SPEAKING TO THE MARKETS OR TO THE PEOPLE?

A DISCURSIVE INSTITUTIONALIST ANALYSIS OF EU LEADERS' DISCOURSE DURING THE EU'S SOVEREIGN DEBT CRISIS

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Abstract:
The EU's sovereign debt crisis is not just economic; it is also political, resulting from the failures of EU leaders to offer solutions that calm the markets and convince the people. These failures stem from problems not just with EU leaders' understanding of the crisis and initiatives to solve it but also with their communication about them. That communication, moreover, encompasses not just EU leaders talking to one another in the negotiation of solutions to the crisis but also speaking to 'the markets' and to 'the people' on those crisis solutions, all of which may interact in perverse ways. This paper analyses these sets of interactions using the analytic framework of 'discursive institutionalism.' The paper begins with the analysis of the substantive content of EU leaders' ideas and discourse, considering their different forms, types, levels, rates and mechanisms of change in the Eurozone crisis, followed by their discursive interactions, both in the 'coordinative' discourse among EU leaders and in their 'communicative discourse' to the global markets and European publics. It uses a range of country cases, but in particular Germany and France, in illustration.

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Speaking to the Markets or to the People? A Discursive Institutionalist Analysis of EU Leