appraisal of Chancellor Merkel. An episode from 2018 is telling. The *Kanzlerin* was awarded by Nils Goldschmidt, a committed ordoliberal and president of the ordoliberal think-tank *Aktionsgemeinschaft Soziale Marktwirtschaft*, the Alexander Rüstow Medal for her commitment to the principles of the Social Market Economy. Shortly thereafter, the former president of the think-tank, Joachim Starbatty, returned his medal and harshly criticized Goldschmidt’s decision. Starbatty was also member of *Alternative für Deutschland*, the Eurosceptic party founded, among the others, by a group of ordoliberal economic professors, dissatisfied by Merkel’s handling of the Euro crisis.⁵³ The relations between Merkel and the ordoliberals were not idyllic. They criticized her conception of *Wirtschaftsregierung* (‘economic governance’) as opposed to the principles of Ordoliberalism (Jamet, Mussler, and De Corte 2011; Jenaer Allianz zur Erneuerung der Sozialen Marktwirtschaft 2012). Lately, the criticism has become even more vitriolic: in a recent article published on the online version of the *Frankfurter Allgemeine Zeitung* (FAZ) and on the blog of the *Ludwig Erhard Stiftung*, the Chancellor was accused of having destroyed nothing less than the German economic order (Van Suntum 2019).

These episodes show that the accordance of the ideas within the German government with Ordoliberalism cannot be taken for granted but, rather, must be demonstrated. In this chapter, I will try to do this by focusing on the two German protagonists of the handling of the Euro crisis: Chancellor Angela Merkel and Finance Minister Wolfgang Schäuble. What were their ideas during

⁵¹ <https://www.eucken.de/institut/walter-eucken-medaille/wolfgang-schaeuble-30-06-2016/>.

⁵² ‘Since I was born in Freiburg, I enjoy a certain prerogative in the interpretations of the fundamental ideas of the Freiburg School. I also was with Ludwig Erhard in the Baden-Württemberg state group of CDU deputies’ (Schäuble 2010 my translation).

⁵³ As the party became more populist and xenophobic, the economists were marginalized and eventually formed a new party, the *Liberal-Konservative Reformier*, which is now the party of Starbatty and of the AfD co-founder Bernd Lucke.

the Euro crisis? Can they be properly defined as ordoliberal? To answer these two questions, I have conducted a computer-assisted analysis of approximately 200 public speeches and interviews of the two German politicians. In the first step of the analysis, I will reconstruct the ideas of the two politicians about the Euro crisis adopting, again, Freedden's morphological approach. As second step, I will discuss whether these ideas can be properly defined as ordoliberal.

During the Euro crisis, national executives played a primary role in the reforms of the EMU. The literature on the New Intergovernmentalism (Bickerton, Hodson, and Puetter 2015; Fabbrini 2013, 2017; Fabbrini and Puetter 2016; Puetter 2012) has described the shift of decision-making power to the intergovernmental institutions, such as the European Council and the Council, that occurred after the Maastricht Treaty. This process became all the more evident during the Euro crisis: the Council established a task-force composed of the Finance Ministers of the Member States with the purpose of setting a roadmap for the reforms, while the European Council expressed the political guidelines (Bressanelli and Chelotti 2016). In this context, the German and French governments took the lead of the process, engaging in bilateral negotiations to elaborate common policy proposals and acting as powerful agenda-setters (Crespy and Schmidt 2014; Degner and Leuffen 2019). As members, respectively, of the European Council and of the Council, Merkel and Schäuble represent therefore the two key-actors who defined the preferences and the strategy of the German government during the crisis.

The German European policy has always been influenced by the relations between the Chancellor and the economic Ministers – who did not always agree. Already in the 1950s, the government was split between Chancellor Adenauer's Europeanism – who strongly supported the integration process – and Minister Erhard's scepticism, which echoed Röpke's ordoliberal concerns (Wohlgemuth 2008). More recently, this dynamic recurred during the negotiations for the EMU. On the one hand, Chancellor Kohl supported the institution of the single currency on the basis of his intimate Europeanism and of foreign policy reasons – he wanted to reassert the German commitment to the West after the reunification. On the other, the Finance Ministry and the Bundesbank, inspired by Ordoliberalism and by the 'coronation theory', whereby the single currency should have been the result of a long process of economic and political integration, deemed its institution premature (Dyson 1998). In this light, the relation between Merkel and Schäuble is the last instance of a dynamic that has often characterized the European policy of the Federal Republic of Germany.

3. A conceptual approach to the study of ideas

Ideas are slippery. Not only because they work on the background and hence it is hard to locate them and to trace their effects on the real world; they are also hard to conceptualize. What *are* ideas? And how is it possible to operationalize them so that they can be studied in political science? Arguably, the disagreement within the literature on the role of Ordoliberalism during the Euro crisis is due, to a large extent, to the ambiguity with which ordoliberal ideas have been studied: the criteria whereby something is or is not labelled as ordoliberal are generally arbitrary and remain largely implicit. This often results in two specular and undesirable attitudes, depending on whether the authors are supporters of the ordoliberalization thesis or are sceptical. The firsts tend to consider everything that comes from Germany, *ipso facto*, ordoliberal; the others, instead, to consider nothing ordoliberal, because it does not perfectly comply with the ordoliberal ideal type.

In the previous chapter, I defined political ideas as the result of the decontestation of clusters of political concepts: the analysis of political ideas consists hence in identifying their underpinning concepts and reconstructing their interrelations. This approach offers a suitable framework to analyse ordoliberal ideas. First, it offers an easily operationalisable unit of analysis: the political concept. While more complex units, such as ideas, would require more interpretation and arbitrariness, the presence in a text of basic concepts such as state, competition or solidarity is more easily verifiable.⁵⁴

Second, it allows to overcome the two specular attitudes mentioned above. On the one hand, it allows to set the objective criteria whereby something can be defined ordoliberal: for some ideas to be defined ordoliberal, they must be based on political concepts that belong to the ordoliberal core and adjacency.⁵⁵ On the other, it gives reasonable flexibility: if we were to define ordoliberal only what conforms to the letter of what Eucken or some other ordoliberal thinker wrote, we could not define anything as ordoliberal. As Biebricher (2018b) argues, however, claiming that German politicians were inspired by Ordoliberalism does not imply that they were committed to realize the *Ordo* theorized by the ordoliberal founding fathers. Rather, it means that they adopted an ordoliberal

⁵⁴ Clearly, arbitrariness cannot be totally ruled out: the essence of political concepts lies in their meaning, which is, by definition, always a matter of interpretation. While political concepts can be associated to some recurring words, the presence of a political concept does not depend on the presence of those words in the text, but on the meaning of the text itself. The concept of solidarity, for instance, might be present in a text even if the word ‘solidarity’ itself does not appear. However, using a meaning unit as basic as the political concept, together with the fact that the researcher is obliged to make the scope of the concepts explicit, improves transparency and reduces arbitrariness to a fair extent.

⁵⁵ The morphological analysis allows to identify family resemblances between ideas and ideologies. In the strict sense, the fact that some ideas share the political concepts of the ordoliberal ideology means that they are *consistent* with Ordoliberalism, not that they *are* ordoliberal. However, in Germany, where the political influence of Ordoliberalism and of the Social Market Economy has been so pervasive, the fact that some ideas show a family resemblance to Ordoliberalism makes it easier to define them ordoliberal. By contrast, if – say – a French politicians had ideas compatible to Ordoliberalism, it would be necessary to show his link to this ideology before defining them as ordoliberal.

perspective to interpret and deal with some specific situations – the Euro crisis, in this case. In this sense, the presence of ordoliberal concepts in their discourses can be evidence that they were influenced by Ordoliberalism.

Finally, it allows an in-depth analysis of political thought. Ideas are not characterized just by the presence of a multiplicity of political concepts, but also by their mutual relations. The morphological approach investigates these relations and allows to determine what concepts are more relevant. So, the mere presence of political concepts that belong to the ordoliberal ideological core in a discourse does not involve that it can be considered ordoliberal: it is also necessary that these concepts maintain their core character in the discourse, because the relations among concepts must also be consistent with the ordoliberal morphology.

4. Method and data

In order to understand what were the ideas of Merkel and Schäuble on the Euro crisis, I have identified the political concepts used the two German politicians in a corpus of 192 interviews and public speeches (91 for Merkel, 101 for Schäuble) held between 2009 and 2016.⁵⁶

My method consists in a qualitative content analysis of the concepts used in the speeches and interviews. As in Mayring (2014), I interpret qualitative content analysis as a mixed approach that includes a qualitative and a quantitative component. In the qualitative step, I identified the political concepts used in the discourses. In the quantitative step, I have assessed the frequency of the concepts in order to establish their salience and their interrelations (a frequent co-occurrence of concepts is evidence of their relation). The transcripts of the speeches and interviews were manually coded with the software NVivo 12. My codebook consists of four categories of codes: Topic, Political concepts, Institutions and reforms, and Policies.

Public speeches and interviews often deal with a wide range of topics. Since the scope of my study – i.e. the issues concerning the Euro crisis – is rather narrow, a considerable share of text constitutes noise and should be ruled out from the analysis. As first step of the analysis, I have narrowed down the data by using the codes under the category Topic to only select those passages which were relevant to my research. The codes listed under this category are Crisis, Causes of the crisis, Solutions to the Crisis, Europe, Globalization and General considerations. The coding unit was the paragraph – i.e. a portion of text where the speaker presents an argument – which usually contains

⁵⁶ I manually selected the speeches and interviews that dealt with the Euro crisis among those available in the website of the Federal Chancellery (www.bundestkanzlerin.de), of the Ministry of Finance (www.bundesfinanzministerium.de) and the personal website of Wolfgang Schäuble (www.wolfgang-schaeuble.de).

from 1 up to 5 sentences.⁵⁷ The result was a selection of 1.082 paragraphs (516 for Merkel, 566 for Schäuble) that constituted the basis for the analysis.⁵⁸

The category Political concepts represents the main focus of the study. It contains 33 political concepts that emerged from the texts. Some of them, such as freedom, peace or solidarity are simple and consist of a single code, whereas others, such as State, Competition or *Ordnungspolitik* are complex and contain other components.⁵⁹ The codes were defined on the basis of a deductive process (following Pansardi and Battezzarri 2018). Since the aim of this chapter is to assess whether Merkel's and Schäuble's ideas can be defined ordoliberal, part of the codes was deductively derived from the concepts of the ordoliberal ideology; the other codes were inductively derived from those used by Merkel and Schäuble in their discourses. The coding unit ranges from the single sentence up to the paragraph.⁶⁰ Moreover, a political concept can be coded only once in each paragraph.⁶¹

The category 'Institutions and reforms' contains references to institutions (e.g., the financial markets or the European Commission) and to the reforms undertaken during the crisis (e.g., the Six-pack, the Fiscal compact or the European Stability Mechanism). Similarly, the category 'Policies' contains the references to policies – like fiscal or economic policies – or political actions in general that lack the 'essential contestability' that characterizes political concepts. In both categories, the coding unit ranges from the single sentence up to the paragraph.

⁵⁷ 'Crisis' includes general references to the crisis (e.g., 'If we consider that we are living right now in one of the worst economic and financial crises of recent decades, it shows us that we should look around and tackle things with strength and hope for recovery'), whereas 'Causes to the crisis' includes judgements on the nature of the crisis (e.g., 'The causes of the crisis lies in the disastrous combination of excessive indebtedness and lack of competitiveness [...]') and 'Solutions to the crisis' judgements on how to overcome it (e.g., 'EU countries must grow together even closer. The crisis taught us: we are stronger if we coordinate. We need more harmony in economic and fiscal policies [...]'). 'Europe' includes the paragraphs with a reference to the European Union or to the integration process (e.g., 'My deep conviction is that the prosperity of the European Union and the euro area can only be guaranteed if we are globally competitive on the global economy [...]'). 'Globalization', contains references and judgements on globalization (e.g., 'We need to compete economically in this faster and more globalized world'). 'General considerations', finally, include general statements that are telling of the worldviews of the speakers (e.g., 'I think free world trade is the best growth program we can do [...]').

⁵⁸ Among the categories listed under 'Topic', only 'Causes of the crisis' and 'Solutions to the crisis' allow an individual analysis. 'Globalization' and 'Crisis' contain too few instances to allow a meaningful analysis whereas categories 'Europe' and 'General considerations' are, by definition, too indeterminate to individually serve as basis for an analysis.

⁵⁹ In the analysis, I have not distinguished between ineliminable, quasi-contingent and contingent components. See the next section for an in-depth discussion of the most relevant concepts and of their components, and Table A.1 at the end of the thesis for the codebook of the political concepts and their components.

⁶⁰ Since the analysis of the individual concepts is based on their co-occurrence with other concepts, an accurate coding unit is necessary. If the paragraph were used as the only coding unit, it would be difficult to assess which concepts are actually associated and which are not. By opposite, using the sentence as coding unit allows a fine-grained analysis and makes it easier to identify patterns among concepts.

⁶¹ This is meant to avoid the over-representation of concepts that appear repeatedly in the same paragraph. As we have seen before, the presence of a concept in a paragraph depends on the meaning of the paragraph, not on the presence of certain words. If, for rhetorical reasons, a concept is mentioned in the first sentence of a paragraph and in the last, it should not be counted twice. However, this occurred only a few times in the corpus.

The analysis, to which the next section is devoted, will proceed as follows. First, I will compare the political concepts used by Merkel and Schäuble in their discourses (subsection 5.1). In this step, the frequency of the political concepts will be fundamental, as it represents the salience of the concept in the discourses. Then, as second step, I will analyse in-depth the more salient political concepts by assessing their co-occurrence with other concepts, institutions and policies (subsections 5.2-5.11). In this step, I will investigate the substantive content of the concepts and their mutual relations, and compare their different interpretations in Merkel's and Schäuble's discourses.

5. Political concepts

5.1 Political concepts used by Merkel and Schäuble

In their discourses, Merkel and Schäuble use the same political concepts. The only concepts which are not used by both of them (environment and prosperity, used by Merkel, and moral hazard, used by Schäuble) are relatively marginal compared to the others.⁶² The difference between Merkel's and Schäuble's ideas, therefore, does not lie in the use of different concepts but in their different salience and in the way they relate to each other.

Merkel		Schäuble	
1 : Competition	21.12%	1 : State	25.27%
2 : State	20.35%	2 : Responsibility	18.55%
3 : Stability	19.96%	3 : Ordnungspolitik	16.08%
4 : Solidarity	12.98%	4 : Rules	15.55%
5 : Responsibility	12.6%	5 : Competition	14.31%
6 : Growth	11.05%	6 : Stability	13.07%
7 : Social Market Economy	10.85%	7 : Market	10.42%
8 : Coordination	8.91%	8 : Reliability	8.66%
9 : Rules	8.72%	9 : Growth	8.30%
10 : Freedom	6.98%	10 : Conditionality	7.42%

Table 1.⁶³ The ten most used concepts in Merkel and Schäuble

Table 1 shows the ten most used concepts of Merkel and Schäuble. Six of them (state, responsibility, rules, competition, stability, growth) are common to both. Solidarity, Social Market

⁶² See Table A.2 at the end of the thesis for the codebook of political concepts used by Merkel and Schäuble.

⁶³ The figures represent the percentage of paragraphs in which the items appear. For instance, let us consider the concept of competition in Merkel's discourses. Competition appears in 109 paragraphs (see table A.2 at the end of the thesis) out of 516; $109/516 = 21.12\%$. In the next tables, items coded under 'Policies' are in italics, whereas those under 'Institutions and reforms' are underlined.

Economy, coordination and freedom characterize Merkel's discourses, whereas *Ordnungspolitik*, market, reliability and conditionality characterize Schäuble's.⁶⁴

Merkel		Schäuble	
1 : <i>Debt</i>	63.27%	1 : <i>Debt</i>	28.89%
2 : <i>Indebtedness</i>	63.27%	2 : State	28.89%
3 : Competitiveness	36.73%	3 : Member States	28.89%
4 : Lack of Competitiveness	36.73%	4 : <i>Indebtedness</i>	24.44%
5 : State	34.69%	5 : Competitiveness	13.33%
6 : Member States	34.69%	6 : Lack of Competitiveness	13.33%
7 : Rules	20.41%	7 : Responsibility	13.33%
8 : Inadequate rules	20.41%	8 : Rules	13.33%
9 : Reliability	16.33%	9 : Reliability	11.11%
10 : Confidence	14.29%	10 : Confidence	11.11%

Table 2. Top ten causes of the crisis in Merkel and Schäuble

Merkel and Schäuble share a common interpretation of the causes of the crisis. They associate it with the concepts of state and competition, and with indebtedness. According to both of them, the deep roots of the crisis are to be sought, on the one hand, in the excessive indebtedness of the Member States and, on the other, in the lack competitiveness of some of them. Therefore, the crisis is first and foremost caused by the misbehaviour of the Member States. The deficiencies of the architecture of the EMU are considered causes of the crisis only to the extent that they made this misbehaviour possible.

Regarding the solutions to the crisis, the views of Merkel and Schäuble overlap only partially. In both cases, the proposed solutions to the crisis are consequent to its causes: since the crisis was caused by the lack of competition and excessive indebtedness of the Member States, they must restore their competitiveness and abide by fiscal discipline. In their way to fix their problems, Member States can count on a European solidarity based on strict conditionality. Although the solidaristic element is more salient in Merkel than in Schäuble, their conception of solidarity is basically the same, as we will see in section 5.10.

Merkel's and Schäuble's ideas differ, instead, on how to restore competitiveness and enforce fiscal discipline. Merkel's view is based on the coordination of economic policies, which represents the core of her idea of *Wirtschaftsregierung*. Schäuble, conversely, is more oriented to the concept of *Ordnungspolitik*.

⁶⁴ The choice of discussing the ten most used concepts is, obviously, arbitrary. I could have decided to discuss the five or sixteen most used concepts and the results would have been the same. However, ten seems a good compromise, as it allows to discuss the most salient concepts and to observe some differences between Merkel and Schäuble already at this early stage.

Merkel		Schäuble	
1 : Stability	25.00%	1 : <i>Fiscal discipline</i>	22.44%
2 : State	22.29%	2 : Responsibility	18.91%
3 : Competitiveness	21.08%	3 : Ordnungspolitik	18.59%
4 : <i>Fiscal discipline</i>	18.07%	4 : Stability	18.59%
5 : Solidarity	16.27%	5 : Rules	16.67%
6 : Growth	13.86%	6 : <i>Structural reforms</i>	15.71%
7 : Coordination	13.25%	7 : State	15.71%
8 : Responsibility	12.35%	8 : Competitiveness	15.06%
9 : Member States	12.35%	9 : Conditionality	12.50%
10 : <i>Economic policy</i>	10.24%	10 : Growth	12.18%

Table 3. Top ten solutions to the crisis in Merkel and Schäuble

If we look at the policies mentioned by the two German politicians, we can see that fiscal discipline⁶⁵ is the most cited one, followed by structural reforms, the questions regarding the indebtedness of the Member States, and the financial assistance to European states in difficulties. Unlike in Schäuble, economic policies are salient in Merkel's discourses, because of their link with the concept of coordination and conception of *Wirtschaftsregierung*.

Merkel		Schäuble	
1 : <i>Fiscal discipline</i>	10.78%	1 : <i>Fiscal discipline</i>	14.66%
2 : <i>Economic policy</i>	6.78%	2 : <i>Structural reforms</i>	9.54%
3 : <i>Debt</i>	6.78%	3 : <i>Financial assistance</i>	6.54%
4 : <i>Indebtedness</i>	6.40%	4 : <i>Debt</i>	4.59%
5 : <i>Structural reforms</i>	5.81%	5 : <i>Indebtedness</i>	2.83%
6 : <i>Financial assistance</i>	2.33%	6 : <i>Sanctions</i>	2.30%
7 : <i>Research</i>	1.16%	7 : <i>Economic policy</i>	1.41%
8 : <i>Public investment</i>	0.97%	8 : <i>Fiscal policy</i>	1.41%
9 : <i>Sanctions</i>	0.97%	9 : <i>Monetary policy</i>	1.41%
10 : <i>Budgetary policy</i>	0.78%	10 : <i>Education</i>	1.06%

Table 4. Top ten policies mentioned by Merkel and Schäuble

5.2 Competition

Competition is the most used concept by Merkel and the fifth most used by Schäuble. The concept can be intended either in its proper meaning or as competitiveness. Both politicians intend competition primarily in this second sense.⁶⁶ Merkel associates competitiveness with the concepts of

⁶⁵ With fiscal discipline I intend the specific measures and policies aimed at deficit and debt reduction. Since the concept identifies a specific set of policies and political actions, it lacks the 'essentially contestable' nature of political concepts; therefore, it is categorised among the 'Policies'.

⁶⁶ Merkel interprets competition as competitiveness 97 times out of 109, Schäuble 64 out of 81.

growth, state and stability, with the policies of structural reforms and fiscal discipline, and with the coordination of economic policies. According to the *Kanzlerin*, competitiveness secures stability and growth, and must be fostered by the states through fiscal discipline, structural reforms and the coordination of the economic policies of the European states.⁶⁷

In Schäuble's discourse, the pattern is similar: he shares with Merkel the link between competitiveness, fiscal discipline, structural reforms and growth. A significant difference between the two is that the Finance minister replaces the coordination of economic policies with the concept of *Ordnungspolitik*.⁶⁸

Finally, both politicians consider the lack of competitiveness as one of the major causes of the crisis, second only to the excessive indebtedness of the European states.

Merkel		Schäuble	
1 : State	23.71%	1 : <i>Fiscal discipline</i>	40.62%
2 : Growth	21.65%	2 : <i>Structural reforms</i>	28.13%
3 : Member States	21.65%	3 : Growth	15.63%
4 : Stability	16.50%	4 : Market	14.06%
5 : <i>Fiscal discipline</i>	15.46%	5 : Rules	12.50%
6 : <i>Structural reforms</i>	14.43%	6 : <i>Ordnungspolitik</i>	10.94%
7 : Debt	13.40%	7 : State	10.94%
8 : <i>Indebtedness</i>	13.40%	8 : Member States	10.94%
9 : Coordination	12.37%	9 : <i>Rahmenbedingung</i>	9.38%
10 : <i>Economic policy</i>	9.28%	10 : Sustainability	9.38%

Table 5. Top ten items associated to competitiveness in Merkel and Schäuble⁶⁹

5.3 State

The concept of state is a rather complex one. It does not only designate the concept of nation state as such, but also the governmental functions that take place at the supranational or European

⁶⁷ 'Therefore, I think that it is right to say that we need fiscal consolidation in industrialized countries and structural improvement in the framework of the European Union, in order to remain competitive in the global competition'. Angela Merkel, 'Rede von Bundeskanzlerin Angela Merkel anlässlich 20 Jahre Währungs-, Wirtschafts- und Sozialunion'.

'It is clear: we lack a sufficiently constraining coordination of economic policies. So, there is no way, within the EMU, to demand and, if necessary, impose the necessary national actions to strengthen competitiveness as a basis for durable growth and employment'. Angela Merkel, 'Rede von Bundeskanzlerin Angela Merkel im Europäischen Parlament'.

⁶⁸ 'If we want to maintain our country competitive, if we want to produce what we want to redistribute, we must be coherent in our fiscal policy. So, the '*schwarze Null*' is not fetishism nor an end in itself, but the anchor of our reliable fiscal policy. [...] We need stable framework conditions in Germany, in the Eurozone and in the whole European union'. Wolfgang Schäuble, 'Stabilität und Wachstum. Finanzpolitik in Zeiten der Krisen'.

⁶⁹ Percentages represent the association of the concept with the other items. For instance, let us consider State. State appears in 23 out of 93 paragraphs where also competitiveness appears: $23/97 = 23.71\%$.

level and, in general, all the issues concerning the relations among states. So, it also contains components such as intergovernmentalism, subsidiarity or multi-speed Europe.

Merkel		Schäuble	
1 : Member States	61.90%	1 : Member States	41.26%
2 : Supranationalism	15.24%	2 : State	13.29%
3 : Wirtschaftsregierung	13.33%	3 : Supranationalism	11.19%
4 : State	7.62%	4 : Multi-level democracy	10.49%
5 : Transferunion	3.81%	5 : Subsidiarity	9.79%
6 : Intergovernmentalism	1.90%	6 : Super state	7.69%
7 : Multi-speed Europe	0.95%	7 : Intergovernmentalism	5.59%
8 : Subsidiarity	0.95%	8 : Transferunion	4.20%
9 : Community method	0%	9 : Multi-speed Europe	2.80%
10 : Multi-level democracy	0%	10 : Community method	2.10%
11 : Super state	0%	11 : Wirtschaftsregierung	2.10%

Table 6. Components of the concept of state in Merkel and Schäuble

The conceptions of state that emerge from Merkel's and Schäuble's discourses present some similarities and some differences. Both employ the concept of state primarily as Member State. In Merkel's case, state is associated to the concepts of competitiveness, responsibility, coordination and stability, whereas in Schäuble's discourses it is primarily associated with the concept of responsibility. Moreover, both often claim that nation states are not able any more to govern on their own the transformation of contemporary world and, therefore, support a certain degree of supranationalism.⁷⁰ They also agree in rejecting the concept of *Transferunion* (i.e. the principle whereby unbalances among Member States should be overcome through a permanent redistributive mechanism) as a solution to the crisis: as we have seen above, they claim that imbalances must be overcome through an effort of the Member States to increase their own competitiveness.⁷¹ Finally, they both agree that the intergovernmental method, which characterized the handling of the Euro crisis, represents only a second best, as the best solution would have been a change of the Treaties, which would have made the reforms more stable and binding.⁷²

Beyond these similarities, the conceptions of state of the two politicians are also divided by significant differences. The concept of *Wirtschaftsregierung*, associated with the principles of coordination and competitiveness, characterizes Merkel's discourse. In Merkel's view, a major flaw

⁷⁰ 'States, even empires, that are able to run their affairs within their own borders are increasingly incapable of dealing effectively with global problems'. Wolfgang Schäuble, 'Die nächsten Schritte der europäischen Integration'.

⁷¹ 'Germany rejects the permanent mutualisation of national debts – in whatever form', Angela Merkel, 'Regierungserklärung von Bundeskanzlerin Merkel zum Europäischen Rat am 13. und 14. Dezember 2012 in Brüssel'.

⁷² 'This intergovernmental approach is only second best. It's better than nothing. But in the long term, second best is not good enough for Europe'. Wolfgang Schäuble, 'Die nächsten Schritte der europäischen Integration'.

of the architecture of the Economic and Monetary Union (EMU) is the unbalance between the monetary and the economic component. While the Monetary Union can be considered completed with the institution of the single currency, the same could not be said about the economic component: the crisis has shown the need of a proper Economic Union, capable of reducing the unbalances among Member States and, therefore, to secure the stability of the EU. The *Wirtschaftsregierung*, which consists in the coordination of the economic policies of the Member States established by the reforms undertaken during the crisis, represented a step towards a proper Economic Union.⁷³

Merkel		Schäuble	
1 : Competitiveness	32.31%	1 : Responsibility	54.24%
2 : Debt	24.62%	2 : Fiscal discipline	15.25%
3 : Responsibility	24.62%	3 : Incentives	15.25%
4 : Indebtedness	21.54%	4 : Haftung	13.56%
5 : Coordination	18.46%	5 : <u>Monetary Union</u>	11.86%
6 : Stability	16.92%	6 : Debt	11.86%
7 : Economic policy	13.85%	7 : Competitiveness	11.86%
8 : Structural reforms	13.85%	8 : Structural reforms	10.17%
9 : Solidarity	13.85%	9 : <u>Budget commissioner</u>	8.47%
10 : Fiscal discipline	12.31%	10 : <u>Interest rate difference</u>	8.47%

Table 7. Top ten items associated to Member State in Merkel and Schäuble

Schäuble seems much less enthusiastic about the *Wirtschaftsregierung*. His discourse on the state is rather characterized by two other components. On the one hand, the principle of subsidiarity, which stresses the importance of the decision-making autonomy of the Member States. On the other, the principle of multi-level democracy, a conception of the European governance that rejects the centralization of powers, which would result in a European super-state, in favour of a decentralization of political power to a multiplicity of bodies.⁷⁴

⁷³ ‘European countries must knit more closely. The crisis showed it to us: we are stronger, if we coordinate more. We need more harmony in our economic and fiscal policies, a kind of *Wirtschaftsregierung* in Europe based on the rules of stability’. Angela Merkel, ‘Euro hat sich als sehr krisenfest erwiesen’.

⁷⁴ ‘On the other hand, we need a greater willingness to apply the subsidiarity principle consistently. Unfortunately, people often pay lip service to this principle without really taking it to heart. Responsibilities need to be more clearly attributed to the appropriate levels. As many competences as possible need to remain decentralised and in the hands of local authorities, regions and Member States. But those things that can only be decided on the European level need to be decided by European institutions. The EU could mainly focus on ensuring a fair and open internal market and concentrate its policy action on trade, financial markets, currency issues, climate, environment and energy, as well as foreign policy and security policy – in other words, on those areas where only the European level can successfully take long-term action’. Wolfgang Schäuble, ‘Die nächsten Schritte der europäischen Integration’.

To sum up, Merkel's conception of the state stresses the need of coordination to overcome the crisis, whereas Schäuble's approach is based on the responsibility of the states and on their decision-making autonomy.

5.4 Stability

Stability is the third most used concept by Merkel and the sixth by Schäuble. In the discourses of the Chancellor, it is associated primarily with the policies of fiscal discipline and, secondarily, with the concepts of competition, growth and solidarity, and with the Monetary Union and with the Euro. She intends stability as a result of fiscal discipline and as a condition for competitiveness and growth.⁷⁵ The link between stability and Euro reflects, on the one hand, the endeavour of the *Kanzlerin* to secure the stability of the Eurozone and, on the other, the fact that the Euro is meant to be a sound currency.⁷⁶ The association between stability and solidarity, instead, can be explained by the fact that they represent, according to Merkel, the two fundamental principles of European integration and that European solidarity requires in exchange the commitment of the Member States to stability.⁷⁷

Merkel		Schäuble	
1 : <i>Fiscal discipline</i>	24.27%	1 : <i>Fiscal discipline</i>	31.08%
2 : Competition	15.53%	2 : Reliability	24.32%
3 : Competitiveness	15.53%	3 : Sustainability	20.27%
4 : Growth	14.56%	4 : Growth	17.57%
5 : <u>Monetary Union</u>	13.59%	5 : <u>Monetary Union</u>	12.16%
6 : Solidarity	13.59%	6 : <u>Fiscal compact</u>	8.11%
7 : State	13.59%	7 : Ordnungspolitik	8.11%
8 : <u>Euro</u>	11.65%	8 : Rahmenbedingung	8.11%
9 : Member States	10.68%	9 : Confidence	8.11%
10 : Rules	7.77%	10 : Rules	8.11%

Table 8. Top ten items associated to stability in Merkel and Schäuble

In Schäuble's discourses, stability is associated primarily with fiscal discipline (just as in the case of Merkel) and with sustainability: according to the former Finance Minister, the only sustainable

⁷⁵ 'Germany is not only a stability anchor in Europe for the fiscal policy, but also a growth driver, as our importations have grown. Consolidation and growth, this is our philosophy'. Angela Merkel, 'Rede von Bundeskanzlerin Merkel beim "Tag der Deutschen Industrie 2013"'.

⁷⁶ 'We pursue a policy of stabilization of the euro, which assumes that the euro is good for our country, for jobs and for our prosperity. That is why we support the rescue of the euro'. Angela Merkel, 'Rede von Bundeskanzlerin Merkel zur Debatte "Zur Situation in Deutschland"'.

⁷⁷ 'But on the other side, they must accept that solidarity is not possible without compensation, so without any effort to stabilisation of the interested countries'. Angela Merkel, 'Rede von Bundeskanzlerin Angela Merkel anlässlich des Frankfurt Finance Summit 2011'.

growth is the one based on fiscal discipline, as opposed to one based on excessive public spending, which is not sustainable in the long run.⁷⁸ Schäuble's conception of stability is also linked to reliability. He often quoted Ludwig Erhard, who used to say that 'economics is 50% psychology': economic policy must be stable and, therefore, reliable.

5.5 Responsibility

Responsibility is the second most used concept by Schäuble and the fifth by Merkel. They interpret it both in its generic meaning of 'duty to deal with something' and in its specific sense of liability (*Haftung*). Although present also in Merkel's discourses, the *Haftungsprinzip*⁷⁹ characterizes mainly those of Schäuble.⁸⁰

Merkel associates this concept primarily with solidarity and, secondarily, with Member States and freedom. According to the Chancellor, responsibility and solidarity go hand in hand: European solidarity can only be granted to those state that take the responsibility of fixing the domestic problems that caused the crisis.⁸¹ In Schäuble's case, solidarity is less relevant: it comes after the concepts of state, freedom and Social market economy.

Merkel		Schäuble	
1 : Solidarity	35.38%	1 : State	27.62%
2 : State	23.08%	2 : Member States	24.76%
3 : Member States	23.08%	3 : Freedom	12.38%
4 : Freedom	16.92%	4 : Social Market Economy	10.48%
5 : Social Market Economy	9.23%	5 : Solidarity	9.52%
6 : Stability	7.69%	6 : Market	7.62%
7 : Conditionality	6.15%	7 : Rules	5.71%
8 : Market	4.62%	8 : Incentives	5.71%
9 : Rules	4.62%	9 : <u>Monetary Union</u>	4.76%
10 : Compulsoriness	4.62%	10 : Order	3.81%

Table 9. Top ten items associated to responsibility in Merkel and Schäuble

⁷⁸ 'Therefore, we can ensure a sustainable economic growth only on the basis of stability of fiscal policy. Our room for manoeuvre is narrow. We cannot grow out of debt. That would not work'. Wolfgang Schäuble, 'Rede von Dr. Wolfgang Schäuble beim M100 Sanssouci Colloquium 2012 anlässlich der Verleihung des M100-Media-Preises an Mario Draghi'.

⁷⁹ The *Haftungsprinzip* ('principle of liability') is often associated to Walter Eucken's famous motto '*Wer den Nutzen hat, muss auch den Schaden tragen*' ('who has the benefit must also bear the losses', Eucken 1952, 279).

⁸⁰ See Table A.3. For the relevance of the *Haftungsprinzip* in the ordoliberal ideology, see chapters 3 and 4.

⁸¹ 'When the homework was done, we have also shown solidarity. Responsibility and solidarity – two sides of the same coin: solidarity to buy time to implement the obligations and, thereby, to have a stable currency for us all'. Angela Merkel, 'Rede der Bundeskanzlerin beim Tag des deutschen Familienunternehmens'.

Beyond this difference, the conception of responsibility in Merkel and Schäuble is rather similar. Its recurring association with Member States stresses the relevance of state responsibility in their ideas about the Euro crisis: they conceive the nation states as independent and self-determined units which are fully responsible for their fate.⁸² If the crisis hit some European states harder than others, it is because they have been profligate and uncompetitive in the previous years; in order to overcome the crisis, it is necessary that those states change their behaviour, abide by fiscal discipline and regain competitiveness through structural reforms.⁸³ The burden to recover from the crisis lays primarily on them; they can count on European solidarity, but only as *extrema ratio*, and always under strict conditionality.

The link between responsibility and freedom reflects another common conception of the two German politicians: freedom is not absolute and individuals (and states) must always be held responsible for the consequences of their choices.

Responsibility intended as liability, in Schäuble's discourses, is associated to the concepts of *Ordnungspolitik* and of state, while in Merkel's discourses it is associated to the financial markets.

5.6 Rules

The concept of rules is much more salient in the discourses of Schäuble, where it is the fourth most used concept, than in those of Merkel, where it is only the ninth. Schäuble stresses the compulsory and binding character of the rules and associates them with the concepts of *Ordnungspolitik*, competition and responsibility, and with fiscal discipline and financial markets. Merkel, instead, links rules primarily to the financial markets and to the concept of the state and, secondarily, to competitiveness. In her discourses, the link between rules and fiscal discipline is much weaker.

An in-depth analysis of the use of the concept of rules in Merkel and Schäuble shows two patterns of *decontestation*. In the first, rules are intended as the instrument with which the states must regulate the financial markets – even at the supranational level, since a regulation just at the national

⁸² 'Growth in Europe means that all countries do their homework'. Wolfgang Schäuble, 'Bundeshaushalte ohne Neuverschuldung sollen ab 2015 Normalität werden'.

⁸³ 'The causes of the crisis lie first and foremost in the high deficits and the lack of sustainability of some members of the Eurozone. There is not dispute on this'. Wolfgang Schäuble, 'Minister Schäuble an der BAKS "Die Währungsunion war richtig"'

'At the core of the current crisis is a disastrous combination of excessive debt and lack of competitiveness [...]'. Angela Merkel, 'Rede von Bundeskanzlerin Angela Merkel beim Ordentlichen Gewerkschaftstag der IG Metall'.

level might be ineffective. This pattern, although present in the discourses of both German politicians, mainly characterizes those of Merkel.⁸⁴

The second pattern conceives the rules as an instrument to compel Member States to fiscal discipline: a European regulative framework is needed to prevent the states to resort to deficit spending and to delay the necessary structural reforms to increase competitiveness. This pattern characterizes Schäuble's discourses.⁸⁵

Merkel		Schäuble	
1 : State	37.78%	1 : Compulsoriness	17.05%
2 : <u>Financial markets</u>	33.33%	2 : Constraint	17.05%
3 : Stability	1.78%	3 : Ordnungspolitik	17.05%
4 : Member States	1.78%	4 : <i>Fiscal discipline</i>	14.77%
5 : Supranationalism	1.56%	5 : Competition	14.77%
6 : Competition	1.33%	6 : <u>Financial markets</u>	13.64%
7 : <i>Debt</i>	1.11%	7 : Responsibility	13.64%
8 : <i>Indebtedness</i>	1.11%	8 : Market	11.36%
9 : Competitiveness	1.11%	9 : Order	11.36%
10 : Lack of Competitiveness	1.11%	10 : Competitiveness	9.10%

Table 10. Top ten items associated to rules in Merkel and Schäuble

5.7 Growth

The concept of growth is central in the discourses of both Merkel (where it is the sixth most used) and Schäuble (where it is the ninth), as it represents the objective to reach in order to overcome the crisis. The Chancellor associates growth primarily with the concepts of competitiveness and stability, and to the policies of fiscal discipline. Secondly, she associates it to employment, sustainability and market. In Schäuble, instead, growth is associated primarily to fiscal discipline and to sustainability and, secondarily, to competitiveness, structural reforms and *Ordnungspolitik*.

The conception of growth in Merkel and Schäuble is, therefore, very similar. It is noteworthy that growth is intended by both of them as sustainable growth – where the sustainability depends on fiscal discipline. What distinguishes the two conceptions is the reference to the *Ordnungspolitik*, which is rather relevant in Schäuble, but marginal in Merkel.

⁸⁴ 'We need rules that prevent that a whole community of peoples suffers the damages caused by some individuals. This crisis has showed it: these rules can only be established worldwide'. Angela Merkel, 'Rede von Bundeskanzlerin Angela Merkel an der Stanford University'.

⁸⁵ 'The European Commission must become stronger to secure a more independent application of the fiscal rules. In Europe, we always agree on the content of the rules, but we always have some problems when it comes on their implementation. That is the actual problem'. Wolfgang Schäuble, 'European Challenges for 2014-2015'.

Merkel		Schäuble	
1 : Competition	38.60%	1 : <i>Fiscal discipline</i>	55.32%
2 : Competitiveness	36.84%	2 : Sustainability	38.30%
3 : Stability	26.32%	3 : Stability	27.66%
4 : <i>Fiscal discipline</i>	21.05%	4 : <i>Structural reforms</i>	23.40%
5 : Employment	15.79%	5 : Competition	23.40%
6 : Sustainability	12.28%	6 : Competitiveness	21.28%
7 : <i>Structural reforms</i>	10.53%	7 : Ordnungspolitik	19.15%
8 : Market	10.53%	8 : Rahmenbedingung	17.02%
9 : <i>Economic policy</i>	7.02%	9 : Employment	10.64%
10 : <i>Debt</i>	7.02%	10 : Reliability	10.64%

Table 11. Top ten items associated to growth in Merkel and Schäuble

5.8 Ordnungspolitik

The website of the Konrad-Adenauer-Stiftung defines *Ordnungspolitik* as follows:

The *Ordnungspolitik* shapes a desired economic order. To this end, it shapes the institutional framework conditions for the individual, microeconomic actions to realize an integrated macroeconomic process and to achieve in the best possible way the economic goals of society.⁸⁶

Ordnungspolitik can be considered a trademark of Ordoliberalism: according to the ordoliberal doctrine, the main task of the state is to establish and preserve the conditions that make possible the existence of a competitive market economy. The effective content of these conditions varies depending on the different ordoliberal currents. According to the Freiburg School, for instance, they consist in the economic constitution: therefore, *Ordnungspolitik* consists in establishing and to enforce the rules of a competitive economy. According to the social liberalism of Wilhelm Röpke and Alexander Rüstow and to Müller-Armack, instead, these conditions also include social factors. Their conception of economic policy includes, then, a certain level of social policies, as long as are based on a logic of self-help and are used only in situation of emergency.

	Merkel	Schäuble
1 : Ordnungspolitik	12.90%	31.87%
2 : Ordnungsrahmen	61.29%	17.58%
3 : Rahmenbedingung	25.81%	58.24%

Table 12. Components of *Ordnungspolitik* in Merkel and Schäuble

⁸⁶ <https://www.kas.de/web/soziale-marktwirtschaft/ordnungspolitik-prozesspolitik>. Translation is mine.

Beyond the material content of these conditions, *Ordnungspolitik* always consists in a policy that establishes and enforces some sort of framework. Therefore, I have coded as *Ordnungspolitik* not only the direct references to this concept, but also the references to framework conditions (*Rahmenbedingung*) and regulatory framework (*Ordnungsrahmen*).

The concept of *Ordnungspolitik* is much more salient in Schäuble – it is his third most used concept – than in Merkel – where it is the twelfth. The difference is not only quantitative, though. In the discourses of the *Kanzlerin*, the concept of *Ordnungspolitik* primarily appears as *Ordnungsrahmen* or as *Rahmenbedingung*. The direct references to the concept are much more marginal: they are only four, two of which are found in a speech in honour of Walter Eucken (so, the reference was unescapable) and one in a speech in front of the GCEE (and, again, the reference was perfunctory). In conclusion, Chancellor Merkel made an explicit reference to *Ordnungspolitik* in only one public speech – which, in addition, treated the issues of the Euro crisis only marginally. Wolfgang Schäuble, instead, used the concept much more often. Although he intends it as *Rahmenbedingung* most of the times, direct references to *Ordnungspolitik* are numerous and range over many topics, from European to domestic issues.

Merkel		Schäuble	
1 : <u>Financial markets</u>	25.81%	1 : Market	23.08%
2 : State	25.81%	2 : <i>Fiscal discipline</i>	16.48%
3 : Market	19.35%	3 : Rules	16.48%
4 : Supranationalism	19.35%	4 : Competition	15.39%
5 : Private investment	9.68%	5 : Responsibility	14.29%
6 : Competition	6.45%	6 : Reliability	10.99%
7 : Responsibility	6.45%	7 : Haftung	10.99%
8 : Haftung	6.45%	8 : Sustainability	10.99%
9 : Social Market Economy	6.45%	9 : Growth	9.89%
10 : <u>Banks</u>	3.23%	10 : Incentives	8.79%

Table 13. Top ten items associated to *Ordnungspolitik* in Merkel and Schäuble.

The concept is also used differently in Schäuble and Merkel. Schäuble associates it primarily to the concepts of market, rules, competition, responsibility and to fiscal discipline. Secondly, he associates it with reliability, sustainability and growth. Schäuble has a rather classic conception of *Ordnungspolitik*: it is based on the *Haftungsprinzip* and defines the rules and conditions (such as fiscal discipline) necessary for the functioning of a competitive market, which, in turn, leads to a sustainable growth. The concept refers also to the reforms of the EU economic governance undertaken

during the crisis.⁸⁷ Merkel, instead, associates the concept to the financial markets and to the concepts of state, market and supranationalism. This reflects the effort of the Chancellor to create, within the G20, an international regulatory framework to regulate financial markets. However, it is remarkable that the *Kanzlerin* tends not to use the concept of *Ordnungspolitik* on European issues.⁸⁸

5.9 Solidarity

The concept of solidarity is much more salient in Merkel, where it is the fourth most used concept, than in Schäuble, where it is only the seventeenth. The difference between them, however, is just a matter of salience, as the two German politicians share the same conception of solidarity. They associate it to the concepts of responsibility, conditionality, state, self-help, competition and to structural reforms. According to the two German politicians, then, Member States can count on European solidarity in exchange of their effort to undertake the structural reforms necessary to improve their competitiveness. The link between solidarity and self-help is noteworthy. Since the causes of the Euro crisis lie in the lack of competitiveness of some of its Member States, European solidarity must contribute to solve this problem and to improve their competitiveness: solidarity must help the countries in crisis to help themselves.⁸⁹ So, the support cannot be permanent (as in the case of the *Transferunion*), but must be temporary and conditioned to the effort to increase the competitiveness.

Although Merkel often repeats that this concept is, together with responsibility, one of the two fundamental principles upon which the European integration process is based, it appears clear that solidarity has but residual and instrumental role. Residual, because it is activated only when the Member States fail to comply with the principle of competitiveness with their own strength. Instrumental, because it is not a value *per se*, but is always needed to serve some other goal, such as competitiveness or growth. In concrete terms, the solidarity evoked by Merkel and Schäuble in their speeches consists in the financial assistance to crisis countries.

⁸⁷ ‘We have also made progress in improving the institutional framework in Europe in recent years. We have made significant progress in coordinating our fiscal and budgetary policies. We have better controls, more effective reform requirements and more severe sanctions in the euro area as well as throughout the European Union. We are strengthening the monitoring and coordination of budgets in the euro area by now advising Member States’ budgets in the context of the new enhanced budgetary surveillance for the first time in a special session of the Eurogroup. There is still no right of the Commission to reject budget drafts. I would personally support this in the next step. But the Commission makes its recommendations and these are discussed publicly.’ Wolfgang Schäuble, ‘Europa hat seine beste Zeit noch vor sich’.

⁸⁸ See also Table A.4 at the end of the thesis.

⁸⁹ ‘When the stability of the euro and of the Eurozone is endangered - and this is what we have experienced in the last years, namely that the difficulties of one country endangered our single currency – then we must show solidarity for the preservation of our common currency. We help if the interested country makes every effort to do its homework’. Angela Merkel, ‘Rede von Bundeskanzlerin Angela Merkel anlässlich des BDI-Tags der deutschen Industrie’.

Merkel		Schäuble	
1 : Responsibility	35.82%	1 : Conditionality	50.00%
2 : Conditionality	23.88%	2 : Responsibility	41.67%
3 : Stability	20.90%	3 : <i>Financial assistance</i>	25.00%
4 : State	14.93%	4 : Self-help	20.83%
5 : Member States	13.43%	5 : State	20.83%
6 : Competition	11.94%	6 : Member States	20.83%
7 : Competitiveness	11.94%	7 : <i>Structural reforms</i>	16.67%
8 : <i>Structural reforms</i>	8.96%	8 : Stability	12.50%
9 : <i>Fiscal discipline</i>	7.46%	9 : <i>Fiscal discipline</i>	8.33%
10 : Self-help	7.46%	10 : Compulsoriness	8.33%

Table 14. Top ten items associated to solidarity in Merkel and Schäuble.

5.10 Social Market Economy

Social Market Economy (*Soziale Marktwirtschaft*) finds its roots in Ordoliberalism. The expression, coined by Alfred Müller-Armack, originally denoted the economic doctrine of Ludwig Erhard and is used today to refer to the contemporary German socio-economic order. During the Euro crisis, the *Kanzlerin* often referred to the *Soziale Marktwirtschaft* (it is the seventh most used concept) and claimed that the crisis could be overcome only by relying on the principles of the Social Market Economy. These principles can be identified by analysing the political concepts that co-occur with Social Market Economy: order, freedom and responsibility. The Social Market Economy is conceived as a social order based on freedom and responsibility, and on a relation between state and competitive market aimed to secure growth and social justice.

Also in Schäuble, who uses the concept less frequently (it is thirteenth position), the *Soziale Marktwirtschaft* is primarily associated with the concepts of freedom and responsibility. The former Finance Minister, however, stresses more its economic and competitive aspects: the concept is, in fact, associated with *Ordnungspolitik*, rules, competition and market.

Merkel		Schäuble	
1 : Order	17.86%	1 : Responsibility	42.86%
2 : Freedom	12.50%	2 : Freedom	22.86%
3 : Social order	12.50%	3 : <i>Ordnungspolitik</i>	20.00%
4 : Responsibility	10.71%	4 : Competition	17.14%
5 : Market	8.93%	5 : Market	17.14%
6 : State	8.93%	6 : Order	17.14%
7 : Competition	7.14%	7 : Rules	14.29%
8 : Growth	7.14%	8 : Haftung	11.43%
9 : Justice	5.36%	9 : Constraint	8.57%
10 : Social justice	5.36%	10 : Economic order	8.57%

Table 15. Top ten items associated to Social Market Economy in Merkel and Schäuble

The different conceptions of Social Market Economy in Merkel and Schäuble reflects a divergence that has often been highlighted by the ordoliberals themselves (see, for instance, Goldschmidt and Wohlgemuth 2008c; and Vanberg 2002). On the one hand, an interpretation closer to the perspective of the Freiburg School, whereby the best social policy consists in enforcing a competitive order; this view is represented here by Schäuble. On the other, an interpretation that distinguishes between social and economic goals, more affine to the views of Müller-Armack – represented here by Merkel.

6. Ordoliberal ideas in Merkel and Schäuble

In chapter 3, I have reconstructed the evolution of Ordoliberalism as an ideology. The core concepts of the ordoliberal ideology are order, freedom, competition, power, state and *Ordnungspolitik*. The ideological core is surrounded by various adjacent concepts, such as responsibility, sound money, subsidiarity, etc. In chapter 4, I have focused on the concepts that underlie the ordoliberal discourse on European integration. The relation between the ordoliberals and the integration process has often been problematic and the ordoliberal community has frequently found itself polarized on European issues. Beyond the divergences, however, it is possible to identify a common set of concepts that characterize the ordoliberal discourse on Europe: they are the core concepts of a competitive order, of state and of *Ordnungspolitik*, and the adjacent concepts of responsibility and of subsidiarity. In this paragraph, I will argue that Schäuble held a coherent ordoliberal position during the crisis, while the same cannot be said about Merkel.

6.1 Schäuble

During the Euro crisis, Wolfgang Schäuble has often made explicit references to Ordoliberalism and to its founding fathers – they can be found in 22 documents. In an article on the FAZ, he also claimed that his Christian-democratic *Weltanschauung* is reflected in the economic doctrine of Ordoliberalism.⁹⁰ The analysis of his ideas confirms his sympathy with the ordoliberal ideology. As we have seen in Table 1, all the concepts that characterize the ordoliberal discourse on European integration can be found in Schäuble's discourses.

State and responsibility are the two most used concepts by Schäuble. The link between them reflects a conception whereby Member States are responsible for their own fate: if they are in crisis, it is because of their misbehaviour; if they want to overcome the crisis, they must not expect that

⁹⁰ 'This politics based on values is very connected, from the perspective of economic policy, with the Ordoliberalism of the Freiburg School' (Schäuble 2013, my translation).

other European states or institutions fix their problems for them, but solve them on their own. This conception of the state is similar to Viktor Vanberg's idea of 'competitive state',⁹¹ which underlies his model of *wettbewerblicher Föderalismus*. According to him, the European Union should adopt the logic of competitive federalism: the European institutions should enforce the legal and institutional framework for a competition among governments to attract the financial resources to serve their citizens' interest. This European *Ordnungspolitik* should especially enforce the *Äquivalenzprinzip* ('principle of equivalence') – a version of Eucken's *Haftungsprinzip* applicable to the relations within federal polities – whereby states should be held accountable for their own choices: those who decide should correspond, as much as possible, to those upon which the consequences of the decisions fall (Vanberg 1993, 2004).⁹²

This conception brings Schäuble to reject the Eurobonds as a solution to the crisis. The logic of the EMU is based on the centralization of the monetary policy and on the national responsibility for the fiscal policy. Since Member States decide on fiscal policy, they must also be held accountable for the consequences of their choices: this logic is epitomized in the different interest rates that Member States pay for refinancing their debts. Theoretically, this mechanism should have urged the Member States to improve their competitiveness and to abide to fiscal discipline. The Euro crisis showed that the mechanism did not work as expected: many Member States carried on their profligate policies and remained uncompetitive, and the crisis hit them hard. Eurobonds, however, would not solve the problems of profligacy and lack of competitiveness at the root of their difficulties. By establishing a common interest rate for all Member States, on the contrary, they would nullify the link between decision and consequences and offer further incentives to delay the necessary structural reforms. So, according to the former Finance Minister, the solution does not lie in easing the pressure of the markets on the uncompetitive and profligate Member States. Rather, it lies in making the urge to structural reforms and fiscal discipline more impellent through stricter rules and surveillance.

Within Schäuble's conception of state, it is also possible to observe another concept that characterize the ordoliberal discourse on European integration: subsidiarity. The former Finance Minister has often claimed to be in favour of a 'multi-level democracy' based on the principle of subsidiarity and on the de-centralization of decisional power. This view is largely consistent with the ordoliberal conception of a federal, de-centralized state.

⁹¹ The definition of 'competitive state' to denote Vanberg's conception of the state is mine. See Chapter 3.

⁹² For the *Äquivalenzprinzip*, see Vanberg (2004, 123). It might be useful to stress that I am not claiming that Schäuble's conception of the state *derived from* the works of Vanberg; rather, I claim that his conception perfectly overlaps with that of the ordoliberal professor.

Ordnungspolitik is the third most used concept by Schäuble and also represents a core ordoliberal concept. It consists in the establishment and the enforcement of the conditions conducive to a competitive market and a sustainable growth. Among these conditions, fiscal discipline is the most relevant and must be enforced in Europe through stricter and more effective rules.

6.2 Merkel

The compatibility of Merkel's ideas with Ordoliberalism is, instead, more questionable. In part, her ideas overlap with Ordoliberalism: competition is her most used concept, and her conception of the state is essentially the same as Schäuble's. Even her interpretation of Social Market Economy, although at odds with the more rigid interpretation of the Freiburg School, seems nonetheless compatible with the ordoliberal tradition.

A first element that could suggest a certain distance between Merkel's ideas and the ordoliberal ideology is represented by the concept of solidarity, which is very salient in Merkel's discourses on the Euro crisis (it is the fourth most used concept), but much more marginal in the ordoliberal morphology. However, there are two reasons why the presence of the concept of solidarity should not be considered a substantial divergence with ordoliberal ideas. The first relates to the context of the speeches. The high salience of this concept in Merkel's discourses could be caused by the crisis and by her role as German Chancellor. In a situation of existential crisis of the Union, when immediate actions and supports were required to prevent it from collapse, the leader of the major country of the EU could hardly avoid the theme of European solidarity.

The second reason is conceptual and, in my view, more decisive. As we have seen in section 5.10, despite its salience, the concept of solidarity always remains residual and instrumental: it is activated only when the Member States cannot stand on their own, is subject to strict conditionality and serves the achievement of other goals, such as competitiveness and stability. From the perspective of the morphological approach, this conception of solidarity could never constitute a core concept. Merkel often claimed that European solidarity means that the stronger should help the weaker to become stronger, not that the stronger should fall to the level of the weaker; in other words, she meant that, if the crisis is caused by unbalances in competitiveness among Member States, European solidarity should aim to increase the competitiveness of the weakest states, not to hamper that of the most competitive.⁹³ This argument, which is based on her conception of competitive state and solidarity, is addressed against those who claim that the excessive competitiveness of Germany is an

⁹³ 'Therefore, the task of Europe is to become more competitive and not to adapt to the weaker, but to establish a benchmark whereby those who had the best experiences lead the way and set the tone'. Angela Merkel, 'Rede von Bundeskanzlerin Merkel beim G20-Business-Summit in Seoul'.

instability factor within the EMU, and to rule out any possibility of any permanent redistributive mechanism. To sum up, we can say that Merkel's conception of stability is similar to the logic that inspires Wilhelm Röpke's (1948) 'liberal interventionism' and can be considered compatible with Ordoliberalism.⁹⁴

What really distinguishes Merkel's ideas from the ordoliberal ideology is, instead, the relatively low salience of the concept of *Ordnungspolitik*: as we have seen in section 5.9, the Chancellor tends to use it in reference to the regulation of financial markets, but not as a solution to the Euro crisis. Rather, the concept that characterizes Merkel's discourses is coordination, intended as coordination of economic policies of the Member States and as guiding principle of her idea of *Wirtschaftsregierung*.

As such, the concept of coordination is present in the ordoliberal ideology: Walter Eucken, for instance, defined the market economy as the economic order based on the free coordination of the individual economic plans of families and enterprises through competition; conversely, centralised economies are not characterized by coordination, but by subjugation of the individual plans to the central plan (Eucken 1940, 1952; see also chapter 3). Therefore, in Eucken's view, coordination is a component of the concept of economic order, and is *decontested* as coordination *through competition*. Merkel's conception of coordination, however, is rather different. She associates the coordination of economic policies to her conception of a *Wirtschaftsregierung*: Member States should coordinate their economic policies in the framework of a deliberative (and, therefore, political) process, defined by the reforms of the economic governance of the EU.

Wirtschaftsregierung is an equivocal concept. The ordoliberal economist Lüder Gerken, former director of the *Walter-Eucken-Institut* and president of the *Centrum für Europäische Politik*, distinguishes two conceptions of *Wirtschaftsregierung*: one based on the principles of *Ordnungspolitik*, the other based on dirigisme (Gerken and Vosswinkel 2010, 2). The former conception, traditionally supported by Germany, would consist into a sharpening of the fiscal regulatory framework of the Stability and Growth Pact: more surveillance, more automatic rules and sanctions, less discretion for the Council. The latter conception, instead, was supported first and foremost by the French government, and concerned 'the management of macro-policies aimed at reducing the imbalances among the Eurozone' (Caesar 2010). To this end, it would have established a centralized system of governance of current accounts, productivity, wages, and eventually

⁹⁴ In Röpke's view, social interventions were legitimate if they were based on the logic of self-help and limited in time and volume; moreover, they should be *marktkonform* ('conform to the market') and not distort the price mechanism (see chapter 3). By and large, this is the same logic that underpins Merkel's conception of solidarity.

employment and real exchange rates of the Member States. This would have violated the subsidiarity principle, and forced competitive countries like Germany to ‘export less and save less, [and] to consume more and to substantially increase wages’ (*ibid.*).

According to many ordoliberal observers, Merkel capitulated to this latter conception of *Wirtschaftsregierung*. The conception of coordination underpinning this ‘dirigiste’ version of *Wirtschaftsregierung* is incompatible with Ordoliberalism for two reasons. First, because it is not free coordination through competition: neither it is based on competition, as it is based, instead, on political discretion; nor it is free, as the decisions undertaken in the framework of the *Wirtschaftsregierung* are binding. In an ordoliberal perspective, the *Wirtschaftsregierung* carries the risks of a centralization of political power and of an increase in political discretion, which would further disincentive fiscal discipline and structural reforms.⁹⁵ Second, because it contrasts the Hayekian theory of knowledge that is now part of the ordoliberal ideology. Merkel’s conception of *Wirtschaftsregierung* presumes that political decision-makers have the ability to define *ex ante* what measures are conducive to an improvement of competitiveness and to purposefully reach such goal. In an ordoliberal perspective, however, this is impossible: because of the nature of the market as a complex system, it is impossible to predict what actions will lead to a specific outcome. In Weberian terms, ordoliberals claim that the complex nature of the market prevents the instrumental-rational actions of the policy-makers from being effective in achieving economic goals (Streit and Mussler 1995; see also chapter 4). Rather, policy making should follow a formal-rational logic: instead of defining specific measures for each country, the European economic governance should enforce a strict and credible framework of rules and let the Member States free to choose their own strategy and learn from the process.

The ordoliberals had some good reasons to believe that Merkel conception of *Wirtschaftsregierung* contrasted their principles, as in her speeches, she openly spoke of coordinating the economic policies of the Member States. Moreover, the financial assistance to Greece and other crisis countries represented, in their perspective, a serious wound to the European ‘economic constitution’, and the *Wirtschaftsregierung* would have been the next step of the centralization spiral. However, the analysis presented in this chapter shows that their preoccupation was overly dramatized. As shown in Table 3, Merkel advocated fiscal discipline as the main policy instrument to overcome the crisis. Moreover, despite speaking of economic policy coordination, she repeatedly made clear

⁹⁵ The manifesto ‘*Wirtschaftsverfassung statt Wirtschaftsregierung*’ (‘Economic constitution instead of economic government’) represent the best example of the ordoliberal criticism against the concept of *Wirtschaftsregierung*. See chapter 4.

that the task of overcoming the macroeconomic imbalances should have rested uniquely on the least competitive countries – and acted accordingly during the reform process (see next chapter).

Merkel's European *Wirtschaftsregierung*, then, could be read as a *vague* (in the sense of Freedman 2017b; see also chapter 2, p. 58) concept: a purposefully ambiguous proposal aimed at throwing a bridge to her counterparts. Germany could not dictate the conditions to all Europe and had to find a compromise with its European partners, especially with France, which has always supported an approach based more on discretion than on rules. In other words, the conception of *Wirtschaftsregierung* that emerges from Merkel's discourses could be more a result of the circumstances than of intimate convictions.

Nonetheless, the criticism by the ordoliberals was still legitimate. On the one hand, the excessive vagueness of Merkel's proposal of a *Wirtschaftsregierung* could have paved the way to the 'dirigiste' interpretation of the concept – which would have been at odds with Ordoliberalism.⁹⁶ On the other, the low salience of the concept of *Ordnungspolitik* proves that her commitment to the ordoliberal rule-based approach was lower than her former Finance Minister.

In conclusion, Merkel's ideas are less consistent with Ordoliberalism than Schäuble's. Indeed, she shares a conception of competition, of state, and of solidarity which are compatible with Ordoliberalism; also the high salience of the concept of rules – which, in a sense, could be interpreted as a surrogate to *Ordnungspolitik* – is consistent with Ordoliberalism. This explains why Nils Goldschmidt could praise the *Kanzlerin* for her commitment to the principles of Social Market Economy. However, the relatively low salience of the concept of *Ordnungspolitik*, together with her overly vague conception *Wirtschaftsregierung*, represents a significant divergence from ordoliberal ideas, and this explains why her handling of the Euro crisis has met harsh criticism among the ordoliberals.

7. Conclusion

In this chapter, I have analysed and compared Angela Merkel's and Wolfgang Schäuble's ideas on the Euro crisis. The two German politicians share a common interpretation of the causes of the crisis: it originated from the excessive profligacy and lack of competitiveness of some European states. Consequently, the solution to the crisis consists in changing the behaviour of these countries: they must adopt disciplined fiscal policies and regain competitiveness.

⁹⁶ It could, but it did not. As we will see in the next chapter, the reforms of the EMU focused on strengthening the fiscal regulatory framework of the SGP, just as the ordoliberals desired. To the contrary, the reforms fostering the macroeconomic coordination among the Member States were more marginal and by far weaker than the others. See also Saccomanni (2018).

The link between the concepts of state and responsibility in both Merkel and Schäuble results in a conception whereby the states are responsible for their own fate. The crisis of the Eurozone is primarily a crisis of some of its Member States, and is due to their misbehaviour. Consequently, the two German politicians reject any attempt to solve the crisis ‘from above’, such as the Eurobonds or any redistributive mechanism among Member States. This conception of the state, which assumes the Member States as independent and self-determined units, corresponds to the ordoliberal ‘competitive state’ theorized by Viktor Vanberg in his model of competitive federalism. Far from being an objective matter of fact, this conception represents one of the ideational underpinnings of the management of the Euro crisis – and possibly explains its inadequacy (Ferrera and Burelli 2019, 97–98).

Merkel and Schäuble also share a common interpretation of the concept of solidarity, although it is much more salient in the discourses of the Chancellor than in those of the Finance Minister. Despite Merkel’s proclamations on the importance of European solidarity, the analysis showed that both she and Schäuble conceive solidarity in residual and instrumental terms. Residual, because it is activated only when Member States cannot stand on their own; instrumental, because it is subject to strict conditionality and always serve some other concept, such as competitiveness or stability. This connotation of the concept of solidarity makes it compatible with Ordoliberalism, especially – *mutatis mutandis* – with the logic that underlies Wilhelm Röpke’s liberal interventionism.

The two German politicians, however, partially disagreed on how to enforce fiscal discipline and foster competitiveness in Europe. Schäuble held a more ordoliberal approach, based on *Ordnungspolitik* and rules: fiscal discipline and structural reforms represent the conditions for a sustainable growth and should be enforced by making the rules more compelling. Merkel, although recognising the importance of rules, was more oriented to the coordination of economic policies among Member States, which should be deliberated in the framework of the *Wirtschaftsregierung*. This conception has been harshly criticized by many ordoliberals, who perceived it as conducive to an increase of political arbitrariness and to a centralization of political power, and dismissed it as contrary to the principles of Ordoliberalism.

The analysis showed that Wolfgang Schäuble held a coherent ordoliberal position during the crisis: the concepts he used and the way he interpreted them are consistent with Ordoliberalism. Moreover, the fact that he frequently stressed his sympathy and bonds to this ideology and to its representatives allows us to properly define his ideas as ordoliberal.

The same cannot be said about Angela Merkel. Her ideas overlap with Ordoliberalism in some important aspects, such as her conception of state and solidarity, and the relevance of competition;

however, they diverge significantly in other parts. Her conception of *Wirtschaftsregierung* is excessively vague and potentially at odds with the ordoliberal principles. This, together with the low salience of the concept of *Ordnungspolitik* in her discourses, represents a significant difference between Merkel's ideas and Ordoliberalism, and explains why her crisis management has been harshly criticized by the ordoliberals.

How can the difference between Merkel's and Schäuble's positions be explained? I propose two possible, complementary explanations. First, Merkel's adherence to Ordoliberalism is simply lower than Schäuble's. The former Finance Minister has always insisted on his affinity with this tradition; moreover, he was born and educated in Freiburg, and had contacts with ordoliberals like Erhard. To the contrary, Merkel had less direct contacts with the ordoliberal tradition, and belonged to a faction of the CDU less concerned with ordoliberal principles. Second, her role in the in the European management of the crisis compelled her to be more open to compromise than her Finance Minister: after all, Germany could not single-handedly solve the crisis, and had to find a compromise with the European partners. In this sense, Merkel's proposal of a *Wirtschaftsregierung* should be primarily seen as an opening to France, which has always been a proponent of a *gouvernement économique*.

To conclude, we can say that the analysis described a situation which is not new in German politics. On the one hand, there is a Minister of economic affairs who embodies the ordoliberal line of a government. On the other, a Chancellor who, despite sharing some values coherent with Ordoliberalism (in this case, the conception of competition, state and solidarity), adopts an approach more based on pragmatism than on ordoliberal principles: as an article on the *Handelsblatt* titled, '*Wenig Ordnung, mehr Politik*' ('not much order, more politics').

Chapter 6

The impact of ordoliberal ideas in the reform of the economic governance of the EU

1. Introduction

In this chapter, I will assess the impact of ordoliberal ideas on the reform of the European economic governance undertaken during the Euro crisis (2009-2015). The chapter will proceed as follows. In section 2, I will discuss the role of ideas in politics. In section 3, I present process-tracing, the methodology I use to trace the effect of ordoliberal ideas on the reform process of the EMU, and illustrate my causal mechanism. Section 4 will be devoted to the causal mechanism. Section 5 concludes.

2. Ideas, interests and politics

In the previous chapters, we have explored the conceptual and relational nature of ideas. In order to analyse political thinking, ideas must be disassembled into their basic units of meaning: political concepts. Concepts have semi-fixed meaning: on the one hand, culture and language limit their semantic field; on the other, their 'essential contestability' (Freeden 1998a) makes them always open to interpretation and to new possible meanings. However, ideas do not draw their meaning solely from concepts *per se*, but also from their interrelations (Carstensen 2011). The different specific weight of and patterns among concepts may result in different ideas: as we have seen in chapter 4, the same ordoliberal concepts could be used to justify both Euroscepticism and the support for the single currency. In this chapter, I will take a leap from political theory to political science: from the analysis of what decision-makers think, I will turn to the study of how their ideas impact on real politics. More specifically, I will assess whether and how ordoliberal ideas influenced the reform of the economic governance of the EU during the crisis.

In social sciences, ideas and interests are often presented as alternative explanations for political action. In many cases, ideas and interests suggest divergent courses of action and hence it is possible to clearly distinguish between idea-based and interest-based motives. In the literature on the reform of the EMU, a noteworthy example of this is represented by David Schäfer's (2016) article on the making of the Banking Union. To account for the preferences of the German government during the negotiations for the Banking Union, Schäfer compared a liberal-intergovernmentalist interest-based explanation – whereby governments represent the interests of the economic sectors involved concerned by the decisions (in this case, the German banking sector) – and an ideational explanation, based on the influence of ordoliberal ideas within the government. He convincingly concluded that the position of the German government was better explained by the ideational, rather than by the

interest-based account. Schäfer could do this because it was possible to identify the interests of a specific economic sector which had different policy implication than those suggested by ordoliberal ideas. However, a clear-cut distinction between ideas and interests is not always possible. Liberal Intergovernmentalism acknowledges that in some policy areas – such as monetary integration – material interests are not always evident or explicit; in these cases, the preferences of the government are better explained by the ideas of the executive. Moreover, interests may explain the immediate objectives of the policy-makers, but not the strategy they employ to achieve them; in these cases, ideas contribute to explain the actions of political actors not less than interests. The ideational variants of the New Institutionalism start from the principle that ‘ideas matter’: they are not a mere decoration for interests, but are in an organic relation with them and contribute to shape the actions and choices of policy-makers.

Following the insights of ideational Institutionalism, we can claim that the preferences of the decision-makers are always defined by a combination of ideas and interests, although their relation varies according to the situation. It is possible to logically conceive three mechanisms through which ideas and interests concur in determining the preferences of policy-makers. In the first one, preferences are defined mainly by interests: interests set the objectives and ideas are used as a rhetoric justification to support them. In the second case, the relation between ideas and interests is inverse: ideas are constitutive of interests. In this constructivist account, ideas mediate and inform what political actors perceive as their interest. In Weberian terms, in this second scenario ideas offer the value content of substantive rationality that orients the action to specific goals and directs it away from others (Kalberg 1980, 1167). This can happen, for instance, in case of Knightian uncertainty. As Mark Blyth (2003a) put it, in situations of Knightian uncertainty ‘agents have no conception as to what possible outcomes are likely, and hence what their interests in such a situation in fact are’ (p. 32). In these situations, ideas provide political actors with a set of values, principles and insights to guide their choices: ‘what is critically important in understanding agents’ behaviours are the ideas held by agents, not their structurally derived interests’ (p.34), concludes Blyth. In the third case, interests and ideas are on an equal footing: interests indicate the objectives of political action, whereas ideas provide the means to reach them. Ideas can discharge this function in different ways. To return to Weber’s types of rationality, in this case ideas can support a practical rationality suggesting specific means (e.g., specific policies) or a formal rationality suggesting general norms to achieve the objectives (Kalberg 1980, 1151–52 and 1158–59).

These three mechanisms should not be seen as mutually exclusive, as they take place simultaneously: interests, in fact, are never completely exogenous from ideas, but are always socially constructed and mediated by the actors’ perceptions and beliefs (McNamara 2006). Let us consider

the first scenario, whereby preferences are primarily defined by interests and ideas are instrumentally used to support them. In this case, interests are not independent from ideas in absolute terms, but only from those that are instrumentally used to justify them: by contrast, interest can never be considered independent from the knowledge, beliefs and values of the actors. Consequently, while the first mechanism takes place – ideas are used to support the interests – the second takes place as well – other (or even the same) ideas define the interests.

Regardless of which of the three relation takes place, the point is that preferences are always defined by a combination of interests and ideas. The role of ideas, however, is not just limited to preference formation. As tight as the embrace between ideas and interests is, it is nonetheless destined to end as the preferences are turned into rules or institutions. When a new policy is institutionalized, the interests that motivated it remain in the background as a mere causal force and cease to have any effect on its functioning; the ideational component, instead, is picked up and embedded in the new policy, regardless of the nature of their previous relation with interests. In other words, while the new policy becomes independent from the interests that generated it, it remains permeated by the ideas that inspired it and then determine its functioning. This means that identifying ideas and tracing their influence is a relevant task *per se*, as it is the logic of ideas embedded in a policy or in an institution, not interests, that determines how it works.

3. Tracing the effect of ideas

3.1. Method: theory-testing process-tracing

The aim of this chapter is to assess the effect of a specific set of ideas – namely, ordoliberal ideas – in the reform of the economic governance of the European Union. Based on what said in the previous section, it should be possible to trace the effect of political ideas by looking at how they contributed to determine the preferences of policy-makers and by assessing whether their logic is reflected in the policy outcome. To do this, I will rely on process-tracing, a single-case qualitative research method used to make inferences on the causal effect of one or more factors on a certain outcome.

There is a great number of interpretations on what process-tracing (PT) is – more than 50, according to a recent paper (Pozzoni, forthcoming). I will rely on the version proposed by Derek Beach and Rasmus Brun Pedersen (Beach and Pedersen 2013), as their understanding of process-tracing seems particularly suitable for the purpose of this study. According to Beach and Pedersen, PT aims to prove the existence of a causal mechanism linking one or more factors to an outcome; they intend a causal mechanism as a ‘set of interlinking parts that transmits causal forces from X to Y’ (p. 29). Each part of the causal mechanism consists in entities that engage in activities, transferring

the causal force to the next part up to the outcome; consequently, each part of the mechanism is individually necessary, as otherwise the transmission of the causal force would be interrupted.

Beach and Pedersen distinguish three variants of PT. The first two, theory-testing and theory-building PT, are theory-centric. Theory-testing follows a deductive approach: it aims to assess the existence of a causal mechanism, deduced from a theory, by looking for its observable manifestations; theory-building, instead, has an inductive approach: it starts from a wide set of observation and infers that they are the empirical manifestations of an underlying causal mechanism. The third variant, explaining-outcome process-tracing, is case-centric and follows both an inductive and deductive path: it aims to craft a minimally sufficient causal mechanism that explains a particularly puzzling or interesting outcome. Theory-centric and case-centric PT diverge not only in their purposes, but also in the nature of the causal mechanisms they investigate. Theory-centric PT produces *necessary* causal mechanism: they are necessary to determine the outcome, but their existence does not rule out the possibility that other mechanisms exist and contribute – even more – to the outcome. By contrast, the sufficient mechanisms of explaining-outcome PT contain all the parts that contribute to the outcome, deriving them from different theories and from the observation of the specific case.⁹⁷

Being a qualitative, single-case research method, process-tracing cannot rely on the frequentist logic of quantitative large-n studies or on the comparative logic of qualitative medium- to small-n studies. Rather, it applies the Bayesian logic of inference, which is based on the collection of empirical evidence to increase (or decrease) the confidence in a hypothesized explanation. Formally, Bayes's theorem is expressed as follows:

$$p(h|e) = \frac{p(h)}{p(h) + \frac{p(e|\sim h)}{p(e|h)}p(\sim h)}$$

The relevant elements of the theorem are the priors ($p(h)$), the posterior probability ($p(h|e)$), and the likelihood ratio $\left(\frac{p(e|\sim h)}{p(e|h)}\right)$. The priors ($p(h)$) refer to the confidence in the validity of the hypothesis before the collection of evidence. They represent the 'starting point' of the research and derive from the previous knowledge on the topic (e.g., literature or general knowledge). The value of

⁹⁷ To better illustrate this point, let us consider a certain reform process, the outcome of which could be explained by, say, two distinct theories, accounting for some specific aspects of the process. Theory-centric process-tracing would test the existence of two different causal mechanisms, each derived from one of the two theories. The existence of one would not rule out the existence of the other. Explaining-outcome PT, instead, would test the existence of a causal mechanism composed of parts derived from both theories and from the observation of the specific case; by definition, this mechanism would include all the parts that exerted a causal effect on the outcome and, therefore, rule out that any other mechanism had any causal effect on it.

$p(h)$ ranges from 0 to 1. If the previous knowledge on the topic chimes in with the hypothesis, $p(h)$ is higher (i.e. closer to 1), if the previous knowledge discords with the hypothesis, $p(h)$ is lower (i.e. closer to 0), if the previous knowledge is mixed, $p(h)$ is close to 0.5. Logically, $p(h) + p(\sim h) = 1$, as $p(\sim h)$ represents all possible explanations other than h . The researcher should specify the priors at the begin of the study.⁹⁸ The posterior probability ($p(h|e)$) refers to the confidence in the validity of h after evidence e is gathered; a theory is confirmed if $p(h|e) > p(h)$.⁹⁹ The likelihood ratio $\left(\frac{p(e|\sim h)}{p(e|h)}\right)$, instead, ‘is the expected probability of finding evidence supporting a hypothesis based on the researcher’s interpretation of the probability of finding it in relation to the hypothesis and background knowledge informed by previous studies, compared with the expected probability of finding the evidence if the hypothesis is not true’ (p. 85). The lower the likelihood ratio (so, the higher is $p(e|h)$ – the probability of observing e if h is true – and the lower is $p(e|\sim h)$ – the probability of observing e if h is *not* true), the more the confidence on the hypothesis increases.

The single components of a causal mechanism can be conceived as hypotheses: for each part of the mechanism, the researcher hypothesizes the existence of some empirical manifestations and, then, collects evidence to support the hypotheses. The predictions on the empirical manifestations of a causal mechanism are characterized by two features, which relate to the kind of inference we can make if we find (or fail to find) the predicted empirical manifestations of the causal mechanism: uniqueness and certainty.

Uniqueness is the capability of discriminating among alternative hypotheses and relates to the likelihood ratio: highly unique predictions maximize $p(e|h)$ in relation to $p(e|\sim h)$. ‘[I]f we have a hypothesis formulated in a manner that is highly unique and if we find the predicted evidence, our confidence increases in the presence of the part of the mechanism’ (p. 101). Uniqueness, then, is related to confirmatory power: finding evidence supporting a unique prediction increases the confidence in the hypothesis against possible alternatives.

Conversely, certainty characterizes unequivocal predictions and only focus on $p(e|h)$. Certain predictions relate to the empirical manifestations e that we are necessarily supposed to observe if the

⁹⁸ This is important for two reasons. First, for the sake of clarity. Second, because the higher $p(h)$, the stronger is the evidence needed to confirm the hypothesis. Because of the nature of Bayes’ theorem function, the same piece of evidence increases the confidence in the hypothesis more strongly in case of lower priors than of stronger priors. To illustrate this point, let us consider a same piece of evidence whose likelihood ratio is 0.001 (an unrealistically strong piece of evidence) in two different situations, one where $p(h) = 0.01$ (low priors) and the other where $p(h) = 0.99$ (high priors). In the first case, $\frac{0.01}{0.01+0.001*0.99} = 0.91$: the confidence in h jumps from 0.01 to 0.91. In the second case, $\frac{0.99}{0.99+0.001*0.01} = 0.99$: the confidence in h remains basically unchanged.

⁹⁹ Given the structure of Bayes’ theorem, $p(h|e)$ can never be 0 or 1. In other words, according to Bayesian logic, it is never possible to disconfirm or confirm a hypothesis with 100% confidence. For all practical purposes, a hypothesis must be considered disconfirmed if $p(h|e) < p(h)$, and confirmed if $p(h|e) > p(h)$.

hypothesis is true – in other words, the probability of observing e if h is true ($p(e|h)$) is 1. Logically, if $p(e|h) = 1$, the probability that h is true if we *fail* to observe e ($p(h|\sim e)$) is 0. Therefore, if the prediction is maximally certain, failing to observe e greatly decreases the confidence in h (p. 102). Certainty, then, relates to dis-confirmatory power.

Based on these two dimensions, four kinds of empirical tests can be developed to prove the existence of the parts of the causal mechanism.

- *Straw-in-the-wind tests* have both low certainty and uniqueness – they are the weakest type of test and have only circumstantial value.
- *Hoop tests* have highly certainty and low uniqueness: failing the test greatly disconfirms the hypothesis, whereas passing it does not enable to make inference. Beach and Pedersen illustrate this with a case of murder. Finding that a suspect was not in the city where the murder took place would greatly reduce the confidence in his guilt, but his presence would not necessarily imply that he is guilty. To prove his guilt other hoop tests would be necessary, showing for instance that he was in the neighbourhood, in the building or even in the room where the murder happened. So, consecutive and increasingly more specific hoop tests can be used to increase the confidence in a hypothesis.
- *Smoking gun tests* have low certainty and high uniqueness: finding this kind of evidence greatly increases the confidence in the hypothesis, but not finding the evidence does not disconfirm it. Using again the murder comparison, finding the suspect near the victim with a smoking gun in his hand greatly increases the confidence in his guilt, but not finding him with the smoking gun does not acquit him.
- *Doubly-decisive tests* have high certainty and uniqueness, and represent the ideal test to confirm a hypothesis. In our murder case, a closed-circuit camera recording the suspect while committing the crime would constitute such kind of evidence.

The aim of these empirical tests is to maximize uniqueness and certainty to increase the confidence on the proposed hypothesis. Ideally, the doubly-decisive tests would be the best way to support a hypothesis; unfortunately, the probability of finding empirical evidence supporting this kind of test is very low. Hence, process-tracing usually relies on a combination of hoop tests (mainly) and smoking gun tests.¹⁰⁰

¹⁰⁰ Ideally, the researcher should assign a score to each piece of evidence and, then, apply the formula to assess whether $p(h|e)$ increases or decreases in relation to $p(h)$. Since the scores largely depend on the researcher's judgement, I will not assign them. Rather, I will present discursively my evidence and leave the reader free to judge how convincing they are.

In this chapter, I will rely on the theory-testing version of process tracing. My aim is neither to elaborate a new theory starting from a wide set of empirical observations, nor to craft a detailed account of how the reform process took place. Rather, I want to assess the existence of a causal mechanism linking a specific set of ideas – the ordoliberal ones – to the reforms of the EMU. The theory that I will test, then, is based on the reflections on the role of ideas in politics exposed in the previous section. Theory-testing PT involves three logical steps. The first is conceptualization. In this phase, the researcher arranges the theory as a causal mechanism: he specifies the causal condition(s) (C), the outcome (X), the parts of the mechanism (P_n) and the scope conditions (i.e. the context within which the mechanism is supposed to work). The second step is operationalization: for each part of the causal mechanism, the researcher hypothesizes some empirical manifestations that are supposed to be observed if the part of the mechanism exists. The predictions on the observable manifestations of the parts of the causal mechanism must maximize uniqueness and certainty: they must be formulated in a way that they must necessarily be observed for the part of the mechanism to exist (certainty) and that they confirm that specific hypothesis over other alternatives (uniqueness). The last step is the collection of empirical evidence to support the claim that the mechanism and its parts exist.

3.2. Conceptualization of the causal mechanism

According to the theoretical premises on the role of ideas in politics outlined in the previous section, ideas contribute to shape the preferences of policy makers and are, then, reflected in the policy outcome. A causal mechanism would look like this:

Ideas shared by policy-makers (C) → Ideas shape preferences (P₁) → Reforms reflect ideas (X).

This concise mechanism, however, should be complemented by taking into account the specific context of the reform process, which constitute its scope condition. The reforms of the EMU were not decided by a single national government, but were negotiated with the other Member States and with the supranational institutions. Consequently, in order to claim that a specific set of ideas had a causal impact on the reform process, it is not only necessary that they shaped the preferences at least of one of the governments, but also that the government upheld its preferences in the relevant arena and that the preferences of that government prevailed. So, two further parts must be added to the causal mechanism: preferences are upheld in the relevant arena (P₂) and preferences prevail (P₃). Figure 1 represents the causal mechanism.

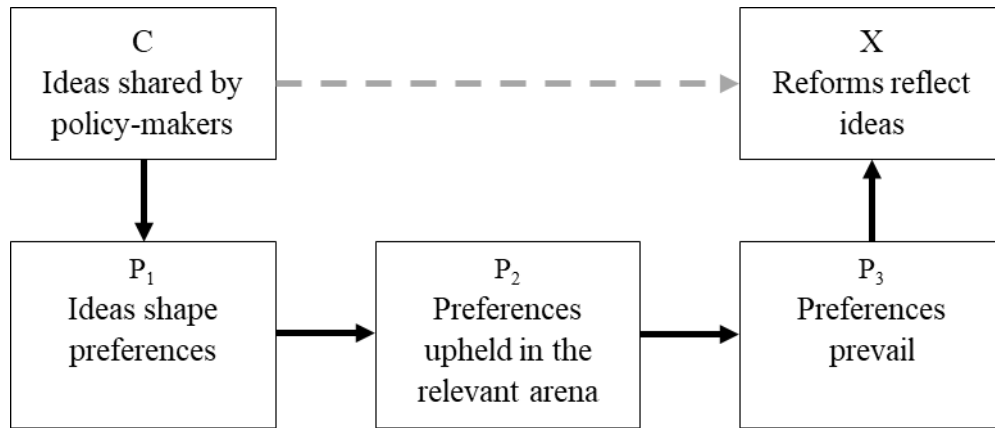


Figure 1. Causal mechanism

3.3. Operationalization and empirical tests

For each component of the causal mechanism, I predict the empirical manifestations I expect to observe; according to the logic of process tracing, my predictions aim to increase certainty and uniqueness. Since my aim is to trace the influence of a specific set of ideas (namely, the ordoliberal ones), the causal condition C implies that policy-makers shared ordoliberal ideas. From the previous chapters and from the literature, we know that Ordoliberalism is a German creature and that it did not take root outside Germany; therefore, ordoliberal ideas must be sought within the German government. A first observable manifestation, then, is that the members of the German executive publicly express positions compatible with Ordoliberalism. This, however, would not be sufficient, as we know that Ordoliberalism yields policy recommendations that are not unique to it: the core and adjacency of the ordoliberal ideology consists of political concepts (such as competition, state, responsibility, etc.) that may derive from other ideologies. In other words, the position expressed by the government, however compatible with Ordoliberalism, might come from somewhere else. Hence, as second observable manifestation, I expect to find that German leaders and officials show some links with the ordoliberal tradition. The first observable manifestation should be interpreted as a hoop test (if the positions of the German leaders are incompatible with Ordoliberalism, the confidence in the existence of the causal condition is greatly reduced), whereas the second should be considered as a smoking gun (if members of the executive have some links with the ordoliberal tradition we are more confident that their positions derive from Ordoliberalism and not from other ideologies).

According to P₁, ordoliberal ideas should have shaped the preferences of the German government. As observable manifestation, I expect to find that the official documents expressing the position of the government on the reform of the EMU reflect ordoliberal principles. Again, this would just be a hoop test, as it would be necessary, but not sufficient, to infer the influence of Ordoliberalism: the position of the government could be informed by other factors. The most plausible alternative to an ideational account is an interest-based explanation. As we have seen in the

previous section, preferences are always defined by a combination of ideas and interests; however, interests may prevail over ideas and being the main determinant of preferences. If this is the case, the preferences of the German government would remain the same even if different ideas prevailed. Hence, as second observable manifestation of the influence of Ordoliberalism in shaping the German preferences, I expect that, as the ideas within the government change, the preferences change as well.

According to P_2 , the German government should have upheld its position during the negotiations; if this is true, I expect to find documents proving this. However, this would not be enough: given the peculiarity of European decision making, it could be possible that the reforms were decided by actors other than Germany, for instance by the supranational institutions such as the Commission or the Parliament. Therefore, I expect not only that Germany upheld its ideas, but that it did this in the appropriate arena to influence the reforms. This will be proved by illustrating the intergovernmental logic of the reform process of the economic governance of the EU.

Finally, according to P_3 , the German preferences should have prevailed. A first, necessary observable manifestation would be that the reforms reflect the German *desiderata*. A second observable manifestation, which would increase the uniqueness of the causal mechanism, would be the hegemonic role of Germany in the reform process: this would prove that the reforms were not just compatible with Germany's preferences, but defined by them at least to a certain extent.

Table 1 summarizes the causal mechanism.

Component of the causal mechanism	Observable Manifestation	Evidence	Test type
C – Ordoliberal ideas present	German leaders express ordoliberal ideas.	Analysis of the speeches of Merkel and Schäuble (chapter 5)	<u>Hoop test</u>
	Members of the German executive have links to the ordoliberal tradition.	Schäuble publicly claims his connection with the ordoliberal tradition. State secretaries Asmussen and Weidmann share ordoliberal positions and were students of Axel Weber (Dyson 2010). State secretary Thomas Steffen shares ordoliberal positions (press).	<u>Smoking gun</u> <i>The fact that German officials and leaders have links with the ordoliberal tradition allows to argue that their ideas were influenced by Ordoliberalism.</i>
P_1 – Ordoliberal ideas shaped German preferences	Documents expressing the position of the government reflect ordoliberal ideas	German position papers submitted to the Van Rompuy Task Force. Public declarations of the government.	<u>Hoop test</u>
	Different ideas conducive to different positions	SPD opposed Six- and Two-pack. Schäuble's predecessor Steinbrück called for European solidarity.	<u>Smoking gun</u> <i>The fact that the position of the government changed as the Finance Minister</i>

		As Schäuble leaves his post, the government drifts from its ordoliberal positions and ordoliberals remonstrate.	<i>change would prove that it was determined by ideas. However, we could not witness this during the crisis, as the executive remained the same.</i>
P₂ – Germany upheld its preferences in negotiations	Intergovernmental logic	Institutional competition between the Commission and the Van Rompuy Task Force. Commission runs after the Council. Some reforms (ESM, TSCG) are concluded at the intergovernmental level.	<u>Smoking gun</u> <i>The intergovernmental logic proves that the preferences of the national governments, not those of the supranational institutions, were decisive in the reform process.</i>
	Germany takes part to negotiations	Germany submits three papers to the Task Force.	<u>Hoop test</u>
P₃ – German preferences prevail	Reforms reflect German preferences	Analysis of the single reforms.	<u>Hoop test</u>
	Germany's hegemonic role	Germany and France held bilateral meetings to agree on the reforms before the official meetings of the Council. Germany as leader of the Northern bloc.	<u>Smoking gun</u> <i>The hegemonic role of Germany proves that the German preferences were decisive in the reform process.</i>
X – Reforms of the EMU reflect ordoliberal ideas			

Table 1. Synthesis of the causal mechanism.

4. Causal mechanism

4.1. Priors

In chapter 1, I have resumed the reforms of the EMU undertaken during the crisis: the Six-pack, the Two-pack, the TSCG, the ESM and the Banking Union. All in all, the literature agrees that the reforms largely match the preferences of the Northern states and of Germany in particular. They strengthen regulatory framework of the Stability and Growth Pact and sharpen the sanctions against fiscal profligacy. As we have seen in the previous chapters, part of the literature claims that the reform of the European economic governance was soaked with ordoliberal ideology. This claim seems plausible, as the principles that underpin the reforms are in fact compatible with Ordoliberalism. Another part of the literature, however, strongly rejects that Ordoliberalism has anything to do with the EMU: the position of the German government was more determined by national interests than by ideas, and the logic of the reforms reflects pragmatism and common sense, more than Ordoliberalism. This position is plausible as well: after all, interests are a major motive in politics, and the impact of Ordoliberalism – an old economic doctrine – might be greatly overestimated.

So, our prior confidence on the hypothesis that ordoliberal ideas influenced the reforms of the EMU is mixed: while it is possible that they did, there are also good arguments to claim that they did not. In order to increase our confidence in this hypothesis, we need to prove the existence of a causal mechanism linking the ordoliberal ideas to the EMU reforms.

4.2. C – Ideas shared by policy-makers

In chapter 4, I summarized the ordoliberal debate on European integration. Ordoliberals have never had a common position on the issue. This became evident in the 1990s, as the ordoliberal camp was split between Eurosceptical ordoliberals – who were doubtful of the monetary integration process – and those who supported it; the same situation reoccurred during the Euro crisis, leading to the foundation of the AfD. Beyond the differences, however, both camps justified their positions by relying on a common set of concepts that belong to the ordoliberal ideological morphology. They are the core concepts of competition, state and *Ordnungspolitik* and the adjacent concepts of responsibility, subsidiarity and monetary stability.

In chapter 5, I investigated the presence of ordoliberal ideas within the German government in the years of the crisis by analysing the public speeches of the two exponents of the government more engaged in the European reform process: Chancellor Angela Merkel and Finance Minister Wolfgang Schäuble. The analysis showed that Schäuble held a consistently ordoliberal position; the case of Merkel, instead, was different. Her ideas were compatible with Ordoliberalism in many aspects, especially regarding her conception of the crisis and of the relations among Member States in the EU. However, some of her ideas diverged – even significantly – from it: on the one hand, the salience of the concept of *Ordnungspolitik* was much lower than in Schäuble's speeches; on the other, the salience of the concepts of solidarity and of coordination was much higher. Although a deeper analysis showed that her conception of solidarity basically overlapped with Schäuble's, the other differences remained. I presented two complementary reasons to explain them.

First, her adherence to the ordoliberal paradigm was simply lower than Schäuble's. Unlike her Finance Minister, who was raised and educated in Freiburg and had personal and political contacts with Ludwig Erhard and other important ordoliberals, Merkel had less direct contacts with Ordoliberalism and was a member of a current of the CDU less committed with ordoliberal principles. This could explain the relatively low salience of the concept of *Ordnungspolitik* in her speeches. Second, and it is crucial here, because of her role in the negotiation of the reforms. As we have seen, Germany could not single-handedly decide on the future of the EMU: it had to find a compromise with the other European states, especially with France, and to make some concessions. This explains the high salience of the concept of solidarity and her proposal of a *Wirtschaftsregierung* ('economic

government'), which can be interpreted as an opening to the French conception of a *gouvernement économique*. Then, if Schäuble represented the hard line of the government, Merkel was the mediator. She initially backed Schäuble's proposals, even the more contentious,¹⁰¹ but progressively she softened her positions (Crespy and Schmidt 2014) in the name of compromise.

All in all, however, we can say that the ideas expressed by Schäuble and, to a lesser degree, by Merkel were compatible with Ordoliberalism. According to the ideas of the German government, the reform of the European economic governance should:

- foster the coordination among Member States through rules rather than through the discretion of a central authority;
- set a regulatory framework based on strict rules and automatic sanctions to limit moral hazard and to enforce national responsibility for fiscal and economic policies;
- support fiscal discipline and a neutral and restrictive monetary policy as part of the necessary conditions for a fair competition.

The compatibility of the positions of the German government with Ordoliberalism, however, is not sufficient to argue that these ideas were ordoliberal, as they could come from somewhere else: in order to properly define them ordoliberal, there should be some link between the carriers of these ideas and the ordoliberal tradition. The case of Schäuble is the most manifest: as mentioned before, he was raised and educated in Freiburg, had personal contacts with Erhard and frequently claimed his adherence to Ordoliberalism. Ordoliberal ideas were shared also by high-level officials: Jens Weidmann, who until May 2011 was Merkel's economic advisor, and Jörg Asmussen, who was Schäuble's state secretary until 2012, were both students of former Bundesbank President Axel Weber (replaced by Weidmann) and shared his ordoliberal ideas (see Dyson 2010; see also chapter 1). Asmussen's successor in the *Bundesfinanzministerium*, Thomas Steffen, also shared ordoliberal ideas.

Based on this, there is enough evidence to argue that ordoliberal ideas were present within the German government during the Euro crisis. The main carrier of these ideas was Finance Minister Schäuble, but they were also shared by the *Kanzlerin*. Generally speaking, Germany fostered a conception of inter-state relations based on rules and on the logic of self-help, whereby Member States must rely primarily on themselves to realize their plans. From the German perspective, the crisis was caused by the excessive debt of some Member States which jeopardized the stability of the Eurozone (see previous chapter). The rules prescribing fiscal discipline, then, should be strengthened,

¹⁰¹ One above all, the possibility that Greece could be excluded from the Eurozone. See Saccomanni (2018, 124) and chapter 1.

as they are necessary for the functioning of the process of coordination through competition. Similarly, the burden of recovering from macroeconomic imbalances should be put on the less competitive states, which should commit to restore their competitiveness through structural reforms. These positions are epitomized by the German rejection of a *Transferunion* and by its position on current account imbalances: sound finances and competitiveness are national tasks and weaker states must commit to improve their situation without asking the stronger to ‘artificially weaken’ their competition or to pay the debts for them.

Germany aimed to tighten surveillance and sanctions of the SGP: the enhanced surveillance procedures and the automatic sanctions proposed by Germany were all means to hold Member States more accountable for their fiscal and economic policies. The stronger measure in this sense was Schäuble’s proposal of a fixed procedure for state bankruptcy, whereby the access to financial assistance would be conditional on a debt restructuring in the case the debt of the Member State is considered ‘unsustainable’. This would, in Schäuble’s intentions, completely rule out the moral hazard connected to a permanent crisis-resolution mechanism.¹⁰² The responsibility principle, however, would not apply just to states, but also to private actors: Schäuble and Merkel have often called for private sector involvement in case of state defaults and of bank resolutions.

Finally, the German government has always been sceptical of the monetary policies enacted by ECB Presidents Jean-Claude Trichet and Mario Draghi. In Germany, the reactions to the energetic policies of the ECB were almost hysterical: the Chief Economist of the ECB Jürgen Stark resigned in protest with Trichet’s bond-buying programme; Jens Weidmann was the only member of the ECB board to vote against Draghi’s OMT programme; the OMT and the Quantitative Easing programmes were brought in front of the powerful German Constitutional Court, which had to rule on their legality; many ordoliberal economists claimed that the ECB monetary policy would bring to the break-up of the single currency. The reaction of the German executive was more moderate, but still critical: while calling for the respect of the independence of the ECB, Merkel and Schäuble pointed out that monetary policies could not replace national efforts to regain competitiveness and sustainable public finances; moreover, they could have a detrimental effect, as they would ease the pressure of market on the debtor states, thus making the urge for reforms less impelling.¹⁰³

¹⁰² This proposal was put forward by Germany in the worst moment possible: see the episode of Deauville in chapter 1.

¹⁰³ ‘[T]here is a danger that monetary policy could weaken the willingness of policy-makers to undertake reforms’, Wolfgang Schäuble, ‘Die Lage in Europa: Welche Governance braucht die Europäische Union?’.

4.3. *P₁ – Ideas shape preferences*

As we have seen in chapter 1, after some months of confusion, the European Member States instituted a Task Force, led by Council President Herman Van Rompuy, to pave the way for a reform of the European economic governance. The first (of three, see the next paragraph) paper submitted by Germany to the Van Rompuy Task Force on May 2010 summarizes the German position at an early stage of the reform process. The paper, authored by the Finance Ministry, focused on three policy areas: prevention of budgetary crisis, economic policy and surveillance, and a crisis-resolution framework. The bulk of the contribution was the part on budgetary policies. It proposed a strengthened budgetary surveillance; more adherence to fiscal discipline; the introduction of the fiscal rules of the SGP into national law, possibly at the national level like the German *Schuldenbremse*; quicker and more severe sanctions for the breach of the budgetary rules, such as fines, the suspension of voting rights in the Council or the suspension of ESI payments. Regarding macroeconomic surveillance and coordination, the German proposal called for a strengthened surveillance mechanism and a corrective procedure focused on the uncompetitive states including the possibility of sanctions in case of failure to recover from the imbalances. The last few lines of the document were devoted to the crisis-resolution mechanism. According to the German government, there were ‘good reasons’ why the EFSF was temporary; making it permanent should be conditional on the establishment of ‘a procedure for orderly state insolvencies’, which would ‘create incentives for countries to pursue solid fiscal policies, and for financial-market participants to lend responsibly’. The German proposal reflected the ordoliberal ideas present within the executive: a conception of coordination through rule-based competition, the need to strengthen the regulatory framework and to enforce national responsibility against moral hazard, fiscal discipline as cure for the excesses that caused the crisis. These positions were also furthered in other German documents and public declarations by Schäuble and Merkel.

The compatibility of the German paper – which constituted the official position of the government during the negotiations – with the ordoliberal ideas of the executive is not decisive, though, as it constitutes a hoop test. If the test failed (i.e. the German position was not compatible with ordoliberal ideas), we could have argued that ordoliberal ideas did not play any role in the reform process; the fact that the test pass, however, does not enable us to infer a causal effect of ordoliberal ideas. The test, in fact, has a low level of uniqueness, which means that it allows for alternative explanations, in particular interest-based ones. In the previous section, we have seen that preferences are always formed by an entanglement between ideas and interests, but also that interests may overrule ideas. If interests prevail over ideas in defining the preferences, this implies that, even if

ideas change, the preferences should remain the same. So, to increase the uniqueness of my hypothesis, I should assess whether the German preferences changed as ordoliberal ideas were replaced by other ideas: if they did, my idea-based hypothesis would be confirmed; if they did not, an interest-based explanation would be confirmed. Unfortunately, doing this is not so easy: during the Euro crisis (Autumn 2009-Summer 2015), the German key political actors of the reform process – Merkel and Schäuble – remained the same; therefore, there is no way to test whether the position of the German government would have changed in case of the government had different beliefs. Yet, it is possible to make some conjectures.

During the crisis, the SPD, which is less adherent to the ordoliberal paradigm than the CDU/CSU (Dullien and Guérot 2012; see also Appendix 1), strongly opposed the Six- and Two-Pack; so, one could argue that this party would have chosen another approach to the reform of the EMU if it was in power. However, this fact must be taken with a grain of salt, as the resistance against these two packages could be explained by the fact that, at the time, the SPD was at the opposition of the CDU/CSU/FDP government; this evidence could represent, then, a straw-in-the-wind test, providing low certainty and low uniqueness. The fact that Steinbrück, Schäuble's SPD predecessor at the Finance Ministry, claimed in early 2009 that Germany would have aided crisis countries (see chapter 1) shows a higher degree of uniqueness: Steinbrück held the same office as Schäuble and supported a completely different position. However, this evidence is still not decisive *per se*, as we do not know how Steinbrück would have acted if he still were Finance Minister during the critical phase of the crisis.

Another example is more compelling. After the shaky federal elections on September 2017, the CDU proposed Wolfgang Schäuble, the 'ordoliberal anchor' of the government, as president of the Bundestag; the idea was to offer the important position Finance Minister to tempt other parties to join in a government coalition. Eventually, the CDU/CSU and SPD agreed to form another *Große Koalition*, and Olaf Scholz, SPD, became Finance Minister, while the Ministry of Economic affairs was assigned to Peter Altmaier, CDU. In the meanwhile, SPD leader Martin Schultz tried to relaunch the project of a federal Europe to galvanize (with little success) his electorate. The new attitude of the SPD resonated in the part of the new *Koalitionsvertrag* ('contract of coalition') devoted to Europe: it called for a 'new start' for European integration, more solidarity among European states and more cooperation with France. As the press reported, that part of the contract was a direct emanation of the SPD. Schäuble's retire as Finance Minister and the new European attitude of the government worried

the ordoliberalists within the CDU, who defended Schäuble's European *Ordnungspolitik*¹⁰⁴ and heavily criticized the new *Koalitionsvertrag*.¹⁰⁵ Moreover, Altmaier's plan for industrial policy – the *Industriestrategie 2030* – really seems at odds with the principles of Ordoliberalism, regardless of the use of an ordoliberal wording to legitimize it.¹⁰⁶

So, when the main representative of the ordoliberal paradigm in the German government – Wolfgang Schäuble – withdrew from his post, the position of the government departed from ordoliberal principles. This is not a decisive test for the relevance of ordoliberal ideas during the crisis: after all, the situation during and after the crisis are not comparable and we do not know how, for instance, a German leftist government would have approached the crisis. Yet, it yields a good deal of argumentative power to the case that ordoliberal ideas actively shaped the preference of the German government and that, without them, the position of the government would have been different.

4.4. P₂ – Preferences upheld in the relevant arena

As we have seen in chapter 1, the response to the Euro crisis comprised two kinds of actions: emergency measures aimed at preserving the integrity of the EMU, such as financial aids to crisis countries, the establishment of temporary stability funds and the monetary policies of the European Central Bank (ECB); and long-range reforms of the economic governance of the European Union (the Six- and Two-pack, the TSCG, the ESM, the Banking Union). In both cases, with the important exception of the interventions of the ECB, the governments of the Member States took the lead, leaving a much more marginal role to supranational institutions such as the Commission and the Parliament. As Brunnermeier *et al.* (2016) put it, during the Euro crisis political power shifted from Brussels to the national capitals. The literature on the so-called 'New Intergovernmentalism' (Bickerton, Hodson, and Puetter 2015; Fabbrini 2013; Fabbrini and Puetter 2016; Puetter 2012) has shown that this is not a new phenomenon in the politics of the European Union. In the post-Maastricht period, the integration process covered new areas of activity, close to the 'core powers of the state': economic governance, foreign policy, security policy, justice and home affairs close. This did not

¹⁰⁴ 'Defend Schäuble's heritage of a rule-based European *Ordnungspolitik*', available at <https://www.wirtschaftsrat.de/wirtschaftsrat.nsf/id/schaeubles-erbe-einer-regelbasierten-ordnungspolitik-in-europa-bewahren-de>.

¹⁰⁵ '*Koalitionsvertrag*: Soft positions on Europe and pensions break with the principles of a stable policy', available at <https://www.wirtschaftsrat.de/wirtschaftsrat.nsf/id/koalitionsvertrag-weichenstellungen-in-europa-und-rentenpolitik-bre-chen-mit-prinzipien-solider-po?open>.

¹⁰⁶ The new *Nationale Industriestrategie 2030* of the Minister of Economic Affairs Peter Altmaier (CDU) seems a departure from the ordoliberal tradition, as it envisages a special treatment for large firms in seven, mainly technological, key areas deemed of strategic relevance. Interestingly, a section of the document is explicitly devoted to the '*ordnungspolitische Prinzipien*' of the strategy, which refer to ordoliberal principles. This might be an instance of a rhetorical use of ideas to support material interests.

lead to an empowerment of the traditional supranational actors. Rather, the governments decided to pool their sovereignty and establish a process of day-by-day coordination.

The crisis has emphasized this process. According to Fabbrini (2013, 2017), the crisis was handled according to an intergovernmental logic which empowered the European Council and the Council (and their Eurozone formations, respectively the Euro summit and the Eurogroup) to the detriment of the other European institutions. Given the legal impossibility to assist countries in crisis through the European budget, Member States stepped in and paid the biggest share of the financial assistance. They also took the lead of the reform process, marginalizing the Parliament and contending with the Commission for the leadership of the reform process. The cases of the Six-pack and of the Two-pack are indicative. The two packages were adopted under the Ordinary Legislative Procedure (OLP), that formally recognizes the right of initiative to the Commission and sees Parliament on an equal footing with the Council. Yet, the Commission had to go after the Council, which had established a Task Force to outline the reforms of the EMU; the Parliament, in turn, was marginalized (Bressanelli and Chelotti 2018). Moreover, the governments could shift to the intergovernmental arena to quicken the reform process and to avoid vetoes from the supranational institutions and from other governments. Both the TSCG and the ESM were agreed through intergovernmental agreements: in the first case, this was done to overcome the opposition of two Member States, the United Kingdom and the Czech Republic; in the second, the objective was to retain the discretionary power over the assistance programmes. Although the Commission managed to influence the decision-making process thanks to its technical competences (Smeets and Beach 2019; Smeets, Jaschke, and Beach 2019), it saw its prerogatives constantly menaced by the European Council.

Therefore, the reform of the European economic governance can be intended as a complex process of bargaining and compromise between the different and often conflicting interests of Northern and Southern countries. All Member States shared a common interest in the preservation of the Economic and Monetary Union threatened by the crisis. In the meantime, they also had diverging preferences in relation to the measures to undertake, as different actions and reforms have distributional consequences for the Member States. (Schimmelfennig 2015).

A significant moment of this process was represented by the Task Force on economic governance (or 'Van Rompuy Task Force', after Herman Van Rompuy, the President of the European Council and chairman of the Task Force), established by the European Council of 25-26 March 2010 to outline the reform the European economic governance. The Task Force held six meetings between 21 May 2010 and 18 October 2010, and was formed by the Finance Ministers of the (then) 27 Member States, by the Commissioner for Economic and Monetary Affairs, Olli Rehn, by the Presidents of the

Eurogroup and of the European Central Bank (respectively, Jean-Claude Juncker and Jean-Claude Trichet) and by Van Rompuy himself. All Member States and institutions were invited to submit their proposals for the reforms, but the positions of Northern (and Eastern)¹⁰⁷ countries were overrepresented: among the Southern states, only Italy submitted a (rather technical) proposal, while France only submitted a joint letter with Germany; Spain, Greece and Portugal did not submit any contribution. Germany, with three contributions, was the more active Member State; it was also the first one to hand in a proposal. So, the documents of the Task Force are mainly useful to reconstruct the positions of the Northern states. The ensuing legislative process of the Six-pack gave the opportunity to observe the preferences of Southern countries, as national parliaments could express their opinion on the reforms. The Italian Chamber of Deputies and Senate produced two political documents, very critical to the reforms and to their underlying logic. The Portuguese Parliament approved five, rather critical opinions on the reform package, as well.

The Task Force produced a detailed report on reform the EMU. It defined the measures to strengthen fiscal discipline (the strengthening of the preventive and corrective arms of the of the SGP, the introduction of the debt criterion in budgetary surveillance and the introduction of the controversial principle of Reverse Qualified Majority); called for a surveillance process of macroeconomic imbalances; and also called for the establishment of a permanent crisis management mechanism, later embodied by the ESM.

The activity of the Task Force triggered a mechanism of institutional competition with the Commission, which was not willing to hand over its prerogative of legislative initiative. The Commission took an active part in the works of the Task Force and launched its proposals for the Six-pack on 29 September 2010, one month before the report of the Task Force. The Commission did so to reassert its prerogatives, but its proposals overlapped with the consensus reached in the Task Force already before the final report (Bocquillon and Dobbels 2014). In other words, the Commission could issue its proposals only because they were consistent with the will of the Member States (Bressanelli and Chelotti 2016). Eventually, the policy proposals for the Six-pack reflected to a large extent the Task Force report and were accepted by the Council without notable modifications.

4.5. P₃ – Preferences prevail

Germany, then, has upheld its positions in the intergovernmental arena, which was decisive in the making of the EMU reform. The third logical step to claim that ordoliberal ideas influenced the reforms is that the German preferences prevailed. To show this, my argument will be divided in three

¹⁰⁷ Eastern countries neglected the issues on fiscal and budgetary policy, and focused on those related on macroeconomic imbalances.

parts. First, I will review the preferences of the European states relying on official documents and on secondary literature: the reform process involved all European governments and showed a division between Northern and Southern countries. Second, based on the academic literature on the crisis, I will show that Germany and France were the ‘champions’ of, respectively, the Northern and Southern bloc. Third and finally, I will briefly review the reforms of the EMU (the Six- and Two-pack, the TSCG, the ESM and the Banking Union) to show that they reflect to a great extent (but not completely) the German preferences. In this part, the compatibility of the reforms with the German preferences constitutes a hoop test, whereas the German leadership in the reform process is a smoking gun showing that the compatibility is not accidental, but due to Germany’s hegemonic role.

4.5.1. The preferences of the Member States

The literature on the Euro crisis has widely analysed the preferences of the Member States and the lines of conflict among them. A first line of conflict separates creditor and debtor countries (Pérez 2019): the former have an interest in shifting the costs of rescuing the Eurozone to the latter, whereas the latter have an interest in mutualizing their liabilities with the other European countries. Schelkle (2017) rejects this distinction, preferring that between debtor and guarantor countries. Another differentiation is suggested by the literature on the Varieties of Capitalism (VoC), whereby the Euro crisis has exposed a clash between growth models (Hall 2012, 2014, 2018). On the one hand, the export-led growth model of the Coordinated Market Economies (CME) and of the Northern, export-oriented Liberal Economies (LE), which proved successful in the process of economic integration; on the other, the demand-led growth model, of the Mediterranean Market Economies (MME), which found difficult to adapt to the new European economic governance. A further line of conflict has to do with competitiveness: the more competitive Member States stood for austerity and for a harsh application of the rules, whereas the least competitive claimed solidarity (Armingeon and Cranmer 2018). These lines of conflict can be subsumed under a more general conflict between the export-led, creditor, Northern countries, patronized by Germany, and the demand-led, debtor, Southern countries, represented by France. The relation between these two ‘champions’ was crucial in the reform of the economic governance of the EU.

The analysis of the documents of the Task Force and of the parliamentary acts on the Six-pack confirms a divide between Northern and Southern countries, and shows four, interrelated lines of conflict between them. They relate to: 1) the flaws of the European economic governance; 2) the conflict between responsibility and solidarity; 3) the relation between rules and discretion; 4) the relation between indebtedness and growth.

1. Overcoming the flaws of the EU economic governance: Strengthening the rules vs. new instruments

Northern and Southern states agreed that the rules of the European economic governance failed to stabilize the EMU; in particular, the rules of the Stability and Growth Pact (SGP) were not thoroughly applied and proved ineffective in bringing the economies of the Member States to a convergence. However, they disagreed on the nature of the flaws and, consequently, drew different conclusions regarding the policies to pursue.

According to the Northern states, the SGP established the right regulatory framework for the economic governance of the EU; the problem did not lie in the rules, but in their lack of application. Consequently, the reform of the economic governance should aim to make these rules more enforceable. This explains the preference of the Northern countries for a tighter system of surveillance of fiscal and budgetary policies and the enforcement of strict and automatic sanctions.¹⁰⁸

Southern countries agreed that the rules of the SGP had not been thoroughly applied, but claimed that the problem was not with the loose application of the rules, but with the lack of instruments and flexibility to deal with the crisis. Therefore, they rejected the automatism fostered by the Northern countries, and called for reforms allowing for the coordination of economic policies, for the – at least partial – mutualisation of sovereign debt, for instance through European bonds, and for the establishment of a permanent mechanism for the management of the crisis.¹⁰⁹

2. Responsibility vs. solidarity

Lehner and Wasserfallen (2019) convincingly argue that the main dimension in the reform process was the one between advocates of national responsibility and fiscal transfers. Northern (and Eastern) states supported the responsibility principle. They wanted to hold governments accountable for their choices and to rule out the risk of moral hazard: therefore, they rejected measures such the mutualisation of debt and a permanent stabilization mechanism, which could incentivize the misbehaviour of the Southern ‘sinners’. By opposite, Southern states appealed to European solidarity (see also Beach 2013).

Clearly, this line of conflict is closely related to the material interests of the Member States: Northern/debtor countries have an interest in shifting the costs of overcoming the crisis to the Southern/creditor countries, while the Southern want to have their debts mutualized or, at least, to

¹⁰⁸ See the position papers submitted to the Task force by Austria, Denmark, Germany, Luxembourg and Slovakia. These positions were also shared by the ECB.

¹⁰⁹ ‘However, it seems appropriate to examine the hypothesis of issuing Eurobond, European government bonds issued by a European debt agency, in order to finance part of the securities issued by the Member States, possibly also for purposes of development’. See the opinion of the Italian Senate on the Six-pack.

ease the pressure of the markets. However, the divide between responsibility and solidarity also reflects an ideational dimension: it relates to beliefs on how a community of states should work and on what strings bind them together. Supporters of the responsibility approach hold a vision of the EMU based on ‘methodological nationalism’, whereby ‘Member States and their political economies [can be treated] as intrinsically self-determined units’ (Ferrera and Burelli 2019, 98). Supporters of the solidarity approach, instead, claim that European countries are interconnected and it is impossible to causally infer the state of affairs of a country from its policy decisions: in other words, states are not fully responsible for their situations and policies that depart from the opposite consideration are self-defeating and dangerous.¹¹⁰

3. Fixed rules vs. discretion

In 2003, the Commission proposed to sanction France and Germany for the infringement of the deficit rules of the SGP. The Council, chaired by Italy, voted against the sanctions, delivering a spectacular blow to the credibility of the SGP. This episode has become the paradigmatic case of the lack of enforceability of the SGP.

The Northern countries recognize in the political discretion the failure of the SGP, and advocate an approach based on fixed rules and automatic sanctions to rule out moral hazard and force Member States to honour their commitments. Southern states, instead, advocate more discretion and more flexibility in the European economic governance. They reject automatisms, advocate more powers for the ECB, such as the power of issuing Eurobonds and to be the lender of last resort of national central banks, and an extensive mandate for the crisis resolution mechanism.

The contradiction between fixed rules and flexibility reflects a different conception of European integration. Northern countries support a vision whereby European states retain wide autonomy and need a fixed regulatory framework to coordinate their actions; in this view, supranational institutions act as impartial judges that oversee the application of rules. Southern countries foster, instead, a more federalist view of Europe whereby Member States transfer their sovereignty to supranational institutions which are not viewed as impartial judges, but as actors that exert at the European level the political power that previously belonged to the nation states.

We can illustrate this point by considering the proposal for a ‘budget Commissioner’ advanced by Wolfgang Schäuble and the more recent proposal for a ‘Finance Minister of the Eurozone’ by French president Emmanuel Macron. Both proposals aim to endow the Commission with significant powers in budgetary policy, but the nature of these powers greatly differs. In the German view, the

¹¹⁰ In his relation to the Portuguese Parliament on Regulation 1174/2011, centre-right MP Nuno Reis observed that macroeconomic imbalances cannot be completely imputed to the actions of the single Member States.

Commissioner should have the power to oversee the application of the fiscal rules by the Member State, and should have the power to reject national budgets that do not comply.¹¹¹ In the French proposal, the European Finance Minister should play a more political role and discretionally manage a budget for the Eurozone.¹¹²

4. The relation between indebtedness and growth

Both Northern and Southern countries agree that excessive indebtedness has deleterious effects on the stability of the EMU and for the economies of the Member States. From the perspective of Northern countries, however, excessive debt was the main cause of the Euro crisis: the fiscal profligacy of Southern countries hampered their economy and resulted in a danger to the stability of the EMU. Therefore, fiscal discipline is propaedeutic to a sustainable economic growth and represents the best way to manage and avoid crisis situations.

Southern countries agree that excessive debt is a problem, but do not blame the outbreak of the crisis on fiscal profligacy: after all, the crisis hit hard even the countries that abided by the rules of the SGP.¹¹³ Moreover, debt reduction should not be seen as a prerequisite for growth but, instead, a consequence of growth. Measures to spur growth should be paired with, not be preceded by, measures fostering fiscal discipline; otherwise, fiscal consolidation would push down the economy. This explains the claim of Southern countries, especially Italy, to exclude public investments from the computation of deficit.¹¹⁴

¹¹¹ ‘The European Commission must become stronger and more independent to more consistently implement the fiscal rules in the Member States. I strongly support the idea of a European Budget Commissioner, capable of rejecting national budgets, if they do not correspond with the rules that we agreed together’. Wolfgang Schäuble, ‘Eine Union für das 21. Jahrhundert. Wie Europa in gute Verfassung kommt’, Vigoni Lecture, 16 July 2014.

¹¹² See Emmanuel Macron’s speech ‘Initiative for Europe’, delivered at Sorbonne University on 26 September 2017. Available at <http://international.blogs.ouest-france.fr/archive/2017/09/29/macron-sorbonne-verbatim-europe-18583.html>.

¹¹³ ‘[T]he level of public debt in the euro-area countries prior to the crisis appeared to be broadly stable as compared with the gradually rising debt in the private sector’. ‘[T]he recent crisis in Ireland was not caused by inadequate fiscal discipline or by the lack of transparency in the public finances, but rather by a very large increase in public borrowing due to the fact that the State had to assume a considerable portion of the debt contracted by Ireland’s banking system’. See the opinion of the Italian Chamber of Deputies on the Six-pack, available at [http://www.europarl.europa.eu/RegData/docs_autres_institutions/parlements_nationaux/com/2010/0522/IT_CHAMBER_CONTI-COM\(2010\)0522_EN.pdf](http://www.europarl.europa.eu/RegData/docs_autres_institutions/parlements_nationaux/com/2010/0522/IT_CHAMBER_CONTI-COM(2010)0522_EN.pdf).

¹¹⁴ ‘[E]xperience has demonstrated that, in the absence of such expenditure review arrangements, restrictive policies inevitably end up impacting the level of public investments and run into even greater difficulties in reducing transfers, notably with respect to income support instruments’. ‘[C]onsidering that national investment policies may be scrutinised by the EU institutions under the new governance framework, proper consideration should be given to the possibility of excluding a portion of public investment or specific public investments, to be agreed at the European level, from the calculation of public expenditure material to the definition of budget balances. This assumes that the higher GDP growth resulting from these investments is able to neutralize the possible effects on monetary stability of greater financial flows’. *Ibid.*

4.5.2. Franco-German leadership

Franco-German cooperation has always been an engine of European integration. During the Euro crisis, the two countries provided for the political leadership needed to stabilize the Eurozone. Germany and France are the two largest Member States of the EU and are also the ones who paid the largest shares of the financial assistance packages. Their leadership, however, was not based solely on this. The two countries represent, in fact, the different growth models, and the administrative and economic traditions present in Europe. Germany is a highly competitive, CME and represents the Northern, export-oriented CMEs (such as the Netherlands or Austria) and LEs (such as the Baltic countries). France, in turn, is a Mediterranean Market Economy, and represents the demand-led economies of the South (Hall 2018).

The two countries have also different administrative traditions, which reflect upon their approach towards European integration. Apart from the disastrous experience of the Nazi dictatorship, Germany has always had a tradition of decentralized federalism: German states enjoy a wide autonomy enshrined in a system of rules. Accordingly, Germany stands for a European integration based on rules, on supranational institutions which oversee the observance of the rules and on the autonomy of the Member States within the rules. By contrast, France is the prototype of the centralist state, which is based on strong central institutions that enjoy a wide discretionary power: it fosters more coordination among European states and strong supranational institutions endowed with political discretion (Brunnermeier, James, and Landau 2016, 40–54).

The divide between decentralism and centralism is also reflected in the different economic traditions of the two countries. Despite the existence of some large firms, the German industrial fabric is based on small and medium enterprises, the so-called *Mittelstand*: as Chancellor Angela Merkel often remarked in her speeches, they represent the essence of Germany's Social Market Economy. In the previous chapters, we have seen that early ordoliberalists stood for an economic model based on small and medium firms. In the account of the Freiburg School, the 'road to serfdom' was paved by the rise of powerful corporations, cartels and trusts, which eventually subverted not only the economic, but also the legal and political order of the state. Wilhelm Röpke, in turn, explicitly claimed that firms should not exceed a certain size in order to avoid the 'massification' of the workers. To serve this economic model, the ordoliberalists elaborated a theory whereby the state should not directly intervene in the economic process, but limit itself to establish and enforce the rules and the other *Rahmenbedingung* ('framework conditions') that allow the existence of such industrial fabric.¹¹⁵ By

¹¹⁵ This approach characterized Merkel's governments, as well. However, the new *Nationale Industriestrategie 2030* of the Minister of Economic Affairs Peter Altmaier seems a departure from this tradition, as it envisages a special treatment for large firms in seven, mainly technological, key areas deemed of strategic relevance.

contrast, the French economic model is based on ‘national champions’, large firms that ‘have a close relationship with the government, and the government sees the promotion of their interests as a general public interest’ (Brunnermeier, James, and Landau 2016, 48). Correspondingly, the French tradition of *dirigisme* fosters a state that intervenes in the economic process and enjoys political discretionary powers that exceed the *Ordnungspolitik* advocated by German ordoliberalists (*ibid.*, p. 56-74). In France, the crisis has triggered a come-back of *dirigisme*: in his public speeches, Nicolas Sarkozy often denounced *laissez-faire* capitalism as the cause of the crisis, criticized the excessive reliance on rules, and advocated European solidarity for the countries hit by the crisis. Brunnermeier *et al.* (2016) resume the modern French consensus, shared by economists and politicians, as follows:

1. Rules should be subject to the political process and may be renegotiated.
2. Crisis management requires a flexible response.
3. Constraining the freedom of government to act—and to borrow—would be undemocratic.
4. Monetary policy needs to be used to serve more general goals than simply price stability, such as being concerned with economic growth.
5. The lessons of the Great Depression include the principle that adjustment to international imbalances should be undertaken symmetrically, with surplus countries doing their part.
6. As multiple equilibria are possible, choosing an unpleasant trajectory for the present is likely to perpetuate rather than remove constraints on growth.
7. Present virtue is self-contradictory and self-defeating (Brunnermeier, James, and Landau 2016, 74).

These points reflect the approach of Southern countries to the reform of the EMU: European governance needs new and flexible instruments to avoid crises and deal with them; austerity is self-defeating; rules are not enough to manage crisis situations. This comeback of *dirigisme*, however, did not prove successful. Within the national borders, the *dirigiste* discourse could not be applied because the institutions that traditionally managed state interventions in the economic process in France have long been dismantled (Levy 2017). At the European level, the French discourse progressively shifted towards the German one (Crespy and Schmidt 2014) and, as we will see below, the outcome of the reform process came to reflect much more the German, rather than the French positions.

The different positions of Germany and France reflect the divide between Northern and Southern Member States. During the Euro crisis, however, they did not join up with like-minded countries to form two opposite factions (Schild 2013, 37). Rather, they decided to coordinate and to exert a joint leadership on the EU. Their leadership took different forms. First, it related to agenda setting. On the one hand, they could eliminate contentious issues from the negotiation agenda. This is what happened, for instance, with the proposal of the Eurobonds, which were supported by France and by Southern countries, but could never be accepted by Germany. On the other, they positively

put forward proposals. This latter aspect of the agenda-setting power, however, did not entail that the Franco-German proposals would necessarily succeed. Some proposals did pass, such as the Fiscal Compact; others were only partially accepted, such as the Euro-Plus pact, which was formally adopted, but eventually came to nothing because of its non-binding nature; some others, finally, were rejected, such as the proposed Financial Transaction Tax or the attempt to deprive the Member States not complying with SGP of their voting rights in the Council (Degner and Leuffen 2019, 102–3).

France and Germany also exerted their leadership by finding compromises by proxy. The two countries could bridge between Southern and Northern Europe by brokering deals that could be acceptable for the other European states. Finally, they exerted their leadership through coalition building and creation of subgroups. Franco-German proposals often met the aversion of other Member States or of supranational institutions such as the Parliament. Therefore, they could shift (or menace to shift) the decision-making arena to avoid opposition or to speed up the process. For instance, given the reluctance of the UK and of the Czech Republic to modify the Treaties to introduce the Fiscal Compact, eventually the TSCG was agreed outside of the European law (Schild 2013, 35). Something similar happened with the Two-Pack, when the Council could threaten the Parliament to take the intergovernmental track if it continued to delay the approval of the two regulations.

4.5.3. Reform outcome

Six- and Two-pack

The reforms of the SGP introduced by the Six- and Two-pack largely match the German approach based on rules and on national responsibility for financial and economic policies. The coordination of economic and budgetary policies is based on the respect of rules and on thorough surveillance. Sanctions are introduced at an earlier phase and made more automatic to reduce moral hazard and to make Member States more accountable for their choices.

The German call for automatic sanctions could not find the consensus of the other countries; as a compromise, the Council settled on the principle of RQMV. Indeed, RQMV is not fully consistent with Ordoliberalism, as it does not rule out political discretion in the application of sanctions. However, in an interview, Schäuble pointed out that there were no realistic chances to obtain automatic sanctions and defended the RQMV, defining it a ‘quasi-automatic’ mechanism.¹¹⁶ Moreover, RQMV makes blocking Commission proposals on the opening of an EDP or on sanctions very difficult: if political discretion remains before the opening of the EDP, once the procedure starts

¹¹⁶ ‘There has never been a realistic chance for automatic sanctions. Germany has not changed idea. [...] We have created a quasi-automatic mechanism’. Wolfgang Schäuble, ‘Es ist schön, wieder da zu sein’, interview with the *Bild am Sonntag*, 24 October 2010.

the mechanism is drastically streamlined and seems very difficult to stop. In this sense, we can say that the RQMV reflects the German (and ordoliberal) preference for automatic sanctions.

Despite the controversies it sparked among the ordoliberals, also the macroeconomic surveillance procedure of the Six-pack can be said to reflect the (ordoliberal) German position. The ordoliberals feared that macroeconomic coordination would have resulted in an interventionist *Wirtschaftsregierung*, which would have intruded on the economic policies of the Member States. In order to overcome the macroeconomic imbalances among European states, the ordoliberals argued, the new ‘economic government’ would have forced the most competitive countries to spend more, save less and reduce their competitiveness by forcible wage increases. This was not the case.

In the words of Werner Mussler, correspondent from Brussels for the *Frankfurter Allgemeine Zeitung* and student of the ordoliberal economist Manfred Streit,

‘[t]he German debate on the issue of competitiveness concentrated on the alleged harm that ‘Europe’ could cause to Germany by undermining the export industry and intruding into collective bargaining rights. This anxiety was exaggerated. It was politically clear from the beginning that any common surveillance of economic policies would concentrate on countries with current account deficits and not on Germany. Moreover, the discussion was steered in the wrong direction. Nobody in German politics seemed to consider whether the whole construction of ‘competitiveness surveillance’ made any sense. It did not. In a market economy, the only way to level ‘macroeconomic imbalances’ is by flexible prices and wages. Using political tools to restore balance would be conceivable only in a completely state-directed economy, and even then it would probably fail’ (Jamet, Mussler, and De Corte 2011, 56).

By contrast, the new rules conceive economic coordination as based on rules and national responsibility: overcoming macroeconomic imbalances was primarily a task of the deficit (i.e. least competitive) rather than surplus countries, as reflected by the fact that surpluses are more tolerated than deficits. This is consistent with the position upheld by Germany in the Van Rompuy Task Force. Moreover, the procedure leading to sanction macroeconomic imbalances is much softer than the one sanctioning the breaches of the fiscal rules. Overall, the Six- and Two-pack reflect more the German concern for fiscal discipline, than the French concern for the coordination of economic policies.

Fiscal compact

As we have seen above, the TSCG is a German creature. Its most notorious disposition, the Fiscal Compact in the strict sense (i.e. the introduction of the principle of balanced structural budget), is modelled after the German *Schuldenbremse*; the constitutionalising of a principle of the ‘economic constitution’ looks like old-school Ordoliberalism and, in fact, received appreciation even from the most critical ordoliberals. Yet, its actual capability of promoting fiscal discipline seems limited, if

compared to the Six-pack. Probably, the most relevant element of the TSCG is the extension of the RQMV principle also to the proposals of the Commission on the opening of an EDP. The other dispositions are less relevant (e.g., the Euro summit) or lack enforceability (e.g., the possibility to bring Member States in front of the ECJ).

ESM

On 21 June 2017, ESM President Klaus Regling delivered a speech titled ‘*Ordnungspolitik, the Monetary Union and the ESM*’, trying to convince his audience that the ESM was fully consistent with the ordoliberal principles of Walter Eucken. It was not an easy task: the speech was delivered in Freiburg at the annual Walter Eucken Lecture organized by the *Walter-Eucken-Institut*, and we can reasonably assume that many in the audience thought that the ESM was actually a scam to force Germany to pay the bills of the lazy Southern countries. Maybe, Regling’s job would have been easier if he referred to Wilhelm Röpke instead of Eucken.

Solidarity as such is not incompatible with Ordoliberalism, as long as it remains residual and temporary – a marginal concept, in the jargon of the morphological approach. Röpke’s concept of *Anpassungsintervention* (‘interventions for adaptation’, see chapter 3) illustrates this point. In Röpke’s view, competition should be the ordinary way for the individuals to coordinate their actions. Competition, however, is not a smooth process: it causes imbalances and hardship which, if not mitigated, could put the whole system at risk. To smoothen this mechanism, it is possible to enact social policies to assist who is in distress. These intervention, however, must be temporary, otherwise people would lose the incentive by their own means, and be informed by the logic of self-help: assistance must not crystallize the assisted in their status of losers, but urge them to return to the competition process. Moreover, assistance must be residual, that is, it must only be activated in emergency.

The ESM fits this logic: financial assistance is strictly conditional on structural adjustment programmes that supposedly should help the assisted state to recover competitiveness and sustainable finances; moreover, the ESM is by definition an emergency mechanism. Yet, it would be wrong to define the ESM ‘ordoliberal’. The ESM was first and foremost a project of Southern countries that Germany adamantly opposed adducing ordoliberal arguments. A consistently ordoliberal crisis-resolution mechanism would have included the procedure for state bankruptcy and the private sector involvement called for by Schäuble and Merkel.¹¹⁷ Rather, it would be appropriate to claim that

¹¹⁷ ‘A second new ESM mandate should include a predictable debt restructuring mechanism to ensure fair burden-sharing between the ESM and private creditors. The rationale is: In the future, private investors would benefit from having better

Germany, together with the other Northern countries, contributed to bind financial assistance to strict conditionality and to limit the lending capacity of the fund. By doing this, they prevented the ESM from being the powerful institution envisaged by the Southern states and bound financial assistance to fiscal discipline.

Banking Union

As shown by Schäfer, Germany's preference on the Banking Union were shaped by Ordoliberalism: it favoured a limited scope, strong and automatic bail-ins, national resolution funds for failing banks and strong national vetoes on decision-making. However, Germany found itself entrapped in the rhetoric of 'breaking the vicious circle between banks and sovereigns', which was incompatible with its ordoliberal preferences. Therefore, Germany was forced to make some concessions: as a result, the Banking Union provides for moderate bail-outs with some discretion, a joint fund for bank resolutions and very limited veto rights.

4.6. X – Reforms reflect ideas

4.6.1. Strengthening the rules vs. new instruments

The reform of the European economic governance was more informed by the logic of strengthening the existing rules than to endow the EU with new powers to deal with economic crises. Although some new instruments – the ESM and the Banking Union – were created to prevent and deal with the crises, their capacity is limited as a result of the diffidence of the Northern Member States.

The Six-pack, the major institutional reform approved during the crisis, shows how this logic prevailed. As we have seen above, the bulk of the package aims to strengthen the rules on budgetary surveillance of the SGP: it rationalizes the surveillance process, strengthens the corrective arm, and streamlines the application of sanctions. It also introduces in the SGP the coordination of economic policies in the form of surveillance and correction of macroeconomic imbalances. It is clear, however, that this latter component of the Six-pack is much weaker than budgetary surveillance. The different logics underpinning the application of sanctions for the two components is telling. In the case of budgetary surveillance, sanctions are triggered not only by the breach of the deficit or debt criteria, but can already be activated in the preventive arm of the SGP. The rules on macroeconomic surveillance, instead, are much more accommodating. The breach of the numerical values of the scoreboard is not sufficient for triggering the Macroeconomic Imbalance Procedure: the imbalance

risk-related information, which the ESM would provide'. 'Non-paper for paving the way towards a stability Union'. Available at <http://media2.corriere.it/corriere/pdf/2017/non-paper.pdf>.

must also be considered ‘excessive’. Moreover, the sanctions do not penalize Member States for running excessive deficits or surpluses *per se*, but their *repeated* failure to act to solve the situation.

The Maastricht Treaty established an asymmetric EMU: supranational and fully integrated on its monetary component; intergovernmental and fragmented on the economic policy side. The Six-pack did not mend this asymmetry: it strengthened the rules on budgetary surveillance but failed to establish a proper economic coordination. The same can be said about the TSCG and the Two-pack, which tighten the budgetary rules of the SGP, but say little or nothing on economic coordination. Even the institutionalization of the Euro summit, strongly rooted by the French government, changes little. The Euro summit remains an intergovernmental and informal forum that lacks substantive powers.

The institution of the ESM reflects the will of Southern states to create a permanent mechanism to deal with the crises. Although the Northern states strongly opposed a permanent mechanism, the evolution of the Euro crisis forced them to put their reluctance aside. The ESM can rely on a fair number of instruments to provide financial assistance, but its limited lending capacity (€500 billion) greatly hampers its capability of effectively contrasting crises hitting simultaneously several large countries, such as the one in 2011.

4.6.2. *National responsibility vs. solidarity*

The analysis of the reforms shows that they are heavily oriented to the principles of fiscal discipline and national responsibility, rather than solidarity among European states. In other words, the reforms ensured that the costs of recovering from the crisis remained on the shoulders of debtor countries. The Six- and Two-pack and the TSCG established a system of tight budgetary surveillance, aimed to keep Member States accountable for their fiscal policies. Also the asymmetry in the treatment of current account deficits and surpluses in macroeconomic surveillance reflects this logic. According to Regulation 1176/2011, the scoreboard should promote competitiveness in the Union. This concept recalls the words of Angela Merkel, whereby ‘the task of Europe is to become more competitive and not to adapt to the weaker, but to establish a benchmark whereby those who had the best experiences lead the way and set the tone’,¹¹⁸ or those, even more explicit, of the President of the Bundesbank Jens Weidmann, according to whom ‘[i]t would be absurd to discuss measures aimed at artificially weakening Germany's competitiveness in order to reduce current account surpluses vis-a-vis the other euro-area countries’.¹¹⁹ Countries running current account deficits are considered more ‘guilty’ than those running surpluses and it is their task to recover competitiveness.

¹¹⁸ Angela Merkel, ‘Rede von Bundeskanzlerin Merkel beim G20-Business-Summit in Seoul’, 11 November 2011.

¹¹⁹ Cited in ‘Is Germany dragging down the Eurozone?’, available at <https://www.bbc.com/news/business-35551876>.

The ESM is the institution that best embodies European solidarity among Member States. Yet, it is clear that this solidarity has a quite narrow scope. This is not just because of the limited lending capacity of the ESM; rather, it is because the solidarity provided by the ESM is subordinate and residual if compared to the principle of responsibility. It is subordinate, as the financial assistance is conditional, *ex-ante*, on the ratification of the Fiscal Compact and, *ex-post*, on the acceptance of rigorous macroeconomic adjustment programmes; and it is residual, as it is only triggered in emergency situations. More than a means to promote solidarity among Member States, the ESM represents just a firewall to prevent guarantor states to be involved in the financial turmoil of the weakest countries.

4.6.3 Fixed rules vs. discretion: three disequilibria and a paradox

During the Euro crisis, Germany and the other Northern countries stood for a rule-based approach for the reform of the EU economic governance and contrasted political discretion, as they deemed it conducive to moral hazard. This is epitomized by the German adamant opposition to the emergency policies enacted by the Presidents of the ECB, Jean-Claude Trichet and Mario Draghi. The reforms adopted during the crisis reflect this approach.

The Six- and Two-pack and the TSCG have drastically reduced (yet, not completely ruled out) political discretion in the surveillance of budgetary policies. Strengthening rules and reducing discretion aimed to fix the weak point of the SGP. The possibility of avoiding the sanctions of the EDP through a vote in the Council heavily reduced the credibility of the SGP: therefore, Northern countries supported more automatism for supervision and sanctions. Since the Southern countries were not willing to accept fully automatic sanctions, the result was the adoption of the RQMV.

According to the Six-pack and the TSCG, Commission proposals on the existence of an excessive deficit and on sanctions are deemed adopted by the Council unless a qualified majority votes against them. This rule only applies to Euro Area Member States; furthermore, the Member State concerned by the proposal is not allowed to take part to the voting. This means that, when deciding on these issues, 18 Member States vote: the 19 Eurozone countries minus the one concerned. In cases where not all Member States participate to the voting in the Council, article 238 of the TFEU applies. According to this article, a qualified majority consists in 55% of the *participating* Member States, comprising at least 65% of the population of these States. Next, the article defines a blocking minority as follows: '[a] blocking minority must include at least the minimum number of Council members representing more than 35 % of the population of the *participating* Member States, plus one

member, failing which the qualified majority shall be deemed attained' (TFEU, art. 238(3)(a)). This means that a blocking minority must consist of at least three Member States.¹²⁰

Focusing on blocking minorities is essential here. The RQMV establishes in fact two veto powers: a first, weak veto power that allows a qualified majority of states to block the proposals of the Commission; and a second, much stronger veto power that allows a blocking minority to block the initiative of a qualified majority of states. This second veto power is problematic, as it causes three disequilibria and a paradox in the economic governance of the EU.

The first disequilibrium favours Northern/creditor states over the Southern/debtors. The new SGP institutionalizes the preferences of Northern countries and puts pressure on the Southern. The RQMV strongly enhances this pressure by allowing the creditor countries, which are arguably less likely to be under an EDP, to support the sanctions even if a majority of countries opposes them.

The second disequilibrium favours large states. The reform of voting rules provided for by the Lisbon Treaty already favoured large Member States (especially Germany, which nearly doubled its voting weight). Larger Member States, then, are already favoured: the three largest countries of the Eurozone – Germany, France and Italy – represent respectively 24.17%, 19.65% and 17.88% of the population of the Euro Area. For each of them, it would not be too hard to form a blocking minority to support the proposals of the Commission. However, the specific provisions of the RQMV and of the Six-pack further enhance this imbalance. Remember that the Member State concerned by the proposal is not allowed to vote; remember also that the percentages of population to reach the qualified majority and the blocking minority are computed on the *participant* Member States and not on the whole Eurozone. This means that the percentage of population represented by each voting state increases with the size of the Member State concerned by the proposal. In other words, the larger the Member State concerned by the proposal, the more the vote of the each other voting Member States weights.¹²¹ This mechanism further favours larger Member States, as it makes it even easier for them to form a blocking minority.

Let us now consider an interaction between the first and the second imbalance. How can a coalition of Northern Member States form a blocking coalition to support the Commission proposals? Table 2 presents a simulation of potential blocking minorities formed by Northern countries against

¹²⁰ In cases where all Member States take part to the voting, the minimum number of states to form a blocking minority is set to 4 by article 16 of the TEU.

¹²¹ Interestingly enough, the larger states increase their weight relatively more than the smaller. Take, for instance, the largest and the smallest Member States of the Eurozone, Germany and Malta. They represent, respectively 24.17% and 0.14% of the population of the Eurozone. In the case of a vote concerning France, Germany would rise to 30.08%, whereas Malta to 0.17%: Germany would increase its weight by 24%, whereas Malta by 21%. This fact has no consequences on the functioning of the RQMV, but further illustrates its unbalanced logic.

Italy, Spain, Portugal and Cyprus.¹²² I selected these cases not only because they are Southern countries hit by the crisis but, crucially, because they are respectively a large, a medium, a small and a very small Member State. The first column indicates the Member State concerned by a Commission proposal on sanctions or on the opening of an EDP; the number in brackets is the percentage of population of the Eurozone as a whole represented by the Member State. The second column shows the minimum (i.e. consisting of the lower number of members) blocking minority that can be formed by Northern Member States. By Northern states, I intend Germany, Austria and the six members of the so-called New Hanseatic League that are also members of the Eurozone (i.e. Ireland, Netherlands, Finland, Estonia, Lithuania, Latvia). The number in brackets shows the percentage of the population of the Member States participating to the voting represented by each Member State. The third column shows the minimum number of Northern states necessary to form a blocking minority.

State concerned	Blocking minority formed by Northern states	Minimum members
Italy (17.88%)	Germany (29.44%) + Netherlands (5.86%) + any other country	3
Spain (13.64%)	Germany (27.99%) + Netherlands (5.86%) + Austria (2.98%) or Finland (1.86%) or Ireland (1.63%)	3
Portugal (3.01%)	Germany (24.92%) + Netherlands (5.22%) + Austria (2.65) + Finland (1.66%) + Ireland (1.46%) or Lithuania (0.85%) or Latvia (0.58%)	5
Cyprus (0.25%)	Germany (24.24%) + Netherlands (5.07%) + Austria (2.58) + Finland (1.61%) + Ireland (1.42%) + Lithuania (0.82%) or Latvia (0.57%)	6

Table 2. Blocking minorities formed by Northern states.

In the case of proposals concerning a large or a medium country, Germany can easily form a blocking coalition with other two countries. In the case of voting against small or very small, forming a blocking minority is more complex, but still possible. If Northern countries without Germany wanted to support a Commission proposal concerning a large, a medium or a small state, they either would need the help of France to form a blocking minority, or should find two other Member States (but, in this case, this would not be a blocking minority, as the number of Member States backing the Commission proposal and those opposing it would be the same). In case of proposals concerning very small countries like Cyprus, Northern countries cannot form any blocking minority without Germany. Therefore, Germany is a fundamental component of any Northern coalition that aims to form a blocking minority.

The third and last disequilibrium relates to the balance of powers among institutions. Some authors defined the Commission as the ‘unexpected winner of the crisis’. Indeed, the Commission

¹²² Simulations were run through the voting calculator that can be found in the website of the European Council. See <https://www.consilium.europa.eu/en/council-eu/voting-system/voting-calculator/>.

plays a central role in the new economic governance of the EU. Although the reforms undertaken during the crisis follow a rule-based approach, it would be a mistake to claim that they ruled out discretion from the economic governance of the EU. The eventful discussion over the Italian draft budgetary plan in Autumn 2018 shows that, before the automatism start, there is still space for dialogue and reasoning. However, this analysis showed that if the Commission is an unexpected winner, the crisis also produced another, more expected winner: Germany and its Northern allies, who receive the power of deciding by minority on the sanctions against the debtor states.

We can now grasp the paradox caused by the RQMV. The logic behind the Six-pack and the other reforms was to reduce political discretion in order to make the SGP more credible. However, this logic turned into its opposite as the RQMV, with the purpose of fostering automaticity, introduced in the economic governance of the EU a great deal of political discretion: a minority consisting of three Member States can decide on the sanctions against another one, even against the will of the other states. Moreover, the new discretion introduced by the RQMV seems even less defensible than the one that operated before. As Miglio (2019) aptly points out, the logic of qualified majority voting allows for the adoption of measures by consensus when blocking minorities cannot be built; '[u]nder RQMV, this logic is reversed. A coalition of Council members reaching the size of a blocking minority suffices... not to preserve the *status quo*, but to adopt the measure' (p. 16). Although the RQMV procedure has never been used at the moment of writing, its mere existence realizes its disciplining function, as Member States interiorize the risk of being put under EDP and adapt their behaviour accordingly.

4.6.4 *Indebtedness vs. growth*

The reforms of the EMU mainly aim to enforce fiscal discipline. Although the preambles of the new regulations pay lip service to growth and employment, measures fostering growth were inadequate and overdue. The new fiscal rules limited the capability of spurring growth through national policies; the European Structural and Investment funds were too rigid to counterbalance the effects of the crisis; initiatives to promote investment at the European level are still a work in progress. As Saccomanni (2018, 99–115) put it, during the crisis prevailed the German principle of the house-in-order, whereby economic integration would be the result of a long process of economic convergence; in other words, this principle posited that debt reduction and fiscal discipline were the necessary steps prior to any further economic integration. This concept resonates with two other ideas supported by Germany. First, with the old (ordoliberal) coronation theory, whereby the EMU should have been the last step of a long process of economic convergence. Second, with the idea of

wachstumsfreundliche Konsolidierung ('growth-friendly consolidation'), whereby debt reduction is the necessary condition for a sustainable economic growth.

Mark Blyth showed the self-defeating logic of growth-friendly consolidation, picturesquely defining it 'as plausible as a unicorn with a bag of magic salt' (Blyth 2013, x). Excessive public debt is a problem for the economy and it make sense for the governments to reduce it. If a government tries to do this in a situation of crisis (i.e. when also the private sector is deleveraging), this has a negative effect on the economy which can only be counter-balanced through exportations (p. 9). Growth-friendly consolidation could work if states promoting it are export-oriented and other, larger states massively import its products to compensate for the effects of the cuts. However, if austerity is simultaneously imposed on a large number of states, which is what happened during the Euro crisis, the chances for export are drastically reduced, and so is the possibility of compensating for the cuts. This 'fallacy of composition' makes austerity self-defeating, as it pushes down growth, thus making it more difficult to repay public debt.

It is worth noting that this logic is the result of interests (Northern countries wanted to shift the costs of the crisis to the debtor countries) and of ideas (on how economy works and on the functioning of the European polity). It did not prevail because it was the best or more rational solution to the Euro crisis, but because Member States standing for a solution more oriented towards growth and solidarity were also those more hit by the crisis and, therefore, in a worse negotiating position (Schimmelfennig 2015). This, together with the fear of the punishment of the markets if they did not show committed to fiscal discipline, could explain why the Southern countries eventually accepted institutional solutions that penalised them (Moschella 2017 makes this argument with regard to the acceptance of the Fiscal Compact by the Italian government).

5. Conclusions

In this chapter, I have tried to establish a link between the ordoliberal ideas shared in the German executive and the reform of the European economic governance undertaken during the crisis. As first step, I have theorized how ideas and interest influence policy-making. The preferences of decision-makers are always defined by the entanglement of ideas and interests, but their relation can take different forms. Ideas can be used as rhetorical tools to support interests: the appeal to the principles of self-help and national responsibility may be used to support the reluctance to offer financial assistance, whereas the call for European solidarity may support the crisis states' claims. Ideas may also be constitutive of interests: ideas provide the actors with insights on how they should behave and what they should look after in situations of high uncertainty. Finally, ideas and interests may be on an equal footing, where interests inform the actors on their immediate objectives whereas

ideas provide a toolbox on how to achieve them. In this case, ideas may provide instrumental-rational or formal rational insights on the best way to achieve a certain objective. Regardless of their relationship, however, the entanglement between ideas and interests ends as the preferences are turned into rules and institutions: as the preferences are institutionalized, in fact, interests lose their motive power and remain in the background as mere causal factors; ideas, by contrast, are embedded in the new rules and institutions, and continue to determine their logic and functioning. If this is true, it should be possible to trace the effect of ideas by identifying their empirical manifestations in the preferences of the decision-makers and in the outcome of the decision-process. To this end, I have employed the method of process-tracing to assess the existence of a causal mechanism linking ordoliberal ideas to the reform of the EMU.

In the causal mechanism, the causal condition (C) was the presence of ordoliberal ideas within the German government; in the present and in the previous chapter, we have seen not only that Merkel's and Schäuble's ideas on the crisis were largely compatible with Ordoliberalism, but also that Schäuble and other German officials in the Chancellery and in the Finance Ministry had personal links with the ordoliberal tradition. The outcome of the causal mechanism (X) was the fact that the reforms of the EMU reflect the principles of national responsibility, fiscal discipline and of strict and automatic rules, which are consistent with Ordoliberalism. The aim of the causal mechanism was to establish whether ordoliberal ideas actually had any impact on the reforms. To do this, I have articulated the mechanism in three parts, corresponding to three logical steps that must be verified in order to claim that ideas had a causal effect on policy-making: first, ideas must shape the preferences of the decision-makers; second, the preferences must be upheld in the appropriate arena; third, these preferences must prevail over the others.

In the first part of the mechanism (P₁), relying on official documents, I have shown that the preferences of the German government were consistent with ordoliberal principles. Moreover, I have also shown that as Wolfgang Schäuble, the 'ordoliberal anchor' of the government, quit his post as Finance Minister, the position of the government became less consistent with Ordoliberalism; this supports the claim that the consistency of the German preferences with Ordoliberalism were due to the commitment of the Finance Minister to the ordoliberal ideology. In the second part of the mechanism (P₂), I have shown that Germany upheld its preference on the EMU reform in the intergovernmental arena and that the reform-process followed an intergovernmental logic. During the crisis, the Member States took the lead and marginalized the Commission and the Parliament: consequently, the preferences of the national government – and, hence, of Germany – had a major causal impact in the outcome of the reform-process. In the third part (P₃), I have shown that Germany

played a hegemonic role in the process and that its preferences are reflected – to different extents – in all the reforms.

The presence of this causal mechanism allows to argue that ordoliberal ideas did have an impact on the EMU reforms. To conclude my argument, three issues still remain to be discussed. The first one regards the strength of the argument. The causal mechanisms of process-tracing are like chains: their strength amounts to the strength of their weakest link. In this chapter, I have convincingly demonstrated that the German government shared ordoliberal ideas (C – see also chapter 5), that it upheld its positions in the relevant, intergovernmental arena (P₂) and that its preferences prevailed (P₃), so that the reforms reflect them (X). The weakest part of the argument is P₁: the fact that the preferences of the German government were actually shaped by ordoliberal ideas. For sure, the analysis of official documents showed that the preferences of the government were *consistent* with Ordoliberalism; however, this is not sufficient to claim that they were also *shaped* by it. To prove this, the optimal strategy would have been to show that the preferences of the German government changed as the ideas of the government changed; in other words, I should have shown that, as the Finance Minister or the Chancellor (i.e. the carriers of ideas) changed, the position of the government would have changed as well. Unfortunately, this was not possible: during the crisis (October 2009–Summer 2015), the German core executive remained stable. Hence, I had to rely on a second-best strategy: since I could not observe what would have happened if the executive changed *during* the crisis, I relied on what happened *before* and *after* the crisis. In early 2009, SPD Finance Minister Peer Steinbrück called for European solidarity and pledged to financially assist European countries hit by the crisis; this stance was very different than Schäuble's, who often remarked his difference from his social-democratic predecessor. After the crisis, as Schäuble quit the Finance Ministry to become President of the Bundestag, many ordoliberal voices protested and the government seemed to drift from its previous ordoliberal orthodoxy. This evidence is not very strong, as it is based on a counterfactual logic: it cannot rule out the possibility that another (maybe social-democratic?) Finance Minister would have acted in the exact same way as Schäuble. However, since it is impossible to know what would have happened if another Finance Minister were in charge, I argue that the second-best strategy I employed is still the best to test the hypothesis that ordoliberal ideas shaped German preferences, and that it provides enough evidence to confirm the hypothesis. Hence, it is possible to claim that ordoliberal ideas did shape the German position and, consequently, also the reform of the European economic governance.

The second issue regards other possible explanations to the outcome of the reform-process. Because of the very logic of theory-centric process-tracing, the existence of a causal mechanism

linking an outcome to a certain causal condition does not rule out that other causal mechanism linking the outcome to other causal conditions exist: for instance, my causal mechanism does not explain why eventually Germany accepted a permanent stability mechanism, which is at odds with its ordoliberal stance, nor it accounts for the role of supranational institutions in the reform process. It is transparent that ordoliberal ideas are not the only factor that influenced the reforms of the EMU: tens if not hundreds of quality studies are there to prove it. Nor my aim was to claim that the German government was composed only by ordoliberal zealots aiming to take advantage of the crisis to realize the *Ordo* envisaged by Eucken and Röpke: in fact, it was not, as we have seen in the case of Merkel. Rather, I wanted to show that, if the reform of the European economic governance reflects the principles of national responsibility, fiscal discipline and strict and automatic rules, this has something to do with Germany's ordoliberal tradition – together, of course, with other factors. The extent to which ordoliberal ideas impacted the EMU reforms may vary according to subjective beliefs on the role of ideas in politics. If one believes that interests prevail over ideas, and hence a different government with other ideas would have behaved in the same way as Schäuble and Merkel did, the impact of ordoliberal ideas was marginal; if one thinks that the ideas of Merkel and Schäuble were determinant in defining their actions, the role of Ordoliberalism was much more decisive. In any case, I brought evidence that allow to argue that ordoliberal ideas did have an impact on the reforms – either marginal or crucial.

The third and last issue regards the relationship between ordoliberal ideas and interests in defining the preferences of the German government: were ideas instrumental to interests, constitutive of interests or on an equal footing with interests? As mentioned above, these three possible relations should not be seen as alternative: they could well coexist. For sure, the appeals to the principles of responsibility and self-help were used by the German government as a means in the bargaining of financial assistance to crisis countries; in this sense, these ideas were indeed used instrumentally to support the German unwillingness to pay for other countries' troubles. However, there are two reasons why the role of ideas cannot be reduced to this. To illustrate the first, let us consider two most contentious episodes of the crisis management: Germany's allusions to a possible breakup of the Eurozone in early 2010 and the reference to PSI in the Deauville declaration (see chapter 1). It can be argued that both positions of the German government contributed to drastically raise the costs of crisis management.¹²³ In this cases, ideas either prevented the German government from predicting the consequences of its actions or suggested that the worsening of the crisis was inevitable; in both scenarios, ideas had a role that went beyond the mere instrumental function. Moreover, both the

¹²³ See, for instance, Jones (2010; see also chapter 1). Matthijs (2016) makes a similar point.

possibility of Member States withdrawing from the Euro Area and the PSI constantly re-emerged in German official documents and party manifestos (see appendix 1) after 2010, proving that these positions were upheld not just for tactical reasons, but also because they were believed to be right. The second reason, which is crucial for my argument, is that during the crisis Germany did not just face the need to negotiate the amount of money to disburse for financial assistance. Rather, it had – together with the other Member States – to deploy a structured proposal on the reform of the EMU: in doing this, the role of ideas could not have been (and has not been) just a rhetorical one.

I would exclude that ordoliberal ideas provided German policy-makers with a tool-box of detailed instructions on the measures to undertake to overcome the crisis. As we have seen in the first chapters of this dissertation, Ordoliberalism is an incomplete economic theory and has been now replaced by more modern economic approaches in German universities: the ‘tool-box’ of the reforms was given by neoliberal mainstream economics, not by the old ordoliberal economic doctrine. Rather, Ordoliberalism should be seen as a political ideology in the sense of Freeden’s theory, providing a set of concepts to guide political action. In this sense, ordoliberal ideas were constitutive of the German preferences, providing the content of a substantive rationality that led the German government to pursue reforms based on the principles of national responsibility, self-help, fiscal discipline and strict and automatic rules.

This conception of the role of ordoliberal ideas helps to understand their relation to the reforms of the EU economic governance. As shown in the chapter, the reform of the EMU was open to different possibilities; the heated debate among economists, politicians and central bankers proves that even within the neoliberal mainstream economic paradigm different alternatives were on the table. Among the possible ‘tools’ provided by mainstream economics, the ordoliberal ideas made sure that the German government pursued the ones that stressed the most its values: national responsibility, sound money, fiscal discipline.

Conclusions

1. Three contributions of this dissertation to the debate

This dissertation brings three contributions to the debate on the role of Ordoliberalism during the crisis. The first relates to the analysis of Ordoliberalism as an ideology, the second to the relation between Ordoliberalism and the ideas of the German government during the crisis, the third to the impact of ordoliberal ideas on the reforms of the European economic governance during the crisis.

Arguably, the disagreement in the literature on the role of Ordoliberalism derives to a large extent from the inability of understanding what it is in the first place. Ordoliberalism is often conceived of as an economic theory: a paradigm that prescribes policies to achieve some goals. This is legitimate, as its ‘founding fathers’ aimed exactly at creating an economic doctrine to assist policy-makers in shaping a liberal economic order. However, as aptly pointed out by the ‘sceptical’ literature, Ordoliberalism has lost its prominence in the German universities; moreover, ordoliberal economics has opened to other mainstream approaches and lost part of its specificity. In other words, it would be difficult to identify some specific ordoliberal policy instruments as distinct from mainstream/neoliberal economics. Therefore, conceiving Ordoliberalism as a mere economic theory may not be the most appropriate way to grasp the undeniable influence it still exerts in German politics. Then, I approached Ordoliberalism as a political ideology, that is a set of norm and values aimed at interpreting the political world and orienting the political actions. This allows to understand why, despite the marginalization of Ordoliberalism in the German academy, German politicians still appeal to ordoliberal concepts and ideas.

In chapter 3, I relied on a selection of works by ordoliberal authors to reconstruct the ordoliberal ideology. My aim was not to reconstruct in detail the evolution of the ordoliberal scholarship. Rather, I wanted to identify the common ideological core shared by the different ordoliberal currents. The analysis showed that the ordoliberal morphology consists of the concepts of order, competition, freedom, power, state and *Ordnungspolitik*, together with some relevant adjacent concepts such as responsibility, sound money and subsidiarity. This analysis contributes to avoid the ‘reductionist’ perspective which tends to reduce Ordoliberalism to single concepts, such as the importance of rules, financial stability or responsibility.

Building on this, in chapter 4 I identified the political concepts that underpin the ordoliberal ideas on European integration. The literature points out that the ordoliberal camp is not homogeneous and that it has often been divided on even crucial issues. European integration is one of these. In the 1990s, ordoliberals argued over the establishment of the Euro. While a majority of them, following the ‘coronation theory’, was suspicious of the single currency, some others used ordoliberal concepts

to defend the monetary integration. During the Euro crisis, a similar conflict emerged: Eurosceptical ordoliberals blamed the institutional architecture of the EMU for the crisis and called for a dismissal of the single currency, whereas other more Europeanist ordoliberals called for a reform of the regulatory framework of the EMU, but not for its dismantlement. Beyond their differences, however, all ordoliberals based their reasoning on a common set of core and adjacent concepts: order, competition, state, *Ordnungspolitik*, responsibility, subsidiarity and sound money. Therefore, while it is not possible to identify a single ordoliberal position on the issue of European integration, it is possible to qualify as ordoliberal those positions – either Europeanist or Eurosceptical – that build upon these concepts.

The second contribution concerns the influence of ordoliberal ideas on the German government during the crisis. This issue has been widely debated in the literature, but still appears contentious. The literature largely agrees that the position of the German government was, at least to some extent, influenced by ordoliberal ideas. This, however, contrasts with the harsh criticism of many ordoliberals against the handling of the crisis by the German government, and especially by Angela Merkel.

To understand if the ideas of the German government during the crisis could be properly defined ordoliberal, in chapter 5 I analysed the public speeches held between 2009 and 2016 by Chancellor Merkel and Finance Minister Wolfgang Schäuble, the two German politicians most involved in the European reform process. Unsurprisingly, Schäuble makes extensive use of ordoliberal concepts in his discourses. The powerful Finance Minister has repeatedly asserted his affinity with Ordoliberalism. He was born and educated in Freiburg and, as a young MP, had connections with Ludwig Erhard; during the crisis, he often appealed to ordoliberal thinkers as Eucken and Röpke; he was also awarded the golden *Eucken-Medaille* by the *Walter-Eucken-Stiftung* for his handling of the Euro crisis. The discourse analysis confirmed his affinity with the ordoliberal tradition: his five most used concepts – state, responsibility, *Ordnungspolitik*, rules and competition – squarely characterize his discourses as (Europeanist) ordoliberal.

The same cannot be said about Merkel's discourses, whose affinity to Ordoliberalism appears weaker as Schäuble's. A first difference between the morphology of Merkel's discourses and Ordoliberalism is the relevance of the concept of solidarity – which is the fourth most used by the *Kanzlerin*. At a closer look, however, Merkel's conception of solidarity appears compatible with Ordoliberalism, despite its high salience: Merkel uses solidarity in a residual and instrumental way, making it compatible to Röpke's logic of 'liberal interventionism'. A more relevant difference between Merkel's and ordoliberal ideas is instead represented by the concept of *Wirtschaftsregierung* and by the scarce relevance of the concept of *Ordnungspolitik* in the discourses of the *Kanzlerin*. The

Wirtschaftsregierung was a rather vague proposal whereby the European economic governance should be collegially managed through a mix of rules and political deliberation. Although Merkel made clear in her discourses that the rules should prevail over political deliberation, the ordoliberals harshly rejected and criticized this concept.

Two factors can explain the lower affinity of Merkel's ideas with Ordoliberalism. First, Merkel's political biography: she was simply less involved with the ordoliberal tradition than Schäuble. Second, her peculiar position in the definition of the European reforms. As leader of the European hegemonic power during the crisis, she could not avoid mentioning solidarity in her discourses. Moreover, as Germany could not unilaterally decide on the reforms to undertake at the European level, she had to be open to compromises; in this sense, the proposal of a *Wirtschaftsregierung* could be intended as an opening to the other big European player, France, and to its call for a *gouvernement économique*.

Although the discourse analysis shows some relevant differences between Merkel's ideas on the crisis and Ordoliberalism, which explain the even harsh criticism by the ordoliberals, it also shows many important similarities. In particular, Merkel shares with Schäuble a conception of the European polity whereby the Member States are responsible for their own fate and must primarily rely on themselves to overcome the crisis. This conception, which derives from the ordoliberal concepts of state and responsibility and recalls Viktor Vanberg's conception of 'competitive state', has consequences for the policies favoured by the German government. In fact, it rules out that the crisis can be solved through central interventions by the European institutions (e.g. the Eurobonds) and shifts to the Member States (in particular to the debtors) the burden of overcoming the crisis.

All in all, the ideas of the German government fall within the ordoliberal field of meaning, as they are underpinned by ordoliberal concepts. Schäuble was the carrier of a more consistently ordoliberal line. Merkel's ideas, instead, were less consistent with Ordoliberalism, but still compatible with it to a fair extent. Just as happened in other times of the history of the German Federal Republic, the executive was then divided between a consistently ordoliberal line and a more pragmatic one.

The last contribution concerns the impact of ordoliberal ideas on the reforms of the European economic governance. In chapter 6, I argued that a causal mechanism links the ordoliberal ideas shared by the German government to the European reforms. The preferences of the German government, informed by the ordoliberal ideas analysed in chapter 5, prevailed in the negotiations at the European level, thus conditioning the reforms. In this sense, the ordoliberalization thesis is confirmed – with a clarification, though. The sceptical literature claims that Ordoliberalism did not play any role in the reform process and that the convoluted reforms of the European economic

governance have nothing to do with the sober *Ordnungspolitik* advocated by Eucken. While this observation is correct, it is not enough to rule out the fact that Ordoliberalism may have influenced the European reforms.

In chapter 6, I claimed that ideas and interests can concur in shaping the preferences of decision-makers in three logically different – but not mutually exclusive – ways: first, interests prevail and ideas provide rhetorical support to the interests; second, ideas define the interests; third, interests set some immediate or general objectives, while ideas provide insights on how to reach them. During the crisis, the ordoliberal principles of national responsibility and self-help were indeed used instrumentally by the German leaders to withhold, postpone or reduce the disbursements in favour of crisis countries, but their role was not limited to that. The reform of the economic governance of the EU was a by far more complex process than a bargaining on the amount of financial aids: it required to set out institutional reforms which, in turn, concerned political conceptions on how the European countries should relate to each other within the EU and on how economy works.

I would also exclude that ordoliberal ideas provided the German government with a toolbox of specific policy recommendations to adopt in order to overcome the crisis: in other words, the policies fostered by the German government were not specifically ordoliberal, but were drawn from the toolbox provided by mainstream/neoliberal economics. Rather, ordoliberal ideas provided the political values that should have informed the reforms: among the possible policy solutions, ordoliberal ideas oriented the preference of the German government towards those that fostered national responsibility, fiscal discipline, self-help. In this sense, we can argue that the role of ordoliberal ideas was to be constitutive of the German preferences, as they provided value-rational insights on the appropriate political standards of the reforms to overcome the crisis.

2. The logic of the reforms of the European economic governance

This thesis tried to throw a bridge between political theory and political science. The ideational turn in political science urged political scientists to take ideas seriously, while Freedman's morphological approach offered the theoretical tools to analyse them. Starting from the morphological approach, I identified the political concepts that structure the ordoliberal ideology and those that underpin the ordoliberal ideas on European integration. Then, I applied the methods of political science to empirically investigate their impact on the reform process. Through discourse analysis, I have assessed the presence of these ideas within the German executive and in the manifestos of German parties. Finally, I have verified, through process-tracing, the existence of a causal mechanism linking these ideas to the reforms of the EMU undertaken during the Euro crisis.

Studying the impact of ideas in politics is not only useful because it helps understanding why political actors take certain decisions, but also because ideas influence the functioning of rules and institutions. Therefore, studying the impact of ordoliberal ideas on the reform of the EMU is not only important to understand why Germany took certain decisions, but also to grasp the logic underpinning the reformed European economic governance. The fact that the reforms reflected the interests of the Northern countries *per se* does not determine the functioning of the new rules and institutions. Rather, what matters is that they are permeated by the (ordoliberal) principle of national responsibility.

Many authors see the mark of Ordoliberalism in the German emphasis on rules and fiscal discipline. Indeed, they are right in claiming that Ordoliberalism has to do with both, but what seems to distinguish the specific German ordoliberal approach from neoliberalism in a wider sense is the stress on national responsibility. To be sure, this principle is necessary when dealing with any kind of cooperation among states; however, in the ordoliberal conception of European integration, national responsibility holds a particularly relevant position. It is useful to mention here the insights of Freedén's morphological approach. According to Freedén, ideologies differ not just in relation to the political concepts that they employ, but also in relation to the specific weight they assign to specific concepts. Obviously, when dealing with European integration, all ideologies will have to deal with the principle of national responsibility; therefore, they will differ in the way they interpret this concept and in the salience it will have. In the case of the reforms of the European economic governance, it is evident that the principle of national responsibility permeates the new rules and institutions. The strengthening of the regulatory framework, and the sharpening and greater automatism of the sanctions have the declared goal of making the states more accountable for their economic policies; the new rules of the SGP conceive macroeconomic imbalances as a fault of the least competitive countries and their overcoming as an individual task of deficit countries, rather than a collective task for all Member States; even the ESM, which should embody the principle of European solidarity, constitutes nothing more than a firewall to prevent guarantor states to be involved in the troubles of debtor countries.

The reforms of the European economic governance reflect a vision of European integration whereby Member States coordinate their actions and achieve their goals not through political cooperation, but through a competitive process based on a regulatory framework aimed at making the states accountable for their choices. This logic dovetails with Vanberg's competitive federalism and with its *Äquivalenzprinzip* which, in turn, represents the application of Eucken's *Haftungsprinzip* in the field of international relations. To be sure, Ordoliberalism is not the only ideology to emphasize the principle of national responsibility; however, given the fact that ordoliberal ideas contributed to shape the preferences of the German government and given that these preferences prevailed in the

reform process, it is possible to argue that, if the principle of national responsibility permeates the reforms of the EMU, this has likely to do with Ordoliberalism.

Obviously, the fact that the reforms were informed by this principle does not entail that the EMU has turned into an ordoliberal utopia. The reforms were in fact the result of a compromise of different, even opposite positions, which greatly limited the ordoliberal drive of the German proposals. Moreover, even if the reforms had completely reflected the German preferences, they would still have had to fit into a pre-existing regulatory framework, which was not ordoliberal. The economic governance of the EU has become more rigid, indeed, but there is still leeway for the Commission and the Council; rules are still flexible and sanctions are not completely automatic. This compromise defined a system that can be described as ‘ordoliberal intergovernmentalism’ (a definition used by Gago 2017), where the ordoliberal part is given by the principles of national responsibility and fiscal discipline, whereas the intergovernmental component is given by the possibility of negotiating before the semi-automatic procedures start.

This ordoliberal intergovernmentalism presents some relevant weaknesses. The first is the most obvious: as any compromise, it risks to dissatisfy everyone. In Germany, the ordoliberals harshly criticized the reforms as insufficient, if not harmful; this seems unexplainable for many observers – mainly from the South, but even from Germany – given the influence of ordoliberal ideas on the reforms. Southern governments, in turn, criticize the excessive rigidity of the renewed framework of economic governance – an unjustified claim in the eyes of the supporters of the rigorist approach, given the flexibility and the possibility of negotiating a way out of the sanctions.

The second weakness relates to the inspiring principle of the reforms: national responsibility. Although it represents a necessary principle for any kind of cooperation among states, it is questionable that national responsibility can be the guiding principle for the EMU. As Ferrera and Burelli (2019) put it,

The inadequacy of the EU’s authority structure has two main roots. First, despite the phase shift, the EMU is still largely steered within the traditional frame of ‘methodological nationalism’: treating the Member States and their political economies as intrinsically self-determined units. However, this summation logic can no longer serve as an effective compass (let alone as the only compass) for making policy choices and, prior to that, as a means of arriving at correct causal imputations. Public policies always suffer from interaction effects which are difficult to disentangle. Yet, with the advent of the EMU, interaction effects have grown exponentially: local outcomes have multiple roots and some of these are not local, but systemic (p. 98).

A framework for the European economic governance based solely on the principle of national responsibility is incapable of grasping the complex nature of the interrelations among European states and threatens to produce disruptive tensions among the members of the Union.

The last weakness is linked to the other two: the reform of the EMU is incomplete. As the 2015 ‘Five Presidents report’ points out, ‘it is clear that the quick fixes of recent years need to be turned into a lasting, fair and democratically legitimate basis for the future’. This report, together with the 2012 ‘Four Presidents report’ and the 2017 Roadmap of the Commission on the completion of the EMU, sets out the following steps for the European economic integration in the next years. The strategy aims at establishing a ‘genuine’ economic, financial, fiscal and political union. As Schelkle notes, the reports represent a shift from the rigorist paradigm that prevailed in the acute phase of the crisis towards a more risk-sharing one (Schelkle 2017, 159). The Five Presidents report claims that ‘[i]n spite of the undeniable importance of economic and fiscal rules and respect for them, the world’s second largest economy cannot be managed through rule-based cooperation alone’; it also calls for a strengthening of the Macroeconomic Imbalance Procedure and for a greater focus on ‘countries accumulating large and sustained current account surpluses if these are driven by, for example, insufficient domestic demand and/or low growth potential’. In December 2017, the Commission published an ambitious package of policy proposals, setting out a roadmap for deepening the EMU by 2025. The proposals included the transformation of the ESM into a European Monetary Fund, the institution of a European Finance Minister and of a budget for the Eurozone, and the issuing of European securities. The proposals of the Commission aimed to put back on a supranational track the process of monetary integration, that during the Euro crisis had followed an intergovernmental logic. The position of the Commission was supported by French president Emmanuel Macron, who had already put forward similar proposals in his Sorbonne speech in the previous September, also suggesting that the Eurozone budget should have been financed through EU level taxation on digital platforms and carbon. Germany, instead, held a more conservative position. In his last months in office, Schäuble circulated a non-paper outlining the German position on the next steps of economic and monetary integration. Germany agreed to strengthening the role of the ESM and turning it into a European Monetary Fund; in particular, Schäuble put forward again the proposal of making debt restructuring mandatory to ‘ensure debt sustainability’. However, he also claimed that a macroeconomic stabilization function at the European level – ‘e.g. through a new fiscal capacity or unemployment insurance’ – would not be necessary, as the flexibility of the SGP is enough to absorb economic shocks.

The future of the European economic integration, then, is still not written: again, it will be defined by compromise among various actors. Some of them, such as the Commission or the present French President Macron are more willing to proceed towards more integration and functions for the European institutions. Others, such as the Europeanist ordoliberalists in Germany, are more cautious

and envisage a European Union based on the principles of national responsibility and subsidiarity. Moreover, as a political backlash the crisis reinforced the parties and movement that throughout the continent put into question the achievements of European integration – such as the Eurosceptic ordoliberalists of the AfD, but also the powerful *Rassemblement National* (formerly known as *Front National*) of Marine Le Pen in France, or the *Lega Nord* in Italy. Although the success of these forces was relatively limited in the last European elections, they remain very strong within the European countries: their direct or indirect influence is by now a fact of European politics. Future researches will have to investigate how the visions of Europe of these actors – supranational institutions, national governments, parties – will shape the next steps of the European economic integration.

Appendixes

Appendix 1: Ideas on European economic governance of the German parties

1. Introduction

In chapters 3 and 4, I have reconstructed the ordoliberal ideological morphology and identified the political concepts that underpin the ordoliberal discourses on European integration. In chapter 5, I have assessed that Chancellor Angela Merkel and Finance Minister Wolfgang Schäuble, the two members of the German government more involved in the handling of the Euro crisis, shared ordoliberal ideas. In particular, while Schäuble held a consistently ordoliberal position, Merkel – given her political and intellectual background and her role in the international negotiations – held a position more oriented towards compromise than towards ordoliberal intransigence. In chapter 6, finally, I have brought evidence to argue that these ordoliberal ideas informed the preferences of the German government on the management of the crisis and, eventually, were reflected in the reforms of the economic governance of the European Union.

In this appendix, I will investigate the ideas on the European economic governance of the German parties and assess whether they are still influenced by Ordoliberalism, even after the end of the critical phase of the crisis. To do so, I have analysed and compared the manifestos of the German political parties for the European and federal elections, and the coalition agreements between 2004 and 2019. My aim is to assess whether German parties use ordoliberal concepts when dealing with the issue of the European economic governance.

The discussion will proceed as follows. In section 2, I will briefly argue that electoral programmes are an ideal source for investigating the ideas of the parties on a vast array of issues. In section 3, I will present the research strategy and the data. In section 4, I will present the analysis: section 4.1 discusses the salience of European issues in the national programmes of the German parties and in the coalition agreements for the government; section 4.2 shows the relative salience of the economic governance of the EU among the other European issues debated in the national programmes and in the coalition agreements; in section 4.3, I unpack the European manifestos and assess the relative salience of economic governance; in section 4.4, I will investigate the political concepts used by the German parties when dealing with the issue of the economic governance; in section 4.5, I discuss the ideas of the German parties regarding the economic governance. Section 5 concludes.

2. The why's of party manifesto analysis

In chapter 5, my aim was to reconstruct the ideas of the German key actors in the reform process. Given the marginalization of the European Parliament and the prominence of the European Council and of the Council, it was natural to pick Chancellor Merkel and Finance Minister Schäuble as subjects for the analysis, as their ideas were determinant for the reform process. Here my aim is different. I am not looking for evidence proving that ordoliberal ideas influenced any specific reform; therefore, I am not interested in analysing the political ideas of some key actor in the German executive. Rather, I want to investigate the persistence of these ideas in German politics: for this purpose, German parties appear as a more appropriate object of analysis. In particular, I want to assess what are the ideas of the German parties regarding the economic governance of the EU and whether they are still influenced by Ordoliberalism.

National parties play a primary role in defining European politics. They influence it directly, through the election of the Members of the European Parliament, and indirectly, by producing and controlling national governments (Hobolt and de Vries 2016, 104). The role of national parties in European politics is all the more influential in Germany, as the *Grundgesetz* provides for an extensive involvement of the Bundestag in the decision-making process of matters concerning the EU, especially of those related to financial issues and disbursements.

To reconstruct the ideas on the EU economic governance of the German parties, I have analysed their manifestos for the European and federal elections between 2004 and 2019. There is a wide literature on the analysis of the electoral programmes of political parties (one for all, the works of the Party Manifesto Project and of its previous iterations). Manifestos represent an ideal source for the analysis of the positions of the parties: they are comparable documents that express the official stance of the parties on the issues they deem more relevant. Moreover, they result from a collective elaboration and are adopted (directly or indirectly) by party members and activists. Therefore, they can be considered as the expression of a shared ideational attitude within the parties at a certain time (Guinaudeau and Persico 2013).

According to Robert Harmel (2018, 229–33), party manifestos serve different purpose. A first one is the direct appeal to the voters. As obvious as it is, this function may not be the primary, though: electors seldom read manifestos, and parties know it. So, electoral programmes could serve a second purpose: the indirect mobilization of electors, either through interest groups that organize the electorate, or through the media, which ‘digest’ the content of the manifesto and make it available for the general public. Parties could also use their manifestos to influence the campaign agenda, to present an image of unity or as a tool to build coalitions with other parties. Moreover, manifestos can serve internal purposes: for instance, they can be used to content activists or to express the ‘party’s identity

or philosophy' (p. 231). As they result from a process of internal discussion, manifestos may include promises and statements more aimed at the party's members, rather than at the general public. Moreover, they can be used as means to control elected and unelected officials in the government.

It is possible to distinguish two logics underpinning the purposes of party manifestos identified by Harmel. The first one is strategic. In this sense, the content of the manifestos is to be intended as a means to achieve some sort of goal: the consensus of the electorate, of some relevant interest group, of the party members; to influence the campaign debate on some specific issue, or to give a certain image of the party; to throw a bridge to possible allies. The other logic can be defined 'ideational'. In this second sense, party manifestos express the ideational stance of the party. This is not to be confused with a cognitive function: party manifestos do not exert their ideational function by providing the interpretative framework through which party members interpret – or are supposed to interpret – the political world. Rather, they fix a set of commitments and principles discussed and agreed upon by party members (or by their representatives), 'objectifying' the ideational attitude of the party at a certain time. These 'objectified' ideas become, then, tools for party members (and other actors) to be used in the political struggle. For instance, party members may watch over the conduct of elected party officials and constrain them by appealing to the principles and commitments contained in the manifestos. Similarly, elected officials can justify their actions by referring to the manifestos; even if they want to deviate from the prescriptions of the manifesto, they still would need to appeal to the principles therein agreed, in order to justify their choices.

Party manifestos represent a compromise among the ideas and the demands of the party members and currents. To be sure, they do not *determine* the actions of party members: at most, they fix some constraints to the actions of party members, but these boundaries are always negotiable and open to interpretation. So, trying to determine actions of a party starting from its electoral programme would be impossible. But if manifestos may not be suitable to explain the actions of a party, they can be used to understand its ideas, as electoral programmes are the result of a common ideational agreement within the party and make its official positions on a vast array of issues explicit.

3. Data and research strategy

The analysis is based on 51 documents: 25 manifestos for the 2004, 2009, 2014 and 2019 European Parliament elections; 22 manifestos for the 2005, 2009, 2013 and 2017 Bundestag elections; and the four *Koalitionsverträge* (coalition agreements) for the four Merkel governments (2005, 2009, 2013, 2018). The documents were manually coded with the software NVivo 12. Following other works on the topic (for instance, Brunsbach, John, and Werner 2012), I have selected as cases the most relevant German parties: the Christian-democratic *Christlich Demokratische Union* (CDU) and

its Bavarian ‘sister party’, the *Christlich-Soziale Union* (CSU); the liberal *Freie Demokratische Partei*; the leftist *Die Linke*; the Green party *Bündnis 90/Die Grünen* (*Die Grünen*); the social-democrat *Sozialdemokratische Partei Deutschlands* (SPD); and the right-wing populist and Eurosceptic party *Alternative für Deutschland* (AfD).

The codification process involved three steps. First, I have identified the policy issues that the programmes for the federal elections and the coalition agreements dealt with. This step aimed to identify and quantify the portions of text explicitly devoted to European issues in the federal manifestos and coalition agreements. To this end, I have coded the paragraphs and the sub-paragraphs of the manifestos accordingly to the issues to which they are devoted.¹²⁴ Table B.1 (at the end of the thesis) shows the topics treated in the federal election programmes and in the *Koalitionsverträge*. The topics are mutually exclusive: this means that each paragraph or sub-paragraph can only be associated with a single issue. For instance, if a paragraph on social policy contains some sentences devoted to Europe, the whole paragraph – even those sentences – will be coded as ‘Social policy’: despite the reference to Europe, the focus of the paragraph would still be on social policy, not on European issues. By contrast, if a paragraph on social policy contains a sub-paragraph explicitly¹²⁵ devoted to Europe, that sub-paragraph would be coded as ‘Europe’, as it would express the intention to deal with a European issue and not with a national issue in a European light. Following the literature on the topic,¹²⁶ I coded the whole manifestos; preambles, indexes, headings, figures and conclusions are excluded from the codification.

The second step consisted in identifying the European issues dealt with by the parties in their European elections programmes, in the parts of their national elections programmes devoted to Europe, and in the *Koalitionsverträge*. Table B.2 shows the list of European issues, which I derived – with some adjustment – from the literature on this topic (Brunsbach, John, and Werner 2012; Schoen 2019). The aim of this step is to identify and quantify the portions of text devoted to the economic governance of the EU: this includes references to the EMU, the single currency, the role of the ECB, the governance and the coordination of the economic and fiscal policies of the Member States. Just as in the previous step, the codification of the European manifestos will be based on the paragraphs and sub-paragraphs. However, since the part devoted to European issues in the national elections

¹²⁴ I define ‘paragraphs’ as the sections in which manifestos are articulated, characterized by a heading that spells out their topic. In case the heading is ambiguous, the topic of the paragraph is deduced by the reading of the paragraph. In turn, I define ‘sub-paragraphs’ the subsections in which the paragraphs may be divided. They are portions of text distinct from the rest of the paragraph and are characterized by a proper heading or some other graphical lay-out elements (for instance, the use of bold types) spelling out their topic, which may be different than that of the main paragraph.

¹²⁵ For instance, if the sub-paragraph headlines ‘European social policy’ or some other graphic lay-out element makes this explicit.

¹²⁶ See the 5th edition of the coding instructions of the Party Manifesto Project, p. 6. Available at https://manifesto-project.wzb.eu/down/papers/handbook_2014_version_5.pdf.

programmes and in the coalition agreements is often no longer than a few sentences, in these cases the coding unit will be the single sentence.

In the third step, I have identified the political concepts employed by the German parties when dealing with the economic governance of the EU. Most political concepts are derived deductively. Ordoliberal concepts derive from the previous chapters. Other concepts are derived from the literature of political ideologies (see Appendix 2). For instance, the literature claims that one of the core concepts of the Green ideology is the relation between society and the environment (Humphrey 2013); this concept is subsumed in the category ‘Ecology’. Similarly, Freedden (1998a) identifies the concern to the human welfare as one of the core concepts of the socialist ideology; this concept is comprised in the category of ‘Social policy’ – intended here not as a specific social policy, but as a means to secure social welfare. Other concepts are inductively derived from the documents. Due to their pragmatic nature, party manifestos contain less theoretical elaborations and more policy proposals: therefore, unlike in chapter 5, the analysis will not only consider political concepts, but also concrete policies proposals contained in the manifestos. According to Freedden (1998a), such policy proposals belong to the perimeter of ideological morphology (see chapter 2); however, despite their instrumental nature, they can be rather relevant because they can define the political identity of a party (as is the case, for instance, of fiscal discipline for the CDU or the exit from the Euro for the AfD). In this step, the coding unit is the sentence. Table B.3 presents the list of categories for concepts and policies used in the analysis. Unlike in the previous steps, political concepts are not mutually exclusive: consequently, each sentence may contain more than one concept.

4. Analysis

This section will proceed as follows. In section 4.1, I will investigate the salience of European issues in the party manifestos for the federal elections and in the coalition agreements for the government. Following the literature (Brunsbach, John, and Werner 2012; Volkens et al. 2013), I derive salience from the relative space devoted to each topic compared to the other topics: in other words, the more space is devoted to a certain issue compared to the others, the more salient the issue is.

The parts devoted to European issues in the manifestos for the federal elections and in the coalition agreements will be unpacked in section 4.2. There, I will investigate what European issues are dealt with in the federal elections programmes and in the *Koalitionsverträge*, and the relative salience of the European economic governance. This same analysis will be repeated in section 4.3, this time with the programmes for European elections.

Section 4.4, finally, will be devoted to the political concepts used by the parties when dealing with the economic governance of the EU. For each party, I will present three tables showing the five most used concepts, respectively, overall, in the European elections and in the federal elections. The ideas of the German parties regarding the economic governance of the EU will be discussed in section 4.5.

4.1 Salience of European issues in party manifestos for federal elections and coalition agreements

The literature on German politics shows that European issues have never been a salient topic in German federal elections (Schoen 2019). Moreover, the literature on the politicization of European issues in national elections claims that European issues tend to become more salient as they become more contentious and, in general, with the end of the permissive consensus (Hooghe and Marks 2009). Figure 1 confirms both claims. It shows the salience of European issues in the party manifestos for the federal elections. Overall, European issues are not very salient in German national elections. In 2005 (5.54%),¹²⁷ they were only the ninth (out of 16) most salient issue, whereas in 2009 they reached the lowest value (2.85%) and were the fourth least salient issue. Things partially changed in the elections of 2013 (6.69%) when, with the Euro crisis, Europe became the seventh most salient issue. With the end of the critical phase of the crisis, in 2017 (6.11%), European issues partly lost their salience, but they remained more salient than the pre-crisis period (occupying the eighth position).

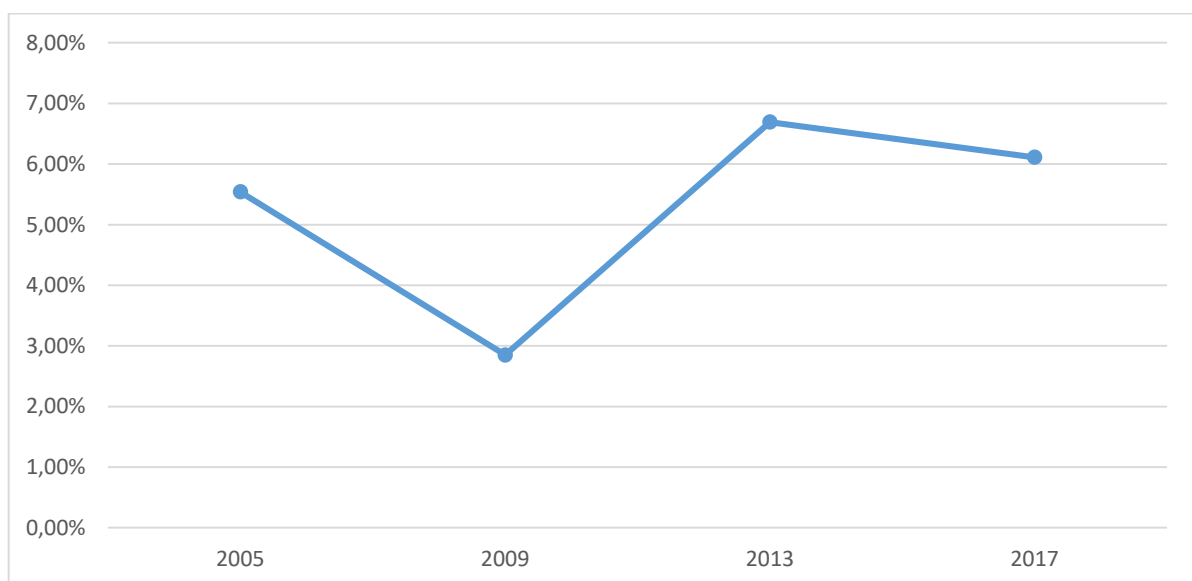


Figure 1. Salience of European issues in the party manifestos for German federal elections (2005-2017)

¹²⁷ The figures represent the words coded as 'European issues' as a percentage of the total coded words of the manifestos.

The variation in salience can be explained by the contentiousness of European topics. In 2005, two European issues were particularly relevant. The first one was the European Constitution, which was rejected only a few months earlier by popular vote in France and in the Netherlands; German parties had to show their commitment (or criticism) to the constitutional project that, despite the French and Dutch referenda, was still not put away. The second one was the possible accession of Turkey into the European Union, which was perceived as a matter of identity by the German parties. In 2009 the situation was rather different: the project for a European Constitution was definitely put aside and the Lisbon Treaty was about to enter into force, whereas the entry of Turkey was not imminent anymore. Rather, a new problem had arisen some months earlier: the great economic crisis which, started as a crisis of US subprime markets, spread through the world and endangered the financial and bank system of the European countries – and Germany's, as well. The crisis, however, was still a bank crisis; it had not already turned into the European sovereign debt crisis. Therefore, it was not perceived as a European problem. This might explain the extremely low salience of European issues in 2009 federal elections.

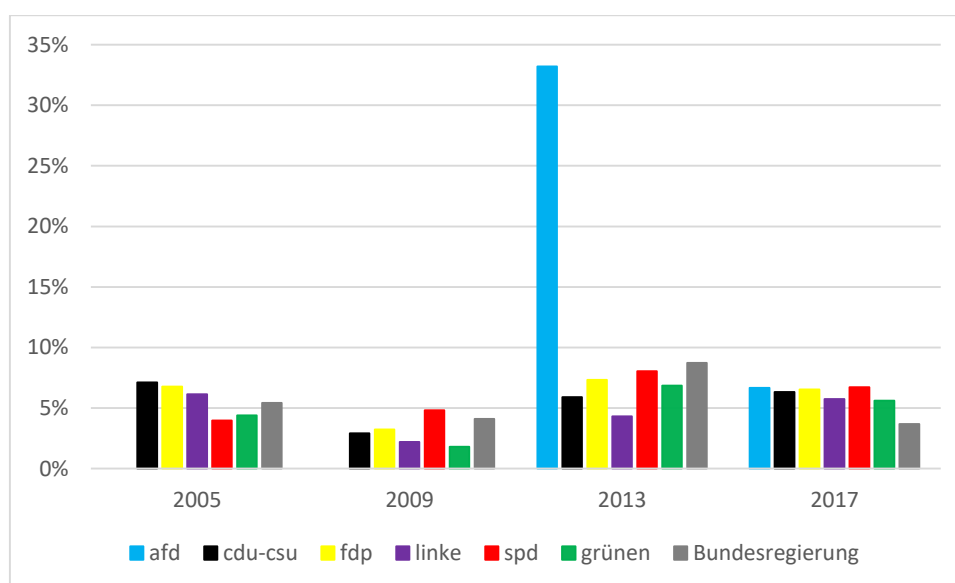


Figure 2. Salience of European issues in the manifestos for the federal elections and in the coalition agreements¹²⁸

As the crisis turned into the Euro crisis, European topics inevitably became more salient and politicized: salient, as German parties devoted a larger share of their programmes to these issues; and politicized, as they proposed contrasting views and reforms for the European Union. The politicization of European issues was best represented by the foundation of *Alternative für Deutschland*, which ‘was launched as a single-issue party who opposed the government’s eurozone

¹²⁸ The coalition agreement for the fourth Merkel government was drawn up in 2018. For simplicity, I have juxtaposed it with the manifestos of the 2017 elections.

rescue measures’ (Hennessy 2017, 17); as Grimm (2015) claims, the AfD was ‘Germany’s first Eurosceptic party to attract substantial electoral support in local, national and European elections’ (p. 265). The politicization of European affairs could explain the relatively high salience of European issues in 2013 federal elections. As the crisis was over, salience decreased, but was still higher than the previous period; this could be a signal of the substantial increase of politicization of European issues in German politics (Rauh 2015). Figure 2 shows the salience of European issues in the manifestos for the federal elections of each party and in the coalition agreements for the government.

4.2 European issues treated in the manifestos for the federal elections

In this section, I will unpack the parts devoted to European issues of the federal election programmes and of the coalition agreements, and assess what topics are dealt with. In particular, I will focus on the issue of the economic governance of the EU. Figure 3 shows the salience of the EU economic governance in the parts of the federal election programmes devoted to Europe.

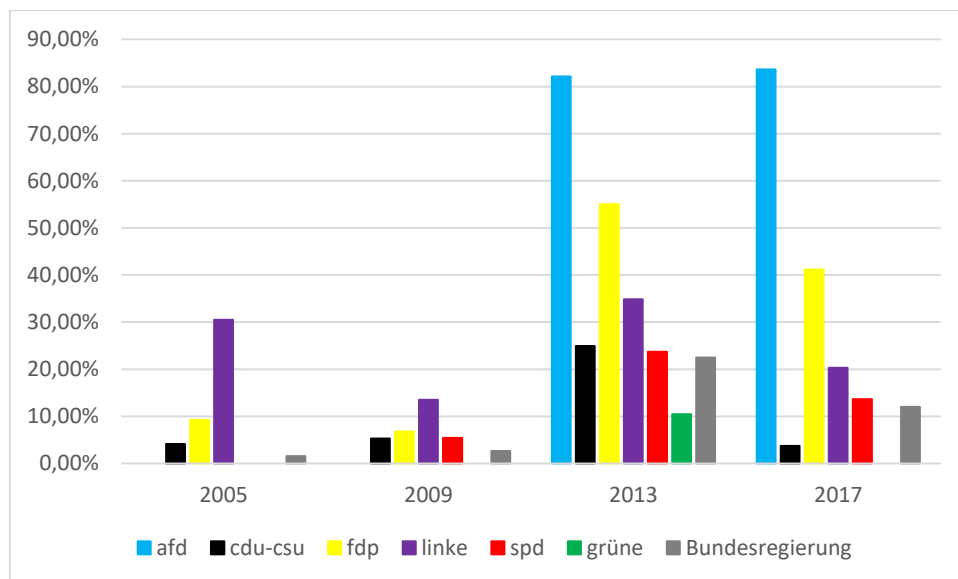


Figure 3. Salience of EU economic governance in the parts of the federal election programmes and of the coalition agreements (2005-2017) devoted to Europe

CDU-CSU

For the federal elections between 2005 and 2017, CDU and CSU (jointly known as the *Union*) presented common programmes; therefore, they will be treated together. In the 2005 elections, the *Union*’s manifesto was the one that devoted the larger part to European issues (7.11%). The programme mainly treated politico-institutional issues (44.14% – the European Constitution, subsidiarity, subdivisions of competences, Franco-German cooperation),¹²⁹ foreign and defence

¹²⁹ These figures represent the words coded under the different issues as a percentage of the total words coded as ‘European issues’ in each manifesto for the federal elections.

policy (29.21% – in particular, the enlargement of the EU and the Turkish question) and the European budget (10.75%). Economic governance was the fifth and least salient European issue (4.17%).

In 2009 elections, only 2.92% of the *Union* programme was devoted to Europe, which was the least debated issue. In this part, foreign affairs prevailed over the other issues (3.34%), while economic governance was, again, the least salient European issue (5.27%).

In the 2013 programme, the part devoted to Europe raised to 5.89%. It makes little surprise that, in the first elections since the beginning of the Euro crisis, the relevance of economic governance substantially increased: it was the second most salient issue (24.9%) after other economic issues (31.63%). In the 2017 election programme, the part devoted to European issues further increased to 6.6%. The most treated issues were foreign affairs (26.95%), political issues (22.05%) and, crucially, migrations (12.25%). Economic governance was the ninth and least debated issue (3.72%).

FDP

In 2005 federal elections, German liberals devoted 6.77% of their programme to European issues. The most salient issue was foreign policy (45.43%, with a focus on the enlargement of the EU), followed by politico-institutional issues (22.64%) related to subsidiarity and the constitutional project. Economic governance was the third most salient issue (9.22%). In the 2009 electoral programme of the FDP, the part devoted to Europe sank to 3.23%. The most debated issues were, again, foreign affairs (37.44%) and politico-institutional issues (26.84%), followed this time by the EU budget (15.34%) and values (11.2%). Economic governance was only at the fifth place (6.76%). With the outbreak of the Euro crisis, the salience of European issues raised again; in the 2013 electoral programme, it reached 7.33%, of which more than half (55.06%) was devoted to the issue of the economic governance. In the electoral programme of 2017, both the salience of European issues (6.55%) and the relative salience of economic governance (41.14%) slightly decreased, but economic governance remained the most salient European issue debated in the programme.

Die Linke

The leftist party *Die Linke* devoted 6.15% of its 2005 electoral programme to European issues, making them the third least treated topic. Economic governance (30.49%) was the relatively most salient topic among the EU issues: the programme criticized the Maastricht Treaty and called for a new type of economic governance for the EU, based on public investment and social rights. The 2009 electoral programme for the *Bundestag* conveyed the same message, although the percentage of text devoted to Europe dropped (2.2%) and economic governance became relatively less salient (13.49%). In 2013 the salience of European issues raised again (4.32%) and economic governance regained its

place as relatively most salient EU issue (34.88%). Things did not change much in the 2017 federal elections programme, with the salience of EU issues slightly increasing (5.74%) and the relative salience of economic governance decreasing to 20.34% (but still remaining the most relatively salient issue).

SPD

The SPD was the party that devoted least space to European issues in its 2005 electoral programme: only 3.98%. The most salient EU issues were foreign affairs (43.95% – especially, the enlargement of the EU) and social policies (20.35%); economic governance was absent. In 2009, in turn, the SPD was the party that devoted the most space to Europe in its programme: 4.81%. The relatively most salient EU topics were economic (33.33%) and social issues (23.51%); economic governance was present but marginal (5.42%). In 2013, instead, the salience of European issues raised to 8.04%, and economic governance became the most salient EU issue (23.74%). In 2017 the SPD was, again, the party that devoted the most space to European topics (6.72%). The most salient EU issues were foreign affairs (23.97%), political-institutional questions (19.38%, with a focus on the democratization of Europe), and economy (19.14%); economic governance was only the fifth most salient issue (13.62%).

Die Grünen

Both in the 2005 and in the 2009 programmes for the federal elections European issues were marginal (respectively, 4.39% and 1.81%), and there were no references to the economic governance. In 2005 the most salient EU issues related to the democratization of the EU, pacifism and economic issues; in 2009, democratization, pacifism, social policies and environment. EU issues became much more salient in the 2013, as the Green party devoted them 6.85% of its electoral programme. Economic governance was the fourth most salient issue (10.47%), preceded by politico-institutional (21.11%) and economic (18.24) issues and by values (11.28%), and followed by environmental issues (9.89%). In the 2017 elections the salience of European topics decreased to 5.61%, and the election programme ignored economic governance.

AfD

Founded on February 2013, the AfD only took part in two federal elections. Its single-issue nature was revealed by its short 2013 electoral programme, dominated by European issues (33.21%). It makes little surprise that part regarding Europe was almost entirely devoted to the economic

governance of the EU (82.12%): the programme was basically an invective against the single currency and a call to dismantle the EMU as fast as possible.

Things changed by the 2017 elections: in 2015, the ordoliberal wing of the party split off, and the nationalist-conservative current became hegemonic: as a consequence, the party shifted towards more right-wing issues, such as migrations (15.68%),¹³⁰ and the salience of EU issues dramatically dropped (to 6.66%). Yet, the Eurosceptic nature of the party was still there, as shown by the high relative salience of economic governance (83.67%).

Coalition agreements

The 2005 federal elections resulted in the first Merkel government: a *Große Koalition* ('grand coalition') formed by the *Union* (which elected 222 deputies) and by the SPD (221). In the coalition agreement, only a limited amount of space was devoted to European issues (5.42%). The most salient EU topics were economic (36.23%) and politico-institutional (20.43%) issues and foreign affairs (17.52%); economic governance was the second least salient issue (1.54%).

The second Merkel government (2009) was a coalition between the *Union* – which dominated the coalition with 237 deputies – and the liberal FDP, which elected 93 deputies. Just as in the electoral programmes, EU issues became less salient also in the coalition agreement (4.1%). The most salient EU issues were foreign affairs (27.68%), the EU budget (26.32%) and other politico-institutional issues (18.76%); despite increasing its relative salience, economic governance remained rather marginal, being the third least salient issue (2.66%).

The 2013 elections produced a second *Große Koalition* between the *Union* (309 deputies) and the social-democrats (193 deputies). Following the outbreak of the Euro crisis, European issues became much more salient (8.74%); economic governance was the second most salient European issue (22.49%), only preceded by other economic issues (36.47%).

The fourth Merkel government had a troubled gestation. The results of the 2017 federal elections were ambiguous. The only recognized winner was the Eurosceptic party AfD, which entered for the first time in the Bundestag with the considerable result of 12.6% of votes, being the third party by number of votes and electing 94 representatives. The *Union* and the SPD remained the two largest parties, but received a decidedly lower amount of votes than the previous elections. During the electoral campaign, the SPD *Spitzenkandidat* Martin Schulz repeatedly rejected the possibility of a third coalition with the Christian-democrats; the *Union*, as first party, started therefore to explore the

¹³⁰ As shown in table B.1, 'migrations' is a component of 'Law, freedom and justice', which overall scores 21.98% in the 2017 federal manifesto of the AfD.

possibility of a ‘Jamaica’¹³¹ coalition with the liberals and the Greens. As the parties could not agree on migration and environment, the preliminary talks for the coalition failed: the only way to form another government, then, was to renew the *Große Koalition*. During the negotiations for the coalition agreement, the SPD, Schulz adopted a strong Europeanist stance, which was reflected in the *Koalitionsvertrag* agreed in the first days of February 2018. The coalition agreement opened with a paragraph European issues, the content of which was dictated by the social-democrats. However, the renewed interest for European integration was more apparent than substantial: only 3.67% of the agreement was devoted to Europe – even less than the 2009 agreement. Economic governance was the fourth most salient EU issue (12.01%), preceded by foreign and defence policies (37.58%), economic issues (15.41%) and values (13.75%).

4.3 Salience of European economic governance in party programmes for European elections

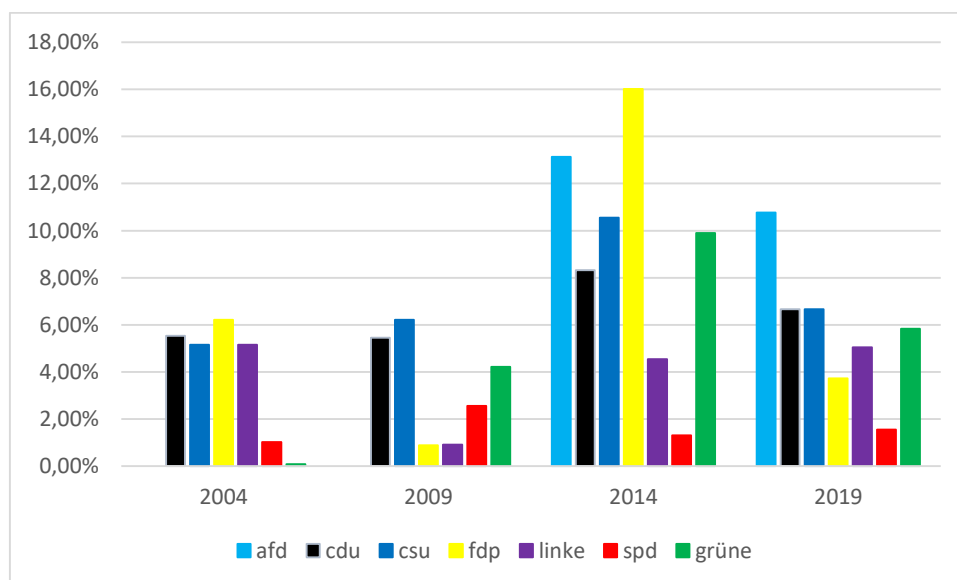


Figure 4. Salience of economic governance in party programmes for European elections (2004-2019)

CDU

In its manifesto for the 2004 European elections, the CDU mainly dealt with foreign affairs (30.16%), with politico-institutional (18.6%) and economic issues (18.45%) and with issues related to freedom, law and justice (15.76%). Economic governance was not very salient (5.54%, being the fifth out of 8 EU issues). In the 2009 programme, things were basically the same: economic issues became the most salient (25.54%) and environmental and climate issues gained relevance (7.8%).

¹³¹ The coalition was defined ‘Jamaica’ after the colours of the parties, which recall the Jamaican flag: black (*Union*), yellow (*FDP*) and green (*Die Grünen*).

Economic governance, again, was not particularly relevant (5.46%), but was the sixth out of 14 issues. In 2014 elections, economic governance became more salient (8.32%); it was the fourth most salient issue, preceded by economy (22.35%), foreign affairs (11.48%) and environmental issues (8.86%). This did not change much in the 2019 manifesto (presented jointly with the CSU): economic governance slightly lost relevance (6.66%) and was overtaken by migrations (7.64%), thus becoming the fifth most salient issue.

CSU

The 2004 European manifesto of the CSU was primarily devoted to foreign affairs (36.92%) – especially regarding the Turkish question and the enlargement of the EU – and to politico-institutional issues related to subsidiarity (22.05%). Economic governance is the second least salient issue (5.15%).

The 2009 manifesto, in turn, was dominated by politico-institutional issues (20.14%) and economy (19.68%); economic governance (6.21%) was not the least salient concept anymore, but still was not among the most relevant. Yet, the CSU was the party that devoted the relative largest part of its programme to this topic in 2009.

In 2014, economic governance became the fourth most salient issue (10.55%), preceded by politico-institutional issues (31.13%), economy (18.96%) and values (14.43%). In 2019, the CSU presented a common programme with the CDU.

FDP

In 2004, the German liberal party was the one to devote the largest part of its European programme to the issue of economic governance (6.22%); yet, it was only the eighth most salient issue: not among the less relevant, but neither among the most salient. The most relevant issues were foreign affairs and enlargement of the EU (24.61%), freedom, security and justice (10.57%) and education and research (10.17%).

By contrast, in 2009 the FDP was the party that devoted the least part of its programme to economic governance, only 0.89%, making it the least relevant topic in the manifesto. The most relevant topics were politico-institutional issues (16.55%), education (13.72%), environment and energy (12.95%) and foreign affairs (11.76%).

In 2014, the FDP was, again, the party that devoted the largest part of its programme to economic governance (16.02%); unlike 2004, however, this time this topic was also among the most salient, preceded only by politico-institutional issues (19.49%) and economy and employment (17.68%).

In 2019, economic governance (3.73%) became again a marginal issue in the European programme of the FDP, which was dominated by foreign affairs (16.77%), economy (15.7%), freedom, security and justice (15.47%) and education (11.17%).

Die Linke

The 2004 European manifesto of the German leftist party was dominated by economy and employment (29.3%), education and research (15.89%) and foreign and defence affairs (10.03%); economic governance (5.15%) was a rather marginal issue – and, in 2009, it became even less relevant (0.92%). In 2014 and 2019 European elections, economic governance slightly gained some relevance (respectively, 4.55% and 5.05%), but it was still among the least salient issues in the manifestos of the leftist party.

SPD

In the European electoral programmes of the German social-democrats between 2004 and 2019, economic governance has always been a rather marginal – when not the most marginal – issue (2004: 1.03%; 2009: 2.56%; 2014: 1.31%; 2019: 1.55%). The manifestos of the SPD dealt rather with economy and employment, social policies, foreign affairs and politico-institutional issues.

Die Grünen

The salience of economic governance in the European programmes of the *Grünen* was variable. In their 2004 manifesto, a single sentence was devoted to this topic, which was the least relevant issue of all (0.08%); the most relevant were, in turn, foreign affairs and environmental and energy issues (respectively, 17.11% and 15.6%), followed by economy (12.21%) and education (11.43%). In 2009, economic governance gained salience (4.22%), but remained basically marginal. In 2013, instead, it substantially increased its relevance (9.9%), becoming the fourth most salient issue, preceded only by the traditional Green topics: foreign affairs (19.52%), environment and energy (13.88%), economy and employment (13.37%). In 2019, finally, economic governance partly lost its relevance in the programme (5.83%); it was not one of the most salient issues anymore, but neither became again among the most marginal.

AfD

Not surprisingly, economic governance was among the most salient issues in the European manifestos of the AfD. In the 2014 programme, it was the third most salient topic (13.13%), preceded by economy (19.39%) and politico-institutional issues (16.21%) and followed by migrations (8.48%);

in 2019, it was the second one (10.77%), preceded by economy (12.49) and followed by environment and energy (10.47%).

4.4 Political concepts and policies employed by the parties in dealing with economic governance

In this section, I will investigate what political concepts and policies the parties employed when dealing with the issue of the economic governance of the EU. For each party, I present three panels showing the top-five of the most used concepts, respectively, on the whole, in their European programmes and in their federal programmes.¹³² Since each sentence can contain different concepts, the figures show the number of words coded under each concept as a percentage of the total words coded as concepts.¹³³

CDU-CSU

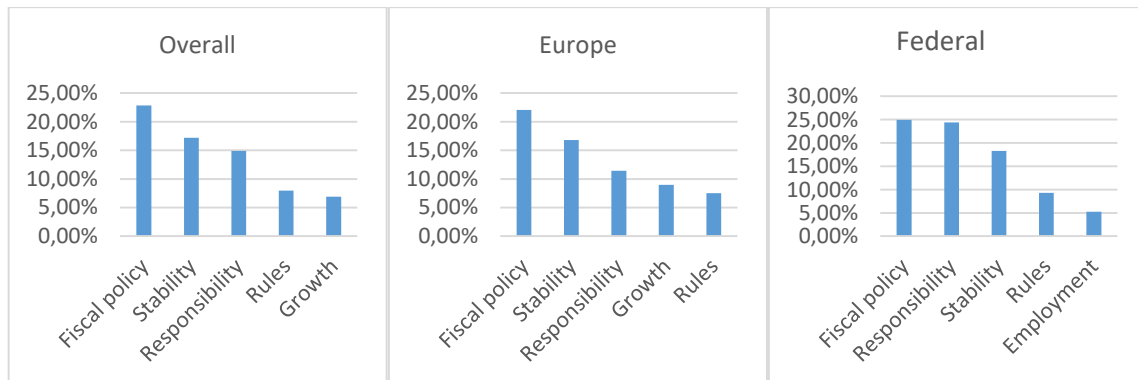


Figure 5. Political concepts used by the CDU

Fiscal policy is the most used item in CDU (figure 5) electoral programmes: the Christian-democrats interpret it mainly as fiscal discipline, and link it with the other salient concepts, such as stability, responsibility, rules and growth. Responsibility, the third most used concept is almost always interpreted as national responsibility, while Stability, the second most used item is sometimes interpreted as sound money. Finally, the concept of rules is often linked to sanctions and surveillance.

¹³² The ‘overall’ panel is not a mean of the other two, but accounts for the length of the different parts. In other words, if the parts devoted to the EU economic governance in the federal manifestos are longer than those in the European manifestos (as is the case of the SPD), the overall panel will resemble more closely the ‘federal’ than the ‘Europe’ panel; and also the opposite is true (as in the case of the Green party).

¹³³ To make this point clear, suppose that a certain manifesto devotes only one sentence to the issue of the economic governance, for a total of, say, 20 words. Suppose also that the sentence contains two concepts; this would mean that each concept consists of 20 words, for a total of 40 words. The percentage is computed not as a ratio of the number of words of each concept to the number of words of the sentence (which would be $20/20 = 100\%$), but as a ratio of the number of words of each concept to the total words coded as concepts ($20/40 = 50\%$).

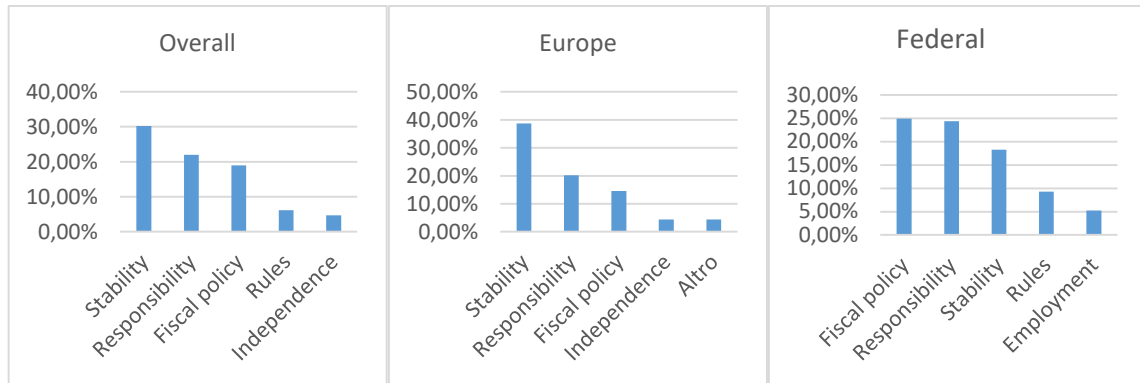


Figure 6. Political concepts used by the CSU

The political concepts used by the CSU (figure 6) are basically the same of its sister party, the CDU; they only slightly differ for their specific weight. Just as the CDU, the Bavarian party interprets responsibility as national responsibility and fiscal policy as primarily fiscal discipline. Compared to the CDU, the CSU stresses more the importance of the principle of an independent ECB.

FDP

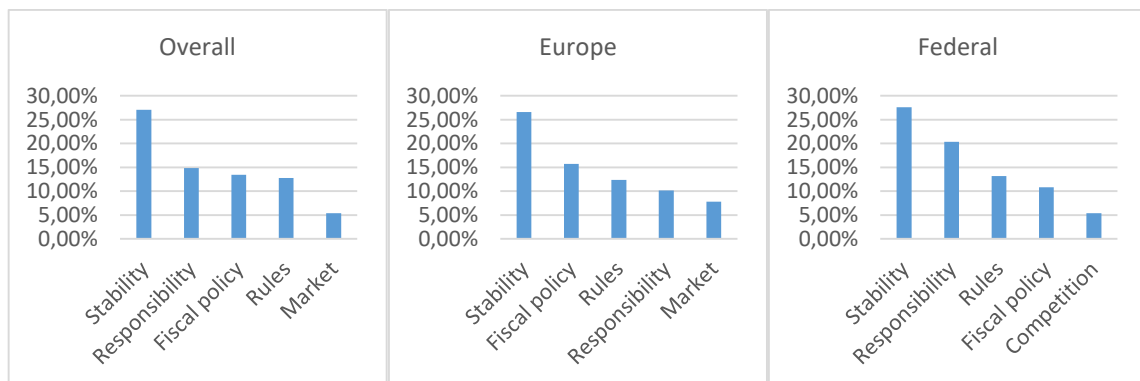


Figure 7. Political concepts used by the FDP

Except for some minor differences, the concepts used by the German liberals in their manifestos virtually overlap with those used by the *Union*.

Die Linke

The idea of *Die Linke* on the European economic governance is based on a great activism of the state. The state must mobilize public investments to create new, environment-friendly jobs and must actively intervene in the economic process. Moreover, the ECB must be put under public control through an enhanced role of the European Parliament and of the Council.

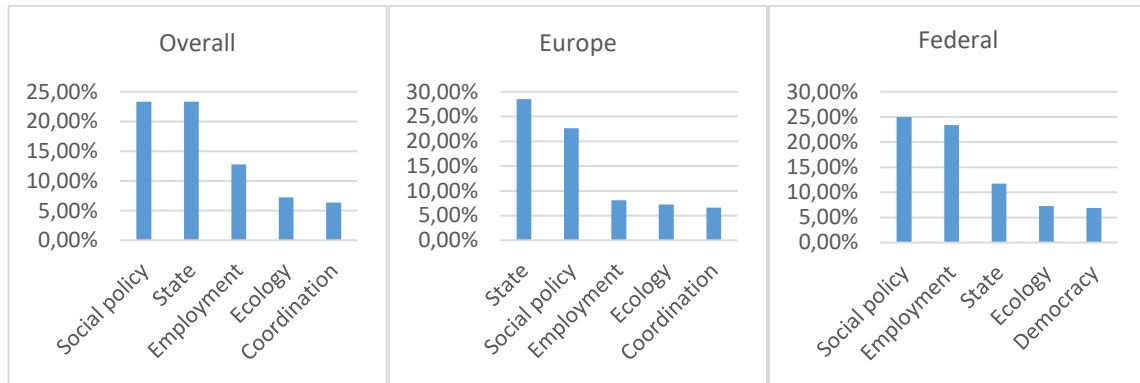


Figure 8. Political concepts used by *Die Linke*

The leftist party also rejects an economic governance based on the neoliberal principle of competition among states, and fosters the coordination of the economic policies to prevent that competition result in the dismantlement of the social state.

SPD

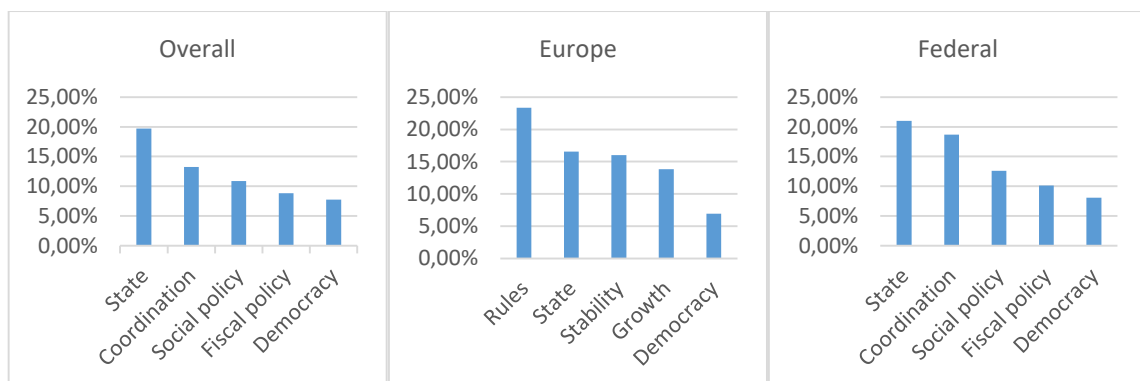


Figure 9. Political concepts used by the SPD

As figure 9 shows, the concepts used by the SPD in dealing with the economic governance of the EU differ in their programmes for European and federal elections. The overall panel is modelled after the federal programmes, due to the extremely low salience of this topic in the social-democratic manifestos for the European elections.

Just as in the case of *Die Linke*, the most used concept is the state. However, the SPD does not conceive it as an interventionist state, but as a means to ensure a democratic control over the economic governance of the Union. The social-democrats call for a European *Wirtschaftsregierung* in order to overcome the imbalances between Member States through the coordination of the economic policies. The SPD also maintained the importance of fiscal discipline, but claimed that it should not be at the expenses of the social state.

Die Grünen

As we have seen in section 4.2, economic governance was barely treated as an issue in the Greens' manifestos for the federal elections; as a result, the overall panel overlaps with the one related to the European programmes, which devoted much more space to the topic.

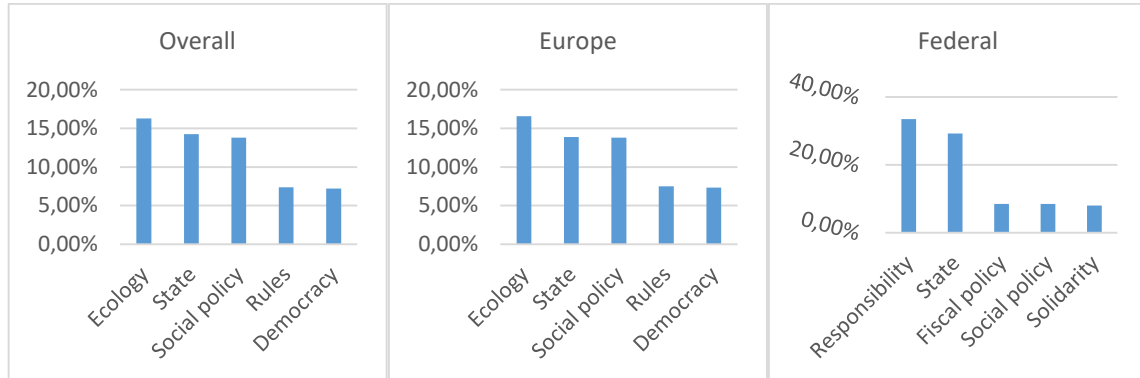


Figure 10. Political concepts used by Die Grünen

Unsurprisingly, the main concept used by the *Grünen* is ecology: the European economic governance must mobilize the resources for a ‘Green New Deal’, fostering a new economy based on eco-friendly and sustainable technologies. The Green conception of economic governance is particularly interesting, as it combines elements from different ideologies. From the leftist ideology, it conceives the state as a pivotal actor to mobilize investments and to spur economic transformation; from social-democracy, it fosters social policies and see the state as a means for democratic control; and from Ordoliberalism, it requires the state to fix an *Ordnungsrahmen* for the functioning of a competitive market, respectful of environmental sustainability.

AfD

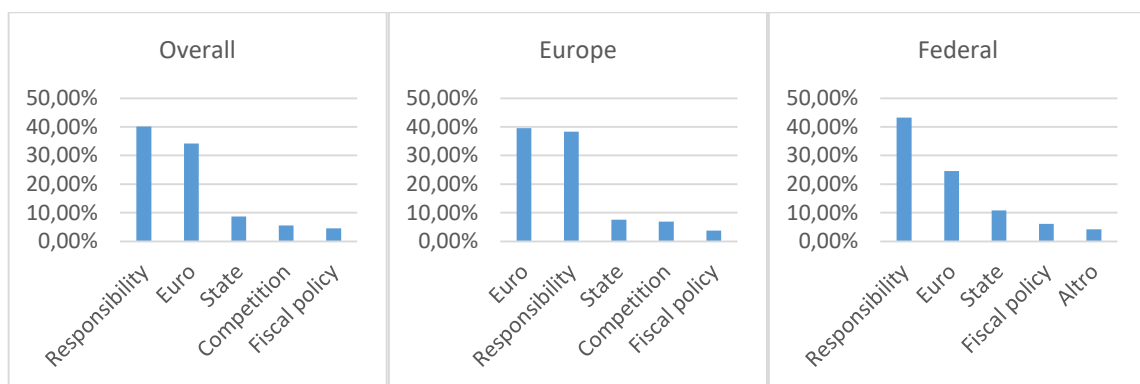


Figure 11. Political concepts used by AfD

As figure 11 shows, the agenda of the AfD regarding the EU economic governance in both its European and federal programmes is dominated by the principle of responsibility – intended as

national responsibility – and by the policies related to the single currency. The AfD revived the old Eurosceptic/ordoliberal arguments against the EMU of the 1980s and 1990s (Grimm 2015; see also chapter 4), claiming that the EMU institutionalized an *Haftungsunion* ('union of liability') which caused the most competitive countries – and Germany in particular – to pay for the excesses of the Southern, less competitive countries. As a solution, the AfD calls for the right to opt out of the single currency and for a quick dismantlement of the EMU. The EU economic governance should be modelled after the European Monetary System (EMS), a system of competing currencies based on fixed but adjustable exchange rates; this would, on the one hand, restore the national responsibility over the fiscal policies and, on the other, ease the pressure on the less competitive economies, which could once again use their exchange rates to level off the macroeconomic imbalances.

Coalition agreements

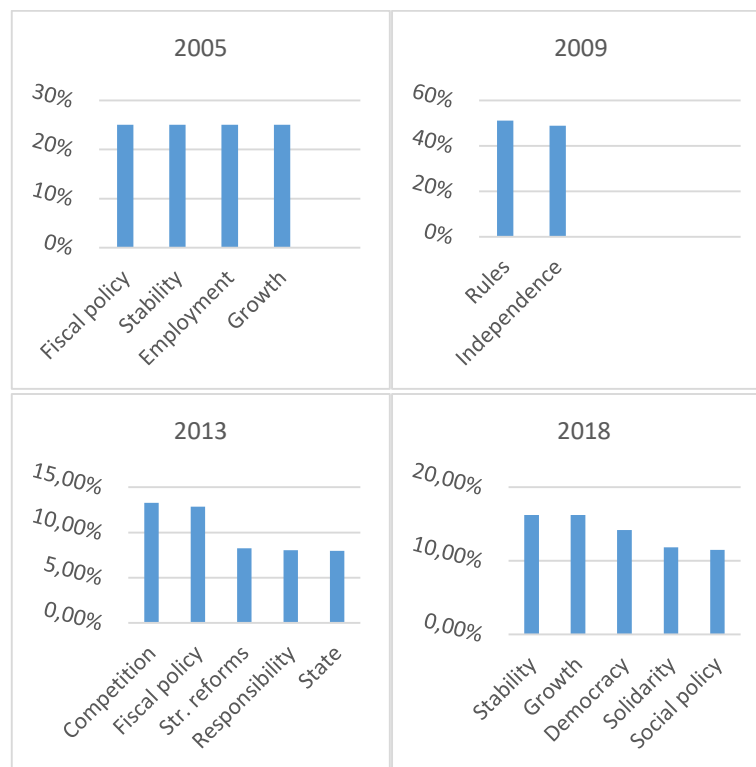


Figure 12. Political concepts used in the coalition agreements

The 2005 *Koalitionsvertrag* between the first *Große Koalition* led by Merkel devoted only two sentences to economic governance, where the two parties assert the importance of the SGP and of the stability of public finances. Interestingly enough, economic growth was intended here as a means to secure the stability of public finances. As we have seen in chapter 5, during the crisis the ideas of Schäuble and Merkel were rather the opposite: it was fiscal discipline the necessary condition for a sustainable growth. Also the 2009 coalition agreement of the *Union/FDP* government devoted only

two sentences to this topic, claiming the need for a common regulation for the financial markets and reasserting the independence of the ECB.

The 2013 agreement for the second grand coalition, in turn, devoted substantially more space to economic governance: the Euro crisis had already broken out with its ruinous consequences for the stability of the EU, and the reform of the economic governance emerged as the crucial policy area to overcome it. The content of the agreement reflects Merkel's and Schäuble's ideas (see chapter 5): the response to the crisis should be based on structural reforms to increase the Member States' competitiveness and on fiscal discipline. In both cases, overcoming the crisis is primarily interpreted as a matter of national responsibility. As we have seen in section 4.4 and in chapter 5, both the SPD and Merkel employed the concept of coordination; yet, they meant different things. The social-democrats claimed that coordination of the economic policies includes a joint effort of deficit countries to restore their competitiveness and of the most competitive ones to reduce their surpluses, for instance through public expenditures (Hennessy 2017, 13). Merkel, instead, interpreted economic coordination as a coordination of budgetary policies under the principle of fiscal discipline, and repeatedly claimed – together with Schäuble and Weidmann – that reducing the macroeconomic imbalances among Member States meant that the weakest states should rely on their own forces to catch up with the strongest, not that the strongest should be forced to reduce their competitiveness. In other words, the SPD called for a proper coordination of economic policies, whereas the *Union* advocated coordination through hard requirements and competition. The analysis of the parts of the 2013 *Koalitionsvertrag* clearly shows that the latter line prevailed.

The 2018 *Koalitionsvertrag* looks substantially different. It calls for a Franco-German cooperation to make the EMU sustainable and to foster its growth in the future, for the democratization of the ESM, for solidarity among Member States, also through the EU budget, and for a 'social convergence'. The social-democratic view on Europe seems to have trumped the ordoliberal positions of the *Union*.

4.5 Discussion

Except for the AfD, the CDU, the CSU and the FDP are the parties that overall devoted most space to the issue of the economic governance of the EU. When dealing with this issue, they employed basically the same political concepts. Their view was based on the principle of national responsibility: Member States must be held accountable for their own economic policies. Overcoming the economic imbalances among European economies is, therefore, primarily and foremost up to the deficit countries, which must endeavour to fill the gap with the surplus countries by increasing their

competitiveness. Similarly, the stabilization of the EMU rests upon their individual effort to make their public finances sustainable by abiding by fiscal discipline.

There are some differences, though. The most notable one relates to the possibility for European countries to opt out of the single currency. While the CDU rejected option in its 2014 European manifesto,¹³⁴ the FDP and the CSU claim that Member States should be free to leave the Eurozone without losing their European membership in order to restore their competitiveness.¹³⁵ Another, less relevant, difference is that the FDP emphasizes more than the *Union* the need for a procedure for ordered state insolvencies – which is anyway supported also by the CDU and the CSU.¹³⁶

Their view on economic governance can be described as Europeanist ordoliberal, as it recognizes the benefits of the EMU and aims to organize it according to a regulatory framework based on competition among Member States who are responsible for their own economic and budgetary policies. As shown in chapter 6, this position defined the preferences of the German government during the crisis. The parties consistently sustained this position both during and after the crisis.

The position of *Die Linke* is the farthest from Ordoliberalism. The leftist party criticized the economic governance emerged from the Maastricht Treaty and the reforms undertaken during the crisis as expressions of the neoliberal ideology. Instead of an economic governance based on competition and austerity, the *Linke* called for state interventionism and public investments to stimulate growth and to foster an environment-friendly economy. Moreover, they advocated the coordination of economic policies of the European countries through a *Wirtschaftsregierung*.

In the electoral programmes of the SPD, the European economic governance is a marginal topic. The position of the social-democrats on this issue was ambivalent. To be sure, they called for more democracy and coordination among Member States: on the one hand, they wanted to democratize the economic governance, by increasing the role of the European Parliament; on the other, they recognized that the burden of overcoming the economic imbalances within the EU cannot lie on the shoulders of the deficit countries alone and that the most competitive countries must do their part as well, reducing their surpluses. However, the social-democrats also reasserted the importance of fiscal

¹³⁴ ‘A policy that turns away from the Euro and calls for a return to national currencies or for new experiments is not only backward-looking, but also economically and politically completely irresponsible’.

¹³⁵ ‘We *Freie Demokraten* want to change the European treaties so that Member States can leave the Euro Area following an ordered procedure, without losing their EU membership’, FDP manifesto for the 2017 federal elections. Translation is mine.

‘[A state insolvency procedure must also include] the possibility of temporary leaving the Eurozone and to re-introduce an own currency’, CSU manifesto for the 2014 European elections. Translation is mine.

¹³⁶ See, for instance, the joint CDU-CSU manifesto for the 2019 European elections.

discipline and, once in government, have always backed up the line of Merkel and Schäuble. Things have partially changed in the last years, as the SPD showed a bolder Europeanist stance; but, as we will see below, this change influenced only limitedly the action of the government.

The position of *Die Grünen* presents some ordoliberal elements blended with other instances. Their conception of the relation between the state and the market seems taken from the ordoliberal classics: the state should set the *Ordnungsrahmen* for a competitive market.¹³⁷ Moreover, their case for a European Redemption Fund employed an ordoliberal argumentation:¹³⁸ the sovereign debt crisis had *de facto* created a joint liability for national debts and turned the ECB into a lender of last resort. A redemption fund that mutualized up to the 60% of the debt of the Member States would, on the one hand, relieve the crisis countries, making it easier for them to overcome the crisis and fix their finances; on the other, it would restore national responsibility over fiscal policy and secure the sustainability of public finances. They Greens also call for the Eurobonds – which is at odds with the ordoliberal positions of the other parties; but claim at the same time that the necessary condition for them is the establishment of a procedure for ordered (i.e. with the involvement of the private sector) state bankruptcy – which also the ordoliberals advocate.

The mixture of ordoliberal and non-ordoliberal instances in the manifestos of the Green party can be understood by recalling Freedén's concept of thin-centred ideology, whereby the morphological core of some ideologies (including the Green one) focuses on some specific issues, but remains largely silent on those outside their area of interest; therefore, they have to integrate elements of other ideologies (Freedén 1998a; see also chapter 2). This is what probably happened with the Green party manifestos. Clearly, the focus of the *Grünen* is on ecology and social issues; it

¹³⁷ '[...] we face the challenge of coping with the financial, climate and food crisis together. They are the result of global market and political failures and require corrective actions relative to the framework conditions [*Rahmenbedingungen*] and standards that apply to the market. It is time to create an effective regulatory framework [*Ordnungsrahmen*] for the global economy, that puts the market at the service of social and environmental development'. *Die Grünen*, 2009 European manifesto. Translation is mine.

'More sustainability also means that we Greens want, on the one hand, to increase the market forces by bringing more competition in encrusted structures. On the other, we must give competition more and better rules to constrain the uncontrolled forces. We want a green market economy, not an unleashed economy nor a new protectionism'. *Ibid.*

¹³⁸ As mentioned in chapter 4, in 2012 the German Council of Economic Experts (GCEE) put forward a European Redemption Fund as a stabilization mechanism against the crisis. The proposal prescribed that the fund would cover the part of national debt not exceeding the 60% of the GDP of the Member States on condition that Member States accepted a fiscal pact modelled after the German *Schuldenbremse* and supported the institution of an insolvency framework with mandatory debt restructuring in case of unsustainable debt. Despite prescribing a partial mutualisation of the national debts, the proposal is not incompatible with ordoliberal principles. In fact, mutualisation comes with and is conditional to a commitment to debt reduction: in this sense, the ordoliberal principles of responsibility and of stable finances are safe. The German government rejected this proposal. The rejection, however, was not grounded on different principles: the German government, in fact, stood for the same ordoliberal principles as the GCEE proposal. Rather, it was motivated by other considerations: doubts on the credibility of a commitment to debt reduction and on the political feasibility to impose such commitment to the other Member States.

integrated elements of the ordoliberal ideology – especially, regarding the conception of a competitive market and of the relation between the market and the state – to complement and substantiate to its programme. Previous studies have shown that the ideology of the German Green party shifted from more leftist positions towards (neo)liberalism (Talshir 2003). In my analysis, I have observed that the party employed in its manifestos not just neoliberal, but precisely ordoliberal concepts.

The link between the Green party and Ordoliberalism is not limited just to the episodic use of ordoliberal concepts in their electoral programmes; there is evidence of a more substantial relation. As an example, I cite the conference ‘*Baustelle grüne Wirtschaftspolitik - Welche Ordnung muss sein?*’, organized in 2015 by the Green party foundation Heinrich Böll Stiftung. The conference – to which took part even ordoliberal economists, such as the President of the Walter-Eucken-Stiftung, Lars P. Feld – aimed at discussing the foundations of a green economic policy, and some contributions addressed the topic of a green *Ordnungspolitik*. Again, however, it is worth noting that neither the use of ordoliberal concepts in the party manifestos, nor the involvement of ordoliberal scholars in the initiatives organized by the *Grünen* automatically make that party ordoliberal. Environmental and social issues still remain the main focus of the party: the ordoliberal parts are to be intended, rather, as instrumental. Only time will tell whether the ordoliberal concepts will remain in this adjacent/peripheral position or will make it through to the core of the ideology of the *Grünen*, thus generating a hybrid ‘ordo-environmental’ ideology.

The AfD was initially a single-issue party founded by ordoliberal professors and nationalist conservatives, bound together by their Euroscepticism and their dissatisfaction with Merkel’s management of the Euro crisis. This is reflected in the party’s ideas on the EU economic governance, which is defined by the ordoliberal concept of national responsibility. Yet, unlike the *Union* and the FDP, AfD’s Ordoliberalism is undoubtedly Eurosceptical: the party is the political expression of the Eurosceptic ordoliberals that already in the 1990s criticized the Maastricht Treaty and the project of the single currency.

After the split of the ordoliberal professors, the party became a right-wing populist party, abandoned its single-issue nature and started treating other issues, such as migrations; this is proved by the drop in salience of European issues. Yet, when dealing with the European economic governance, which remains the most salient EU issue, the party held its ordoliberal position based on national responsibility.

The analysis of the *Koalitionsverträge* shows that coalitions agreements tell little – if anything – on the stance of the German governments towards the EU economic governance. The 2004 and

2009 agreements devoted only a couple of sentences to the issue that dominated EU politics in the years of the crisis. Only the 2013 programme treated it comprehensively, basically reasserting the (ordoliberal) position that Merkel and Schäuble adopted in the previous years.

The 2019 agreement, in turn, reflects much more the Europeanist position of the SPD. This could suggest that German government had finally abandoned the intransigence of Merkel and Schäuble and shifted to a more open position. This seems not to be the case. On the one hand, the fact that the SPD managed to impose its Europeanist line in the coalition agreement could be a consequence of the decreased salience of European issues: once the Euro crisis was overcome, European issues were not among the top priorities of the *Union* anymore. The decreased salience of European issues is also shown by the little space devoted to them in the agreement: only 3.67%, the lowest value in the period 2004-2019. On the other, the position expressed in the *Koalitionsvertrag* could be seen more as a concession to the SPD, than a serious commitment to the cause of European integration. In its programme and in the declarations of its leaders (in particular, of Martin Schulz), the SPD showed the willingness to give new impulse to the integration process after the sad years of the crisis. The moment looked propitious: the more intransigent Minister of the previous governments – Wolfgang Schäuble – left the government to become President of the Bundestag, and France had just held the presidential elections, won by the European enthusiast Emmanuel Macron. If the German government had actually been committed to relaunch the integration process, a flat change of pace would be expected. However, this is not what happened in the months following the establishment of the new German government.

On June 2019, Olaf Scholz, Schäuble's social-democratic successor at the Finance Ministry, and the French Finance Minister Bruno Le Maire presented a 'French German roadmap for the Euro Area'.¹³⁹ The document put forward some minor reforms to the ESM, treated the issue of the Banking Union and of the creation of a Capital Market Union and proposed a budget for the Eurozone and a European Unemployment Stabilization Fund. Moreover, the document mercilessly torpedoed the attempts of the Commission to establish European-level bonds. Of all the (briefly) treated issues in the document, the European Unemployment Stabilization Fund and the budget for the Eurozone seemed the more ambitious ones. In reality, they were not. The Stabilization Fund envisaged by the document, in fact, would not be a truly European fund, but a network of national funds managed by the Member States: national responsibility was still the only game in town.

The story of the Eurozone budget is also telling. During his Sorbonne speech shortly after his election, Macron called for a strong Eurozone budget to stabilize the Euro Area and to fund public

¹³⁹ Available at https://www.bundesfinanzministerium.de/Content/EN/Standardartikel/Topics/Europe/Articles/2018-06-20-Meseberg-att1.pdf?__blob=publicationFile&v=3.

European expenditures, financed through a common European tax and managed by a European Minister of Finance. The budget actually agreed upon by France and Germany first, and by the rest of the Council on 19 November 2018 was by far less ambitious. Any reference to a European Finance Minister and to common European investments was removed: the budget should be managed intergovernmentally by the Euro summit and the Eurogroup, while its stabilization function would simply consist in assisting the Member States in investments – such as research and development, innovation and human capital – that tend to be shed in case of crisis. It should be financed through the allocation of national tax revenues and other European resources, and be framed within the European budget. Moreover, the decision on the size of the fund – which is what ultimately will determine its effectiveness – was postponed to an indefinite future.

Indeed, the general agreement on a Eurozone budget – something that was unconceivable during the Euro crisis – represents a step forward in the direction of a deeper, more stable and more integrated EMU; yet it is a rather modest step, as the most innovative features of the French proposals (management through a European Finance Minister, a common European expenditure and a common European tax) were vetoed by Germany. On top of that, this modest proposal must face the open hostility of the so-called ‘New Hanseatic League’, the coalition of Northern European countries led by the Netherlands (see chapter 6). The (by now) inglorious story of the Eurozone budget shows that, although the progressive ideas of the SPD on the European economic governance were incorporated into the *Koalitionsvertrag*, the ordoliberal ideas of the conservative part of the government are still able to determine Germany’s European policies.

5. Conclusions

In this appendix, I have tried to assess whether ordoliberal ideas still influence German politics with regard to the issue of the European economic governance. To do so, I have analysed the programmes of the German parties for the European and federal elections and the coalition agreements for the period 2004-2019.

As preliminary step, I have examined the salience of European issues in the federal party manifestos and in the coalition agreements. The analysis confirms the findings of previous studies on the topic. On the one hand, the salience of European affairs seems to be linked to their politicization: the more these issues are contentious, the more they are salient in the manifestos. In 2005, rather contentious issues were on the agenda: the possible entry of Turkey into the EU and the project for a European constitution which, despite the negative result of the French and Dutch referenda, was still not put aside. These topics contributed to make EU topics moderately salient. The salience of European issues reached its lowest in 2009. The Turkish question was put off the table, while the

Lisbon Treaty that substituted the European constitution, had already been signed by the European countries and was about to enter into force. Moreover, the global crisis had not yet turned into the Euro crisis: while it already affected the European financial markets, it was still a bank crisis and was not perceived as a European problem. Things drastically changed in 2013, in the middle of the Euro crisis. European issues became much more salient and contentious. The politicization of these issues was epitomized by the foundation and success of the AfD party: for the first time, a party that put the European integration process into question managed to be successful in the European, federal and local elections. The rise of the AfD marks the beginning in Germany of that process of politicization of European issues and end of permissive consensus that already interested other countries. The persistent salience of European issues also in the 2017 – so, after the critical phase of the Euro crisis – could be a further signal of the politicization of these topics.

On the other hand, however, the analysis also showed that European issues were not so salient in the manifestos for the German federal elections: in 2013, when these issues reached their highest salience, European affairs occupied an average of 6.69% of the space of the party manifestos, being only the seventh (out of 16) most salient policy issue. The overall scarce relevance of European issues in the German party manifestos must be taken with a grain of salt, though. The fact that these issues were not so relevant in the national electoral programmes by no means implies that they were not salient in German politics: party manifestos are only one among the many areas where policy issues can show their salience, and other studies have confirmed that European topics dominated the German parliamentary debates and media discussions during the crisis (Wonka 2016). So, assessing the salience of European issues in the national electoral programmes and in the *Koalitionsverträge* constitutes just a preliminary step for the analysis.

The second step was to establish the relative salience of the European economic governance compared to the other European issues. For European economic governance, I intend all the issues and references related to the EMU, the single currency, the role of the ECB, the governance and the coordination of the economic and fiscal policies of the Member States. This second step of the analysis starts telling something about the ideological attitudes of the parties. Ideology determines not only *how* a party will deal with a certain issue, but also the importance of some topics compared to the others. Ordoliberalism is mainly concerned with issues related to the ‘economic constitution’: it focuses on the necessary regulatory and political framework for a competitive market economy. Therefore, it is reasonable to expect that parties having an ordoliberal attitude tend to devote to the economic governance a largest share of their manifestos than those less concerned with the economic

constitution. In effect, the parties holding a more ordoliberal position – the AfD, the FDP, the CDU and the CSU – are those that overall devoted most space to this topic in their electoral programmes.

As last step, I have identified the political concepts used by the German parties when dealing with the European economic governance. The analysis shows the existence of a wide, yet split ordoliberal camp. On the one side, there are the Europeanist ordoliberals: the FDP, the CDU and the CSU. These parties agree on the benefits of the EMU and share a virtually identical idea of European economic governance based on stability, national responsibility over economic and fiscal policies and fiscal discipline – the view that determined the preferences of the German government during the crisis, as shown in the dissertation. The differences among these parties were minimal and related to single policies. Let us consider two relevant examples: the possibility of opting out of the Euro and the regulation for state insolvencies. In the first case, the parties disagreed: the FDP envisaged the possibility of an exit from the Euro for the least competitive countries, while the *Union* explicitly excluded this option in its programmes. This difference should not be overestimated, though. First, because it was motivated more by a divergence of assessment, than by a divergence of values: all three parties stood for the same ordoliberal principles, but had different views on the feasibility of an ordered opt-out of the single currency and on its possible consequences on the EMU. Second, because even important members of the *Union* – Schäuble, to name one – were (and, possibly, still are) convinced that opting out of the single currency would have been the best solution for crisis countries. In the second case, state insolvencies, the party agreed, but the FDP stressed the proposal more strongly than the other two. In the second case, state insolvency law, the three parties all call for its implementation, but the FDP does so more strongly than the *Union*.

What is interesting of these two specific proposals is their persistence. There is wide consensus (Jones 2010; Purroy 2019; Saccomanni 2018) that insinuating the possibility of European States abandoning the single currency and foreshadowing private sector involvement in the restructuring of national debts in the middle of the crisis were not wise moves and actually worsened the situation. Indeed, this move could be interpreted as a typical strategy of hard bargaining: in this way, Germany would have signalled its unwillingness to pay the count of the crisis, thus putting pressure to the debtor countries. Yet, the fact that these proposals persisted notwithstanding their proved hazardousness in the manifestos of (government) parties even after the critical phase of the crisis gives evidence to claim that they were not motivated only by strategic considerations, but were rooted in ideational convictions on how the European economic governance should look like.¹⁴⁰

¹⁴⁰ Still in their 2019 programmes, CDU, CSU and FDP call for a state insolvency law.

On the other side of the ordoliberal camp, there are the Eurosceptics of the AfD, who reclaimed the critical arguments against the single currency put forward by the German economists that opposed the EMU and the Maastricht Treaty in the 1990s. Their policy proposal regarding the economic governance can be summarized in the restoration of the principle of national responsibility over the economic policies through the dismantlement of the EMU and the return of a system of competing currencies, similar to the EMS. The confrontation between Europeanist and Eurosceptical ordoliberals during and after the Euro crisis can be interpreted as the continuation on a larger scale of the 1990s debate on the single currency.

On the left, the appeal to ordoliberal ideas is much weaker. The SPD and *Die Linke* use similar concepts: both of them focus on social welfare and call for more democracy and coordination in the European economic governance. However, their positions differ in some important aspects. First, in their conception of the state. The SPD conceives the state as a means to correct and the market and to temper the economic; the *Linke*, instead, shares a post-Marxist conception whereby the state actively intervenes in the economic process to stimulate growth and to foster an environment-friendly transformation of the economy. Second, in their stance on fiscal discipline: the SPD often asserts the importance of sound public finances – which, however, should not prejudice the social welfare; the *Linke*, by contrast, focuses on the excesses of the financial markets, which are the true responsible of the debt crisis. Finally, in their position on the crisis management. *Die Linke* has consistently criticized the Maastricht Treaty as a neoliberal construct and the responses by the Merkel governments to the crisis which, according to them, all reflected the same neoliberal logic. Instead, the SPD criticized Merkel's management of the crisis while at the opposition but, once in government, sustained her policies.

The programmes of Green party, finally, are an interesting case of ideological hybrid. The focus of the *Grünen* is still on ecology and social welfare, two core concepts of the Green ideology, but they also incorporated elements from the Ordoliberalism. They call for a Green New Deal to foster a green transformation of the economy and to secure the social welfare, but also stand for a competitive market economy. Moreover, their call for a European Redemption Fund and for the establishment of the Eurobond is recalls the proposals of the 7+7 group of German and French economists for a new architecture of the Euro area.¹⁴¹

If the analysis of party manifestos gave some insights on the ideational attitude of the German parties, the same does not hold for the analysis of the coalition agreements. The parts devoted to European economic governance in the *Koalitionsverträge* are marginal and cursory. Starting from

¹⁴¹ Available at https://cepr.org/sites/default/files/policy_insights/PolicyInsight91.pdf.

the 2009 *Koalitionsvertrag*, it would have been rather difficult to imagine the strategy of the German government in the years of the crisis; in this sense, the analysis of the discourses of Merkel and Schäuble was much more insightful to understand the reasons behind the actions of the government. The same can be said about the 2018 coalition agreement. If one was to give credence to the 2018 *Koalitionsvertrag*, we would have expected a great change of pace in the German attitude towards European integration. Yet, the sad story of the budget for the Eurozone proved that this was not the case. Only the 2013 document reflects the ideas underpinning the position of the German government with regard to the economic governance of the EU but, as the main reforms of the EMU had already been adopted, the *Koalitionsvertrag* is more useful to understand the previous actions of the government, than its future strategy.

So, the coalition agreements tell little on *what* the German government would have done to deal with the challenges posed by the Euro crisis. Rather, their analysis tells us something on *how* the government approached those challenges. In the coalition agreements and electoral programmes of the government parties in 2009, the European dimension of the crisis was overlooked and no ordoliberal grand plan for the reform of the EMU was envisaged; indeed, the *Koalitionsvertrag* and the manifestos of CDU-CSU and FDP recalled ordoliberal concepts, but that was more a declaration of principles than a definite plan. This allows to argue that the crisis caught the German government fundamentally unaware. The *Bundesregierung*, then, would have reacted to the emergency by mobilizing deeply rooted ideas – and causing damage, as we have seen above – only to later adjust the aim through a process of learning. This could explain why, in the early phase of the Euro crisis, the German government committed some serious mistakes – such as foreshadowing the private sector involvement in debt restructuring or the possibility of exit from the Euro – just to later change idea and adopt a more conciliatory position. The unexpected nature of the crisis could also explain the Germany's reluctance in assuming the leadership of the reform process.

This argument, which here is more sketched than thoroughly tested, is not alternative to those that explain the attitude of the German government as a matter of strategy. Indeed, it is true – as Hennessy (2017) claims – that governments have an incentive to postpone crisis measures to reduce their political cost, just as it is true – as posited by Liberal Intergovernmentalism (Schimmelfennig 2015) – that governments can make extreme statements as a part of a hard-bargaining strategy. Yet, the fact that these ideas persist in the party manifestos and (possibly) in the minds of party activists proves that they were employed not just for strategic reasons, but also because someone believed they were right.

To conclude, we can say that the analysis proved the persistence of ordoliberal ideas in German politics even after the end of the critical phase of the crisis. The carriers of these ideas are the

Europeanist FDP, CDU and CSU and the Eurosceptic AfD. During the crisis, these ideas were not used to consciously define a predetermined grand reform of the European economic governance in an ordoliberal sense, but conditioned the actions of the government in dealing with the emergency: as we have seen in the dissertation, the actions of the German government were informed by the principles of national responsibility, fiscal discipline and stability, which are the same ordoliberal concepts that can be found in the manifestos of the CDU, CSU and FDP. Moreover, after the crisis, the carriers of these ideas still influence the German attitude towards the economic governance of the EU, as shown by the failed (by now) attempt to reform the EMU in a more supranational sense.

Appendix 2: Ideological families

The morphological approach has informed a vast number of studies embracing most ideological families present in the political arena. In the following, I will review these studies by organizing them according to the ideological family that they analyse. Besides listing the most relevant concepts of every ideology, I will try to account for the variety of the morphological approach. These studies focus, in fact, on a wide range of producers of ideologies (ideologues, politicians, academics, activists, parties), on various kinds of ideologies (full and thin ideologies, but also on narrower ideological components – as is the case with globalization or nationalism), and rely on diverse sources (texts of theoretical reflection, party programmes, novels, graphic representation, verbal practices).

This review shows that not always scholars agree on which concepts belong to the core of an ideology, or on the ‘thinness’ or ‘fullness’ of a certain tradition. As mentioned before, this is not necessarily a problem. Because of the nature of political ideas, their analysis will always be a matter of interpretation, and depend on the researcher’s perspective. There is not a ‘right’ reconstruction of an ideological configuration, since we cannot read people’s minds as they were books; and, even if we could, the ideas that we would observe would nonetheless be interconnected in ways that are opaque even to their carriers.

Yet, the morphological analysis is not arbitrary, as it should abide to at least two criteria: in order, correctness and usefulness. If there is no ‘right’ way to interpret ideas, there is indeed a correct way to do it: the interpretative work must rely on empirical manifestation of political thought (e.g., documents, books, images), and the interpretative criteria must be transparent, and fair (i.e. they should aim to assess what the subject actually thought, not what the researcher wanted that the subject thought). This entails that, given the same documents, and the correctness of these criteria, different scholars should come to the same conclusions. The second criterion derives from the first: the rigor of the analysis must translate into the possibility, for other researches, to take in its results. In other words, it should be possible to use the knowledge produced by a morphological analysis as base for other studies.

Anarchism

Under the term ‘anarchism’, two broad ideological families can be distinguished: a leftist social-anarchism, and a right-wing anarcho-capitalism (Franks 2013). Freedden claims that both families share a common core constituted by three concepts: antagonism to power; liberty, intended as spontaneous voluntarism; the postulation of a natural human harmony. However, they decontest these concept in irreconcilably divergent ways (Freedden 1998a, 301). The first postulates a community composed of sociable individuals, while the other poses individuals at the centre stage. Furthermore,

the two differ in their conceptions of liberty and power. Anarcho-capitalism sees the state as an oppressive structure which exerts a coercive power that limits liberty and property rights. By contrast, social-anarchism claims that coercive power does not only emerge from the state, but also from other social structures, such as gender relations, or capitalism itself (so, social-anarchism is irremediably opposed to anarcho-capitalism). This leads to important differences between rightist and leftist anarchism: if the former always opposes the action of the state, the latter can sometimes marginalise its hostility toward state institution, or even defend them, as in the case of the public health system.

In his chapter for the Oxford Handbook of Political Ideologies, Benjamin Franks (2013) identifies four core concepts of (social-)anarchism: rejection of the state and state-like bodies; rejection of capitalism as a hierarchical system; a fluid concept of the self, which accounts for the social nature of individuals; prefigurative action. Different strands of social-anarchism share the same morphological structures, but differ in peripheral components: these lead to divergent decontestations of the core concepts and, thus, to radical differences between apparently similar ideological configurations. In the case of anarcho-syndicalism and anarcho-communism, a different interpretation of the *locus* of exploitation leads to different organizational structures. According to anarcho-syndicalism, exploitation takes place at the point of production: therefore, it considers the industrial workers as the revolutionary subject, and adopts the workers' union as the primary organizational structure. Anarcho-communists, by contrast, claim that exploitation takes place throughout the whole social structure, so they organize themselves in community, and reject the primacy of labour organization.

Other theoretical differences exist between these two anarchist strands. Anarcho-communists maintains that workers should be rewarded according to their needs, while anarcho-syndicalists claim that they should be rewarded according to their labour time. Further, the primacy accorded by anarcho-syndicalism to class contradictions could theoretically lead to the marginalization of other kinds of oppressions. However, this kind of long-term questions rarely affects the relationship between anarchist organizations, as they are more concerned with fighting against current oppressive relations, rather than with their immediate replacement.

Franks also employed the morphological approach to investigate the divide between anarchism and Marxism (Franks 2012). The point of his paper is that the morphological analysis can reveal details overlooked by analytical philosophy. The 'original sin' of this latter tradition is that it tries to reduce political ideas to ahistorical, universal, and decontested concepts: this attempt turns into oversimplified characterisation of Marxism and anarchism. So, the former is characterized by a faith

in historical development, the struggle for economic equality, and the use of state power, whereas the latter stands for absolute autonomy, and rejects state power. These accounts see these two ideological families as irremediably hostile, and fail to account for the cooperation and intersections (especially, before the 1917 revolution) between them.

By contrast, following the morphological approach, Franks shows that the core principles of anarchism and of socialism, despite not being identical, are nonetheless compatible: the schism originated at their perimeter. The universalization of the experience of the October Revolution, both in terms of organization (a hierarchical revolutionary party) and of goals, paved the way for the bloody events of Kronstadt, of the *Makhnovshchyna*, and of the Spanish civil war, that marked the end of the collaboration between communists and anarchists.

Uri Gordon has conducted a five years long research – that, partly, merged with his own political commitment – on the political discourse of contemporary (social-)anarchist groups (Gordon 2007). He identified three core concepts of contemporary anarchist movement: domination, which represents the target of their struggle; the ethos of prefigurative politics, which makes them privilege direct action; an open-ended conception of politics. The first core concept distinguishes contemporary from historical anarchism. If, as we have seen above, historical social-anarchism primarily located oppression in the state and in capitalism, contemporary anarchism intersected movements, such as feminism and environmentalism, that emerged in the last decades. Then, anarchists came to recognize that oppression permeates not only the capitalist mode of production, but also the relation between men and women, and that between humans and environment. The concept of domination, then, comprises all oppressive relations in society. The definition of this concept is interesting for two reasons. First, it is a demonstration of Freeden's claim that political concepts define negative, as well as positive values. Second, it shows how perimeter can make its way to the core: after a period of relative neglect, anarchism had to renew itself, and it did so by incorporating instances of new movements.

The prefigurative character of the second core principle distinguishes anarchism from socialism. If the socialist ideology is oriented to the future, anarchism is radically anchored to the present. This works both in a destructive and in a constructive sense. On the one hand, institutions and devices that promote domination are to be fought wherever they manifest themselves; on the other, we do not have to wait for any revolution, we can start building now our free society. In this sense, organizing language courses for refugees and setting fire to an immigrant detention centre, or taking care of an urban garden and clashing against riot police to protest gentrification, are different sides of the same coin.

Beyond the survey of the substantive contents of contemporary anarchist ideology, Gordon's study presents some interesting methodological aspects. First, it is a movement-driven analysis of ideology: unlike many other ideological studies inspired by the morphological approach, which focus on the works of thinkers or ideologues, Gordon deals with the concrete language of activists. When dealing with other ideologies, in fact, written works by known personalities can reasonably be considered both as genuine manifestations of ideological thinking as representative of an ideological tradition. By contrast, Gordon claims that contemporary anarchists' ideological thought emerges more genuinely in their verbal relations (such as discussions within assemblies, and e-mails), than in public documents. Books, flyers and websites constitute only a secondary source. He engages, then, in a quasi-ethnographic research, as a certain closeness to, and knowledge of, the subject of the analysis is required, given the opaque nature of anarchist networks: it is not always easy to distinguish relevant from minor groups, or decipher the kind of jargon utilized by activists.

Second, Gordon employs also non-political texts as sources for his analysis. We have seen that his study relies primarily on the verbal interactions among activists and only secondarily on public, written documents. Both kind of data are directly related to political activity. However, in illustrating the third core principle (open-ended politics), he refers to non-political documents, namely sci-fi novels. These novels depict a fictional anarchic universe with self-governed planets – and some of them are a living hell. So, unlike socialists, anarchists do not envision a future, pacified society: domination is always a possibility. This strengthens the second core principle of direct action, as the struggle against oppression must be constant.

Apparently, there are no detailed morphological studies for the rightist version of anarchism. Freeden liquidates it as a 'liberal pretender', and associates it to neoliberalism. Yet, this ideology reappears in Franks' study on 'Tory anarchism'. The study, as we have seen above, aims to classify different kinds of ideological hybrids. According to the author, the hybrid between anarchism and conservatism belongs to the first type (i.e. is doomed to fail), if it involves the social strand of anarchism. Conversely, a mix between anarcho-capitalism and conservatism would represent a hybrid of the second type, where one of the parents (conservatism, in this case) dominates (Franks 2016).

Conservatism

Freeden account of conservatism contradicts two divergent views on this ideology. The first one claims that conservatism has no substantial content, and is just a reaction to the external context. The other view consists in drawing up a list of fixed conservative attributes. He rejects the first by claiming that conservatism does hold a distinct core, yet a restricted one, that allows it to adapt in

different contexts. He also rejects the second, claiming that the items in such lists are adjacent and peripheral and, thus, eliminable. Freedman makes two preliminary observations about the conservative ideology. First, it should be studied with respect of its underlying assumptions, rather than of its substantive content. Conservatism, in fact, is not primarily concerned in constructing coherent ideas on society or human nature; rather, it represents a way of understanding reality. So, it is a more contingent, than reflexive ideology. Second, conservatism is not an ideology of the status quo: indeed, claiming the opposite could appear appealing, as it would account for conservatism's adaptability. Yet, it would be at odds with cases of conservative groups advocating changes *against* the status quo, as was the case with British conservatives in the 1980s.

Freedman, then, describes a conservative core composed of two concepts, supplemented by a non-conceptual feature. The core concepts are, first, organic change, and the extra-human origins of the social order, whereas the non-conceptual feature is a mirror-image characteristic. The first concept shows that conservatism is much more concerned with change, rather than with the status quo. Not all changes are to be supported, though. Predominantly, conservatism adopts an interpretation of change as organic, 'natural' growth: its purpose, then, is to foster a 'safe' change in society. Postulating the 'naturalness' of change opens the question of what constitutes this nature: here the second core principle steps in. All conservative ideologies must craft a diachronic interpretation of the present: whether it be God's will, an economic order, human nature, or Nature itself, conservatism needs some extra-human principle that shapes the social order. Note that extra-human is not to be intended as literally alien to human beings: indeed, human nature and economic order are tightly linked to humanity. Rather, the order is extra-human in that it is independent from human reason, will or actions.

Even if, as we have seen above, Hayek rejected the label of conservative, his notion of *catallaxy* represents a perfect example of such conservative extra-human order. According to the Nobel laureate, catallaxy is an order which is crafted by human action, independently from their will. The market represents such kind of order: it emerges from the social actions undertaken by the individuals, but it is not dependent on the will or reason of anyone in particular. Furthermore, if anyone tried to alter its working, with the purpose of correcting its outcomes, not only would he fail, but would also destroy the whole system. This latter feature represents the typical conservative stance with respect to political intervention. On the one hand, conservatives are sceptical on the possibility of successfully alter the social order through means of political intervention. On the other, they fear the disruptive potential of such interventions, and aim to contrast them.

The mirror-image characteristic is the device that enables conservatism to undertake this activity of contrast of such unwarranted interventions. It allows conservatives to produce substantial

antitheses to progressive core concepts. These antitheses occupy the adjacency of the conservative core, and crystallize when they are subject of changes that conservatives deem intolerable: their main function is protecting the core concepts of organic change and extra-human order. It is worth noting that, in producing and decontesting these antitheses, conservatives make extensive use of ‘stratagems’, such as oversimplifying the positions of their opponents (e.g., by confusing socialism with nationalization), or focusing on some (wretched) ideological instances to blame the whole ideological family (e.g., reproaching totalitarian communist regimes to discredit Marxism). In politics this strategy is widely used as a peripheral practice, yet, in the case of conservatism, it holds a much more structural position. The mirror image characteristic ensures both flexibility and rigidity. Flexibility is granted by the fact that conservatism can produce antitheses to what appears the most imminent menace. Rigidity is obtained by the appeal to the extra-human order, which grants that adjacent concepts are decontested only with the purpose of protecting the core, thus ruling out any possibility of progressive interpretation (Freeden 1998a, 317–414).

Building on Freeden’s work, Dean Blackburn’s article on British Middle way conservatism aims to assess the role of inequality in conservative thought. Inequality, despite what many studies suggest, does not occupy a core position within conservative morphology; to the opposite, it relates to, and protects, the core concept of organic change. Further, not all kinds of inequality are compatible with conservatism.

Following the electoral defeat in 1945, the conservative party undertook a process of political redefinition, that hinged on the criticism of liberal individualism: far from being autonomous, humans are social beings, that depend on communal relation for their self-fulfilment. The new conservative programme rejected the theory of market self-regulation, and claimed that, to hinder socialist movements, some inequalities were to be removed. This led to the incorporation into the conservative political programme of welfarism, which, they claimed, fostered social harmony.

From Blackburn’s account, we can appreciate two features of conservatism. The first is its morphological flexibility. The conservative core is surrounded by adjacent concepts that can be activated or marginalised, according to the situation: the principle of inequality, which protected the core from the menace of socialist egalitarianism, was swiftly marginalised, when the major threats to the social order were posed by excessive inequalities. The second is conservative receptivity to what happens in the perimeter: the process of programmatic renovation was initiated by an electoral defeat, rather than by a theoretical reflection, while the very decision of incorporating welfarism was dictated by the British social context of the second post-war period (Blackburn 2015).

A further morphological analysis of conservatism is represented by Lakin's work on the British liberal-conservative coalition government. Beyond the rhetoric 'muscular liberalism' invoked by the representatives of the government, Lakin shows that the coalition government pursued substantially conservative policies, dressed up in a liberal language (Lakin 2013).

Globalism

The morphological analysis of globalism is linked to the name of Manfred Steger, who took issue with Freedman's claim that it is still too early to speak of an ideology of globalization (Freedman 2003). By contrast, Steger states that globalism possesses the features of uniqueness, of responsiveness, and of producing conceptual decontestation chains. To make his point, he adopts a modified version of the morphological approach, that he names 'morphological discourse analysis' (Steger 2005). The main difference lies in the different 'conceptualization of the basic ideological units that carry meanings' (Steger and Wilson 2012). Instead of disaggregating the globalist ideology into core, adjacency and periphery, Steger's model focuses on 'conceptual decontestation chains', or 'core claims', through which globalists decontest the meaning of their core concept of 'globalization', and absorb and rearrange components of other, established ideologies into a new configuration.

He finds six of these 'core claims': globalization relates to liberalization, and global integration of markets; globalization is both an irreversible and inevitable phenomenon; globalization 'happens', nobody is in charge of it; everyone benefits from globalization – in the long run; it spreads democracy throughout the world; it requires a war on terror (Steger 2005). In the later article, co-authored with Erin Wilson, he supplemented this approach with a quantitative content analysis of documents produced by 45 organizations linked to the World Social Forum, in order to investigate the ideology of 'justice globalism'.

Steger's approach was criticized by Rafal Soborski, who deems his 'core claims' as unreliable building blocks. The fact that not all of them appear in the discourses of those who Steger labels as globalist, makes them more similar to perimeter, than to core concepts; specifically, Steger's six globalist core claims appear ideological components situated in-between liberalism and conservatism. Then, in his own book, instead of claiming that globalism represents an ideology, engages in a morphological analysis to investigate how broad ideologies – liberalism, socialism, national populism and fascism, anarchism and green ideology – decontest globalization (Soborski 2013).

Green ideology

Green ideology is one of the two thin-centred ideologies analysed by Freedon in *Ideology and Political Theory*. Its core structure consists of four concepts: the relation between humans and nature; the valued preservation of the integrity of nature; holism, decontested as interdependence or harmony of all living forms; an emphasis on the need of adopting human life-styles compatible with the environment. Two features emerge from this ideological core. First, its thinness – that is, the fact that the core of green ideology only focuses on environmental issues – is enough to limit political choices, but not to determine them: thus, it must somehow to encompass wider issues, in order to provide a political agenda. Second, the core – especially the fourth concept – shows the relevance of perimeter practices in the ‘urgent realization of the other core concepts’. Perimeter plays a central role in green ideology for two reasons. On the one hand, because green groups lack the internal organization and the ideological discipline to refine their ideological positions. On the other, because green ideology is more prone to react to external events, rather than prescribing a positive programme: thus, events from the perimeter, that have a high saliency for the greens (such as natural disasters caused by humans, the building of a nuclear plant, whaling, etc.), reach directly the core.

Green ideological thin core allows it to merge with broader ideological traditions: with conservatism, because of the appeal to an extra-human order; with anarchism and socialism, given the common struggle against domination. It must be noted, though, that green ideology does not simply overlap other broader ideological families (yet, this can happen when the hybrid does not present sufficient family resemblances to the green family: in this case, we would have a type 2 hybrid, according to Franks’ typology); rather, it leads to a specific internal ordering and prioritization of shared components (so, it generates a type 3 hybrid) (Freedon 1998a, 526–50).

The morphological approach has inspired further studies on the green ideology. Gayil Talshir and Mathew Humphrey share an unease with Freedon definition of the green ideology as a thin one, but for different reasons. Talshir investigated the ideology of the German environmentalist party *Die Grünen* by comparing two of its electoral programmes through means of morphological and discourse analysis. Talshir prefers speaking of a ‘modular’, rather than ‘thin’ ideology. A modular ideology is, she claims, characterised by two layers: an ideational frame that contains fundamental principles, and sub-ideologies that co-exist within that frame. The Green ideology, then, coexist with other sub-ideologies, such as feminism, within the frame of participatory democracy (Talshir 2003).

Humphrey singles out four concepts at the core of green ideology: the need for restructuring the relationship between humans and nature; the need for radically democratising society; the existence of an ecological ‘law’; a commitment to non-violence – which is a core, rather than an

adjacent principle, as the medium is the message, just like in anarchism. Humphrey stays true to Freeden's definitions of full and thin ideologies, but disagrees with him about the status of the green ideology. Humphrey claims, in fact, that the green ideology can be considered a full ideology, as comprehensive policy proposals can stem from the core, without the need of merging with broader families (Humphrey 2013).

Liberalism

Liberalism represents Freeden's object of study. Himself a convinced liberal (Marquand 2012), Freeden spent the early years of his career studying – mainly, British – liberalism. It is worth noting that, with the term 'liberalism', Freeden intends the ideological tradition that finds in John Stuart Mill's work its first distinct form, and that evolved – through the works of other ideologists, such as Green and Hobson – into the so-called New liberalism. In turn, he considers early economic liberals, like Adam Smith, as distant 'ancestors' of liberalism: indeed, liberalism owes them something, but eventually evolved in a different way. Thus, Freeden rejects neoliberals' claims of being the 'true' heirs of liberalism, that was later corrupted by its transformation into the almost socialist New liberalism: liberalism was not only about free market and *laissez-faire*, but to a large extent about rights and improving people's wellness.

Freeden describes the Millite liberal core as constituted by seven mutually sustaining concepts: liberty, individualism, progress, rationality, general interest, sociability, and of power. Mill intends liberty as 'free development of individuality': so, it is linked, on the one hand, to the individual as the centre of the analysis, and to a progress from a less to a more desirable situation. Rationality and sociability derive from considerations of the human nature. The former is to be intended as the possibility for humans to determine their own fate, whereas the latter refers to their dimension as social beings; the faith in the possibility of harmonizing contrasting individual interest through reasons generates the concept of general interest. Finally, power takes the form of a limited and responsible government, needed to safeguard individual liberty. Along with the conceptual core, Freeden mentions, as we have seen above, the non-conceptual feature of conceptual tolerance, that allows liberalism to adapt itself by changing the prioritization of its internal components.

The liberal core is surrounded by a range of adjacent concepts that derive from the core, and specify it. Freeden does not present an exhaustive list, but only enumerates the most relevant. A first adjacent concept is represented by democracy, that derives from the concepts of liberty as self-development and of limited government. Indeed, the government should belong to the people, but it must be prevented from interfering with others' legitimate liberties. Linked with democracy is the concept of equality. It derives from the concept of rationality. Not all men are the literally same, nor

all of them have the same value; yet, they are all characterised by a common humanity, in virtue of their shared rational capability. Finally, Freedman mentions education and right to property as further adjacent concepts.

In the periphery, we can appreciate liberalism's capability of adaptation to the changing context. Within the liberal perimeter, in fact, we can find apparently discordant practices, such as free trade and state regulation. This should not be a surprise: the non-conceptual feature of tolerance, in fact, allows to deploy a wide range of practices that adapt to the changing contexts, by interpreting in different ways the principal concepts of liberalism, while maintaining its core structure intact. For instance, the liberal state lost its passive character of safeguarding individual rights, to gain the more active function of removing the hindrances to the self-development of the people.

Besides its British variant, Freedman also investigated continental and North-American versions of liberalism. If the analysis of European liberalisms focused on the works of ideologues and thinkers that were somehow all involved in politics, his analysis of North-American liberalism pointed to the thought of academic political philosophers – namely, Rawls and Dworkin. Freedman shows then the possibility of analysing the ideological dimension of instances of political thought – philosophy, in this case – that are not directly involved in the political competition (Freedman 1998a).

Populism

Within the morphological scholarship, two divergent positions exist on the ideological nature of populism: the first interprets it as a thin ideology, whereas the other denies it the status of ideology at all. The most prominent supporter of the first position is Cas Mudde, a leading expert of populist and extremist movements. In his 2004 paper 'The populist *Zeitgeist*', he defined populism as a thin-centred ideology, characterised by a single core concept: the people. Given its narrow core, populism can merge with other, thin or full, ideologies (Mudde 2004).

Nine years later, in his co-authored chapter with Rovira Kaltwasser for the Oxford Handbook of Political Ideologies, he refined his analysis, adding two further core concepts: the elite, and the general will. The core concept of people can be decontested in different ways: as sovereign people, just as in the 'We, the people' formula that opens the US constitution; as common people, and so linked to a shared culture, or a common socio-economic status; finally, in a nationalist sense. The same goes with the elite: a corrupt antagonist of the pure people, the elite is the group that holds the *true* power. The nature of such group changes: it can be represented by politicians, by the economic elite, by the media. Note that the anti-establishment stance does not prevent populists to be in power: the anti-establishment rhetoric can be modified so that, for instance, the economic elites are blamed for government's failures. Given the indeterminacy given by his 'thinness', populism has an

ambivalent relationship with democracy, to which it can be both a threat or a corrective. Generally speaking, populism is a democratic phenomenon, yet it is not fully compatible with *liberal* democracy. Nationalism, in turn, is not a defining feature of populism – despite being often located in its adjacency; finally, populism is *per se* gender-neutral, yet it often espouses the position on gender of its host ideology (Mudde and Kaltwasser 2013).

Mudde is not alone in classifying populism as a thin ideology. In a short editorial appeared in the *Journal of Political Ideologies*, also Catherine Fieschi claims that populism should be analysed following Freedén's approach on nationalism, and finds three core concepts of populism: its appeal to the people; aversion to the institutions; egalitarianism. These three concepts are supplemented by the non-conceptual feature of the emotional charge of the populist appeal (Fieschi 2004).

Ben Stanley builds on Mudde's 2004 paper, and claims that populism is characterised by four core concepts: the distinction between two homogeneous groups, the people and the elite; an antagonistic relationship between the two; popular sovereignty; an appreciation for the people, and a hostility toward the elites. The two latter concepts, claims Stanley, distinguish populism from elitism, and characterise it as a distinct ideological configuration. Yet, the excessive contestability of the concept of people hinders the development of populism as a coherent ideological tradition (Stanley 2008).

The opposite field, of those who deny the status of ideology to populism, is not as large as the other one. Actually, it is constituted by only one scholar: Freedén himself. In an editorial written after the turbulent Brexit referendum, the founder of the morphological approach proposes two reasons why populism does not fit the category of thin-centred ideology. The first one is substantive. However narrow they are, thin ideologies are nonetheless the articulated product of a refined process of political reflection: feminism, nationalism, green ideology, they all are oriented to future-changes that derive from their core tenets. Populisms lack this complexity, as they only focus on those topics on which they want to mobilize the public, but remain silent on the rest. The second one is morphologic. Thin ideologies are structured in such a way to become full, when they nest in a broader ideological tradition: there is space to surround the core with other components. In the case of populism, instead, there is little behind the core; at most, populism overlaps some nationalist and conservative components, but has no aspirations to become a full-fledged ideology. As an example, Freedén brings the post-Brexit difficulties of the UKIP, that imploded after the referendum. In sum, Freedén's judgement is that populism is 'ideologically too scrawny even to be thin!'

Freeden then goes on to analyse three core concepts that account for (right-of-centre, European) populism's monism: society as a unitary body; an appeal to the origins; a fear for changes caused by laws, customs or people. The problem with various populisms is that, beyond these central features, they do not have anything else in common: they lack the adjacent concepts that mediate the core with the perimeter. Therefore, peripheral elements access directly the core, and their speed is amplified by the emotional charge that often replace reflexive argumentation, and constitutes one of the key to the success of populism.

In sum, Freedden claims that populisms lack some of the features that characterize ideologies. Indeed, they struggle over the control of political language, are good communicators, and are action-oriented. Yet, they appear unable to develop a durable and comprehensive political agenda, and to adapt to the changing contingencies. Populism should be, then, intended as a spurious amalgam of elements, organised in an insubstantial ideological configuration (Freedden 2017a).

Socialism

Freedden sketches out five core concepts within the broad socialist tradition. The first one is community. The 'constitutive nature of the human relationship' marks an important difference with liberalism, as individuality – a core liberal concept – shifts in an adjacent position: in the famous words of Marx, humans can develop into individuals only in society. So, groups occupy the centre stage of the analysis.

The second one is the desirability of human welfare. It derived from the roots of socialism in the workers' movement, that saw the satisfaction of material needs as a primary goal. Yet, it can be decontested in different ways, such as mere satisfaction of basic need or as the pursue of happiness; furthermore, since it is often related to the first principle, in can be intended as welfare both for the whole society, or for some communities.

The third principle is a view of human nature as essentially active. This means that humans are not only productive, but also creative, and relates an exhortation to develop the full range of human potential.

The fourth core concept, equality, is both a consideration of the human nature, and a desired goal.

Finally, the concept of history, though appearing similar to the conservative concept of change, and to the liberal one of progress, is nonetheless rather different from both. Unlike the former, which is valued *per se*, socialist history imparts a diachronic perspective on the development of the other core concepts. Unlike the latter, socialist history not always constitutes an open-ended process, or an objective that can be intentionally achieved by individuals. Different strands of socialism are

characterised by different decontestation of history: a major example is represented by Bernstein's revisionist view of history, that substituted the conflictual vision of Marx and Engels with an evolutionist one, determined the political strategy of the German Social Democratic Party for the decades to come.

The socialist core is surrounded by a number of concepts, that sometimes could appear core concepts themselves, as is the case for the concepts of democracy, class, state; yet, they should be classified as adjacent, as they usually depend on the core, and are used to further specify it. Democracy, for instance, is dependent to the core principles of community and equality while class to the principles of equality and power; the state, in turn, appears as a means to achieve desired goals – and cannot, thus, be considered a core concept (Freeden 1998a, 417–55).

Morphological studies on socialism have often focused on British socialist organizations and parties. A first instance that is worth mentioning is the case of Clause Four of the constitution of the British Labour Party. The so-called 'socialist clause' regarded the collectivization of the means of production, and endured in the party's constitution until 1995. According to Freeden, it illustrates the four features of political rhetoric mentioned before. First, it belonged to the early social context, from which later socialist variants distanced. Second, it assumed political relevance – both for its supporters and opponents – regardless of the actual practices deployed by labourites. Third, it stressed, and contributed to decontest, the centrality of communal control within labourite morphology. Finally, it signalled the unwillingness to openly abide to the capitalist system, which could trigger the unravelling of labourite core (p. 446-8).

The fear was not unjustified, but the unravelling proved more abrupt than thought: its dismissal symbolised the birth of Tony Blair's New Labour. In a 1999 article, Freeden analysed the morphological features of New Labour's ideology. The new ideological formation, that comprises the core concepts of community, responsibility, equality of opportunity, and liberty, is located between socialism, liberalism, and conservatism, yet not in an equidistant way. From liberalism, it has extracted values relating to personal choice and responsibility, and, most importantly, the safeguard of individual rights; from conservatism, it accepted the importance of small social units as constitutive of society, and of individual duties toward the community; from socialism, it drew the core principles of community, and of equality – yet, this latter is decontested as equality of opportunities, so in a less radical way than the Old Labour (Freeden 1999b).

Judi Atkins's article on New Labour ideology analyses the transformation of the party under Ed Miliband's leadership. After having located the New Labour core (social justice, inclusion, cohesion and mutual responsibility), she integrates the morphological approach with the rhetorical

analysis, proposed by Finlayson, to show how the core commitments of the party relate to the rhetoric of the ‘One Nation’, that Miliband appropriated from conservative Prime Minister Benjamin Disraeli. Atkins regards the ‘One Nation’ rhetoric as a perimeter practice aiming to rise popular support to the Labour programme through means of emotional appeal (Atkins 2015).

Marc Stears stressed some interesting methodological issues in his article on the different strands within the movement of Guild socialism. The first one – often reaffirmed by Freeden – is that there is not a one-on-one relation between ideology and movements. Through a morphological analysis, he managed to identify two different strands within the National Guilds League – a quasi-organicist one, and another more individualistic – that differed in their decontestation of the principles of liberty and community. The second one is the need to ascertain that an ideological difference does not exist only in the eyes of the researcher, but was acknowledged by contemporary commentators (Stears 1998).

Other studies and ideologies

Besides these large ideological families, the morphological approach has inspired the analysis of other ideological instances. The studies reviewed here comprise ideologies that have not received extensive attention by the morphological scholarship, or that do not still constitute a solid ideological tradition.

Feminism falls under the first case. A morphological analysis of feminism was undertaken by Freeden himself and, together with green ideology, worked as an instance to illustrate the features of thin-centred ideologies. Its core is structured around three core concepts: the centrality of gender in politics; problematic relations between women and men; the power nexus within this relation, in which women are oppressed. Among most relevant adjacent concepts, we can find equality, and patriarchy, which represents the characteristic feminist decontestation of the core concept of power. Just as all other thin ideologies, feminism can merge with broader ideological families, and give rise to specific ideological configurations (Freeden 1998a, 488–525).

Roger Griffin profitably employed the morphological approach to his study on fascisms. Thus, he managed to solve the puzzle posed by this peculiar ideology, that took different forms, according to the context. So, he defined the ‘fascist minimum’ as consisting of two core concepts: a populist ultra-nationalism, and a palingenetic myth of national rebirth. Among the adjacent concepts surrounding the core, we can find a hostility toward liberalism, conservatism (yet, sometimes an alliance with illiberal conservatism is possible), materialism, and rationalism; a national socialism

that transcends classes to restore the unity of the community; a fascination toward discipline, heroism, militarism, and masculinity in general; a sort of racism – in extreme cases conceived as biological – that posits the superiority of the national community (Griffin 1995, 2008).

Besides the study of fascist regimes, Griffin carried on an interesting study of the ‘post-fascism’ of the Italian party *Alleanza Nazionale* (AN). The ideological configuration of AN seems ambivalent, as it did not dismiss the fascist core, but at the same time embraced two fundamental principles of liberal democracy: the respect for ‘the rules of the party political game’, and for individual human rights. The ambivalence is furthered showed by an analysis of AN’s electoral posters that, while proclaiming the new course of the party, included subtle allusions to the fascist regime, that can be caught by a trained or initiated eye, but may pass unnoticed to the profane (Griffin 1996).

Even Islamism has been studied with the morphological approach. In her article on political Islam, Michaelle Browsers takes issue with Freedon’s claim that Islamism as ideology lacks specificity and autonomy. Regarding the first aspect, she claims that Islamism has developed a broad set of ideas, able to provide answers to a comprehensive range of political issues. Regarding the second, she denies that the religious nature of Islam poses too rigid constraints to let it develop as a political ideology.

She finds five concepts at the core of political Islam: the oneness of God; the inseparability of religion and politics; the absolute authority of God; the existence of an Islamic community. Adjacent concepts include the equality of all Muslims, justice, struggle (i.e. the *jihad*), independent reasoning, and consultation as political ideal; ignorance and heresy constitute *disvalued* concepts. Among peripheral practices, Islamism draws political programmes and strategies from other ideological traditions, such as liberalism and socialism (Browsers 2005).

Nationalism is another instance that Freedon investigated to further his definition of thin-centred ideology. The core structure of nationalism consists of five concepts: the prioritization of the nation; a positive connotation of one’s own nation; the will of giving a politico-institutional expression to the previous two concepts; space and time as crucial determinants of social identity; a sense of membership, tightly related to sentiment and emotion.

Freedon claims that nationalism oscillates between being a thin-centred ideology, and a component of other ideologies. Indeed, in specific situations (such as of national oppression, external threat, etc.) nationalist claims can occupy a central position within broader ideologies: in this sense, nationalism works as a thin ideology, in that it leads to specific decontestations the core concepts of its host ideology. Yet, when these ephemeral circumstances fall short, nationalist ideas occupy a much more marginal position: so, they do not contribute to the decontestation of core concepts of the host

ideology, but reflect them. Thus, beside some time-specific situations, nationalist claims represent marginal components of comprehensive ideologies: in the case of the relationship between liberalism and nationalism, it would then be more correct to speak of a nationalist discourse area within liberalism, than of nationalist liberalism. Even fascism assimilates the nationalist argument in a broader context, by binding it to an ultra-populist and regenerative discourse, that is absent from the thin-centred version of nationalism (Freedon 1998b).

Neoliberalism, as we have previously seen, is often regarded by the morphological scholarship as straddling between liberalism and conservatism – and as leaning more toward conservatism. Rachel Turner employed the morphological approach to assess how the founding fathers of the different strands of neoliberalism – the German, known also as ordoliberalism, the British and the American – decontested neoliberal core concepts of market, welfare, constitution, and property (Middleton 2008).

An opponent to neoliberalism is represented by the emerging tradition of Liberal Neo-Welfarism (LNW), investigated by Maurizio Ferrera. It represents a new ideological synthesis, that draws the core values of liberty and equality from the liberal-democratic and social-democratic traditions, and that fosters a modernization of the welfare state. LNW decontests liberty in three ways: first, it recognizes the primacy of negative liberty, yet it links it to positive freedoms and opportunities for self-development; second, it connects liberty to the new civil rights (relating to gender, minority and ethical issues), that have strong social implications; finally, it emphasizes the link between liberty and fundamental rights. In turn, equality is decontested in the sense of opportunity and chances, rather than of outcome: it is dynamic (the focus is on the life cycle, not on immediate equality), multidimensional (equality is not only about the income, but also regarding one's minority status, especially regarding gender), and prioritarian (as it prioritizes the worst-off).

The two core concepts are framed within the notion of social justice, which, in Ferrera's words, aims 'to reconcile the inviolability of basic liberties and democratic procedures with the necessity to accurately and convincingly justify any departure from strict egalitarianism in the distribution of the goods of social cooperation'. Further, social justice relates, to the issues of ethnical and cultural minorities, and of the balancing between national (and supranational) standardization and financial solidarity, with local identities and social bonds. The core of LNW is surrounded by the adjacent concepts of productivist or flexible solidarity, of active inclusion and of social promotion (Ferrera 2013).

Besides the criticism toward Freedden's distinction between thin and full ideologies and the proposal of horizontal/vertical categorization mentioned above, the morphological analysis of the ideological dimension of realist theories of International Relations by Duncan Bell presents two further elements of interest. First, it is an analysis of a manifestation of political thought that – given its academic nature – is not directly concerned with politics. Academics in general often claim that their thought is free from ideology; realist theorists of International Relations make no exception, as they claim to investigate 'real' international politics, unlike their liberal colleagues, engaged with ideological conjectures. To their great disappointment, however, Bell shows that even realist theories are not dispensed from an ideological dimension – even in the non-pejorative sense meant by Freedden.

Second, it shows how morphological analysis can contribute to overturn commonplaces. In the case of political realism, the commonplace to overturn is the core position of the state in realist theories. Through a morphological analysis of the realist core, Bell concludes that realist theories are more sovereign-centric, than state-centric, as the state occupies an adjacent position with respect to the core concept of sovereignty (other core concepts are constituted by anarchy, as lack of any overarching political authority of the international system, and the pervasiveness of power) (Bell 2002).

A last study that is worth mentioning is Laborde's chapter on republicanism in the Oxford Handbook of Political Ideologies. There, Laborde tries to flesh out the principles of republicanism as a specific ideological tradition, compatible with but distinct from liberalism. The difference hinges on a different decontestation of the concept of liberty, that republicanism interprets as non-domination (Laborde 2013).

Tables

Tables for chapter 5

Table A.1: Codebook of political concepts

Political concepts		Description	Keywords/Examples
Competition	194	Any reference to competition or competitiveness.	<i>Wettbewerb, Handlungsfähigkeit, Wettbewerbsfähigkeit</i>
<i>Competitiveness</i>	162		
Compulsoriness	37	The intention of making rules more binding	<i>Verbindlichkeit, Erfüllung, verschärfen</i>
Conditionality	68	Binding aids to commitments	<i>‘wer Solidarität bekommt, muss Eigenleistung erbringen’, Bedingungen, Gegenleistung, Konditionalität</i>
Constraint	22	Constraints to freedom of action	<i>Grenzen, Begrenzung</i>
Coordination	58	The intention of coordinating the actions and the decisions of the European states and institutions, or the will to improve cooperation.	<i>Koordinierung, ‘Wir müssen Schritte zu mehr miteinander und aufeinander abgestimmter Finanz und Wirtschaftspolitik gehen’, Gemeinsamkeit, Zusammenarbeit, Kooperation</i>
Democracy	19	Democracy, role of the Parliament, legitimation from the citizens	<i>Demokratie, ‘eine von Europas Bürgerinnen und Bürgern eindeutig legitimierte’, ‘dann müssen natürlich die nationalen Parlamente eine entscheidende Rolle spielen’</i>
Employment	16		<i>Arbeitsplätze, Beschäftigung</i>
Environment	3		
Freedom	66		<i>Freiheit</i>
Growth	106		<i>Wachstum</i>
Incentives	46	Incentives stemming from rules or institutions to do something positive or negative	<i>Erleichtern, Anreiz, Druck</i>
Justice	11		<i>Sozial Ausgleich, Gerechtigkeit</i>
<i>Social justice</i>	5		
Legitimacy	10		<i>Legitimität, Legitimation</i>
Market	97	Any reference to the market and its functions	<i>Markt, Innovation, Eigentum, Produkt, Dienstleistung, Marktwirtschaft, Marktdisziplin, private Investition, Handel</i>
<i>Entrepreneurship</i>	2		
<i>Innovation</i>	10		
<i>Labour market</i>	5		
<i>Market actors</i>	9		
<i>Open market</i>	11		
<i>Private investment</i>	22		
<i>Private property</i>	5		
Moral hazard	9		<i>Moral hazard, Risiko</i>
Mutualisation	27	Sharing risks, responsibility or debts of European countries	<i>Vergemeinschaftung, Schuldenunion, Transferunion</i>
Ordnung	62	Generic references to the concept of order, economic order, social order	<i>Ordnung, Gesellschaftsordnung</i>
<i>Economic order</i>	22		
<i>Social order</i>	21		
Ordnungspolitik	130	Direct references to the concept of <i>Ordnungspolitik</i> or references to regulatory framework or framework conditions	<i>Ordnungspolitik, Ordnungsrahmen, Rahmenbedingung</i>
<i>Ordnungsrahmen</i>	35		
<i>Rahmenbedingung</i>	61		

Peace	21		<i>Frieden</i>
Prosperity	7		<i>Wohlstand</i>
Reliability <i>Confidence</i>	87 39	References to both reliability and confidence.	<i>Vertrauen, Glaubwürdigkeit, Verlässlichkeit</i>
Responsibility <i>Haftung</i> <i>Lack of responsibility</i>	179 61 10	The fact private or public actors must do or are liable for something. Rhetorical formulas such as ‘it is our responsibility to...’, etc. are not included.	<i>Verantwortlichkeit, Verantwortung, Haftung, Zuständigkeit</i>
Rule of law	9		<i>Rechtsstaat</i>
Rules <i>Deregulation</i> <i>Inadequate rules</i>	136 4 14	Rules, laws and norms, institutional architecture, the act of regulating. Also includes deregulation and inadequate rules (e.g., a reference to the inadequateness of European rules or Treaties).	<i>Regeln, Recht, regulieren, Regelung, verpflichten, ‘die Defizite in unseren europäischen Verträgen’</i>
Self-help	23	Financial assistance must be temporary and aim to restore the self-sufficiency of the assisted	<i>Selbsthilfe, selbst helfen,</i>
Social Market Economy	92		<i>Soziale Marktwirtschaft</i>
Solidarity	91		<i>Solidarität, helfen</i>
Stability	188	Any reference to stability, also in the sense of stable budget or sound money	<i>Stabilität, stabil, Konsolidierung, Konsolidieren</i>
State <i>Community method</i> <i>Intergovernmentalism</i> <i>Member States</i> <i>Multi-level</i> <i>democracy</i> <i>Multi-speed Europe</i> <i>Subsidiarity</i> <i>Super state</i> <i>Supranationalism</i> <i>Transferunion</i> <i>Wirtschaftsregierung</i>	274 3 11 125 15 5 15 11 34 10 18	State in general; Member States or their governments; state institutions, including EU institutions; relations among institutions and among states; functions of the state.	<i>Staat, Land, Regierung, Wirtschaftsregierung, Transferunion, Mitgliedland or -staat, Subsidiarität</i>
Surveillance	30		<i>Kontrollen, kontrollieren, Aufsicht, beachten, Überwachung</i>
Sustainability	59	Also sustainability of the budget	<i>Nachhaltigkeit, Zukunftsfähigkeit</i>
Transparency	7		<i>Transparenz</i>

Table A.2: Political concepts used by Merkel and Schäuble

Merkel		Schäuble	
1 : Competition	109	1 : State	143
2 : State	105	2 : Responsibility	105
3 : Stability	103	3 : Ordnungspolitik	91
4 : Solidarity	67	4 : Rules	88
5 : Responsibility	65	5 : Competition	81
6 : Growth	57	6 : Stability	74
7 : Social Market Economy	56	7 : Market	59
8 : Coordination	46	8 : Reliability	49
9 : Rules	45	9 : Growth	47
10 : Freedom	36	10 : Conditionality	42
11 : Reliability	32	11 : Sustainability	42
12 : Ordnungspolitik	31	12 : Incentives	38
13 : Market	30	13 : Social Market Economy	35
14 : Conditionality	26	14 : Ordnung	34
15 : Ordnung	22	15 : Freedom	28
16 : Peace	15	16 : Compulsoriness	24
17 : Sustainability	15	17 : Solidarity	24
18 : Surveillance	13	18 : Constraint	19
19 : Compulsoriness	12	19 : Surveillance	17
20 : Employment	10	20 : Mutualisation	16
21 : Mutualisation	10	21 : Self-help	16
22 : Justice	9	22 : Democracy	12
23 : Incentives	8	23 : Coordination	10
24 : Prosperity	7	24 : Moral hazard	9
25 : Self-help	7	25 : Legitimacy	8
26 : Democracy	6	26 : Employment	6
27 : Environment	3	27 : Peace	6
28 : Rule of law	3	28 : Transparency	6
29 : Constraint	2	29 : Rule of law	5
30 : Legitimacy	2	30 : Justice	2
31 : Transparency	1	31 : Environment	0
32 : Moral hazard	0	32 : Prosperity	0

Table A.3: Components of responsibility in Merkel and Schäuble

	Merkel	Schäuble
1 : Responsibility	50	56
2 : Haftung	12	49
3 : Lack of responsibility	3	7

Table A.4: *Ordnungspolitik* in Merkel and Schäuble according to the topic

	Merkel	Schäuble
1 : Crisis	0	10
2 : Causes of the crisis	1	0
3 : Solutions to the crisis	22	58
4 : Europa	4	14
5 : General considerations	9	31
6 : Globalization	1	4

Table A.5: Institutions and reforms mentioned by Merkel and Schäuble

Merkel		Schäuble	
1 : Monetary Union	36	1 : Monetary Union	29
2 : Euro	29	2 : Financial markets	26
3 : Financial markets	26	3 : ESM	14
4 : Eurobond	14	4 : Banks	12
5 : Banks	7	5 : Euro	11
6 : Six- and Two-pack	6	6 : Banking Union	10
7 : Six-pack	6	7 : Interest rate difference	10
8 : Euro plus	5	8 : Budget commissioner	8
9 : Rettungsschirm	5	9 : Fiscal compact	8
10 : Schuldenbremse	5	10 : Eurobond	7
11 : ESM	4	11 : Stability and Growth Pact	7
12 : European Commission	4	12 : Crisis management mechanism	5
13 : Fiscal compact	3	13 : Six- and Two-pack	5
14 : Stability and Growth Pact	3	14 : Six-pack	5
15 : Crisis management mechanism	2	15 : Schuldenbremse	5
16 : European Redemption Fund	1	16 : Single market	4
17 : European Parliament	1	17 : Rating agencies	4
18 : Interest rate difference	1	18 : Rettungsschirm	3
19 : European semester	1	19 : European semester	3
20 : European Union	0	20 : European Central Bank	2
21 : Banking Union	0	21 : European Commission	2
22 : Europe 2020	0	22 : Euro plus	1
23 : European institutions	0	23 : Europe 2020	1
24 : European Monetary Fund	0	24 : European Monetary Fund	1
25 : European Central Bank	0	25 : Eurozone budget	1
26 : Budget commissioner	0	26 : Two-pack	1
27 : Eurozone budget	0	27 : European Union	0
28 : Single market	0	28 : European institutions	0
29 : Two-pack	0	29 : European Redemption Fund	0
30 : Rating agencies	0	30 : European Parliament	0

Table A.6: Policies mentioned by Merkel and Schäuble

Merkel		Schäuble	
1 : Fiscal discipline	61	1 : Fiscal discipline	83
2 : Economic policy	35	2 : Structural reforms	54
3 : Debt	35	3 : Financial assistance	37
4 : Indebtedness	33	4 : Debt	26
5 : Structural reforms	30	5 : Indebtedness	16
6 : Financial assistance	12	6 : Sanctions	13
7 : Research	6	7 : Economic policy	8
8 : Public investment	5	8 : Fiscal policy	8
9 : Sanctions	5	9 : Monetary policy	8
10 : Budgetary policy	4	10 : Education	6
11 : Tax policy	4	11 : Debt reduction	5
12 : Labour policy	4	12 : Expansionary fiscal policy	5
13 : Social policy	4	13 : Public investment	5
14 : Fiscal policy	3	14 : Research	5
15 : Public expenditure	3	15 : Lack of fiscal discipline	4
16 : Pensions	3	16 : Foreign policy	4
17 : Lack of fiscal discipline	2	17 : Excessive liquidity	4
18 : Privatization	2	18 : Surveillance authority	4
19 : Education	2	19 : Wachstumsfreundliche Konsolidierung	4
20 : Wachstumsfreundliche Konsolidierung	2	20 : Defence policy	3
21 : Defence policy	1	21 : Energy policy	3
22 : Energy policy	1	22 : Environmental policy	3
23 : Environmental policy	1	23 : Schwarze Null	3
24 : Tax increase	1	24 : Tax policy	3
25 : Insolvency law	1	25 : Expansionary monetary policy	3
26 : Monetary policy	1	26 : Social policy	3
27 : Price stability	1	27 : Lack of structural reforms	3
28 : Surveillance authority	1	28 : Commercial policy	2
29 : Commercial policy	0	29 : Budgetary policy	2
30 : Debt haircut	0	30 : Debt restructuring	2
31 : Debt reduction	0	31 : Insolvency law	2
32 : Debt restructuring	0	32 : Debt haircut	1
33 : Expansionary fiscal policy	0	33 : Price stability	1
34 : Schwarze Null	0	34 : Insurance	1
35 : Tax relief	0	35 : Pensions	1
36 : Foreign policy	0	36 : Tax increase	0
37 : Excessive liquidity	0	37 : Tax relief	0
38 : Expansionary monetary policy	0	38 : Labour policy	0
39 : Insurance	0	39 : Privatization	0
40 : Lack of structural reforms	0	40 : Public expenditure	0

Tables for appendix 1

Table B.1. Topics in federal election programmes and coalition agreement

Europe	
Agriculture	
Consumer protection	
Culture	
Defence and foreign affairs	
Economy	
Education, research, innovation	
Employment	
Environment, energy, climate	
Family	
Fiscal policy	
Infrastructures and mobility	
Law, Freedom, Rights	Includes also domestic affairs and migrations
Other	Includes equal opportunities, disabilities, youth, values, <i>Ostpolitik</i>
Politico-institutional issues	
Social policy	

Table B.2. European topics

Economic governance	
Agricultural - fishery - forest policy	
Consumer protection	
Crisis	
Economy, employment	
Education, research, culture	
Environment, energy	
EU funding	Includes issues related to the EU budget
Foreign and defense policy	Includes also neighbourhood policy and enlargement of the EU
Freedom, security and justice	
Infrastructures	
Migration	
Other	Includes equal opportunities, disabilities. Youth, values
Politico-institutional issues	Includes subsidiarity
Social policy	
Values	

Table B.3. Political concepts

Competition	
Coordination	
Democracy	Includes also 'transparency'
Ecology	
Employment	
Euro	Policies relating to the single currency. Includes the end of the Euro and the opt-out of the single currency
Fiscal policy	Includes 'fiscal discipline'
Growth	
Independence	
Market	
Other	
Responsibility	Includes 'national responsibility'
Rules	
Social welfare	
Solidarity	Includes 'self-help'
Stability	
State	Includes 'discretion', 'public interventions', subsidiarity, ' <i>Wirtschaftsregierung</i> '
Structural reforms	
Sustainability	

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Public speeches and interviews

Public speeches and interviews by Angela Merkel

Aus den Erfahrungen des Gelingens können wir alle Kraft schöpfen

Der Sozialstaat gibt dem Land Stabilität

Deutschland gestärkt aus der Krise führen

Eine unglaubliche Ermutigung

Europa ist veränderungsfähig

Gespräch über Europa nach der Vorstellung des Buchs Angela Merkel – Die Kanzlerin und ihre Welt von Stefan Kornelius

Griechenland helfen - für einen starken Euro

Ich will einen leistungsstarken Kontinent

Langfristige Stabilität im Euro-Raum ist zentral

Merkel Auf Dauer werden alle vom Sparpaket profitieren

Merkel Der Euro - weit mehr als Währung

Merkel Die Krise ist noch längst nicht überstanden

Merkel Die Probleme anpacken

Merkel Ein stabiles Fundament für den Wohlstand in Europa schaffen.

Merkel Einheit Europas verleiht uns Kraft

Merkel Euro hat sich als sehr krisenfest erwiesen

Merkel Europa braucht gemeinsame Wirtschafts- und Sozialpolitik

Merkel Europa ist unser Glück

Merkel Ganz Europa muss wettbewerbsfähiger werden

Merkel Griechenland gehört zum Euroraum

Merkel Wir brauchen mehr Europa

Merkel Wir müssen Europa verbindlicher machen

Rede der Bundeskanzlerin beim Tag des deutschen Familienunternehmens

Rede der Bundeskanzlerin zur Festveranstaltung der BDA

Rede von Bundeskanzlerin Angela Merkel am Tag des deutschen Familienunternehmens

Rede von Bundeskanzlerin Angela Merkel an der Stanford University

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Rede von Bundeskanzlerin Angela Merkel anlässlich des BDI-Tags der deutschen Industrie

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Rede von Bundeskanzlerin Angela Merkel beim Ordentlichen Gewerkschaftstag der IG Metall

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Regierungserklärung von Bundeskanzlerin Merkel vor dem Bundestag 2

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„Bundeshaushalte ohne Neuverschuldung sollen ab 2015 Normalität werden.“

„Der Haushalt 2010 ist ein Kind der Krise“

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„Eine Union für das 21. Jahrhundert. Wie Europa in gute Verfassung kommt“

„Erst die Strafe, dann der Fonds“

„Für eine gute Zukunft Finanzmärkte regulieren - Haushalte sanieren“

„Griechenland war auf dem richtigen Weg“

„Man kann nicht auf Dauer über seine Verhältnisse leben“

„Mein Verbündeter ist das Grundgesetz“

„Öffentliche Debatten bringen nichts“ - Interview von Wolfgang Schäuble im Deutschlandfunk

„Ratingagenturen sollten objektive Schiedsrichter sein“

„Schwarze Null“ keine Zahlensymbolik, sondern Zukunftsvorsorge

„Stabilität und Wachstum. Finanzpolitik in Zeiten der Krisen“

„Steuerpolitik, nachhaltiges Wachstum und sozialer Zusammenhalt“

„Steuerreform in Zeiten leerer Kassen“

„Unsere Probleme werden kleiner“

„Wenn Portugal Hilfe braucht, stehen wir bereit“

„Wir brauchen ein starkes Europa“

„Wir haben das Schlimmste überwunden, aber es bleibt noch viel zu tun...“

„Wir investieren in unsere eigene Zukunft“

„Wir lernen jetzt, dass Globalisierung etwas sehr Konkretes und Reales ist“

„Wir wollen keinen europäischen Superstaat“

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Bundeshaushalt ohne Neuverschuldung soll neue Normalität werden

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 Das europäische Modell mit wirtschaftlicher Stärke untermauern
 Das ist mein 5-Punkte-Plan
 Das Prinzip wertebegründeter Politik
 Der Bundesfinanzminister in der ZDF Sendung „Was nun....“
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 Die nächsten Schritte der europäischen Integration
 Die neue europäische Ernsthaftigkeit
 Dinner-Rede bei der Nacht der Europäischen Wirtschaft
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 Eine Welt in Bewegung – Aktuelle politische Herausforderungen
 Es ist schön, wieder da zu sein
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 Europa hat seine beste Zeit noch vor sich
 Europa zwischen Wunsch und Wirklichkeit
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 Keine Rettung um jeden Preis
 Lehren und Konsequenzen aus der Krise
 Minister Schäuble an der BAKS Die Währungsunion war richtig

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Mit gesünderen Banken in die Bankenunion

Noch nicht über den Berg – Zur Krise in der Eurozone

Nur wenn Athen die Reformen umsetzt, kann das Geld weiterfließen

Ohne Maß ist die Freiheit der Ruin

Ordnung der Märkte – Bindung der Freiheit

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Politische Verantwortung für einen leistungsstarken öffentlichen Dienst

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Reform der europäischen Finanzregeln – für eine bessere Verfassung Europas

Regieren heißt nicht, Geschenke zu verteilen

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Sicherung der Stabilität der Eurozone – Finanzhilfe für Zypern

Umsetzung der Europäischen Bankenunion

Verleihung des Ludwig-Erhard-Preises für Wirtschaftspublizistik 2016 an Bundeskanzler a. D. Gerhard Schröder und an Holger Steltzner, Herausgeber der FAZ

Vollendung der Bankenunion bleibt eine große Herausforderung

Wir haben zu viel Liquidität

Wir wollen nicht spalten

Wirtschaftspolitisches Frühstück der IHK

Zeit für Reformen Wolfgang Schäuble über die Lehren aus der Europawahl

Ziele in Europa gemeinsam erreichen

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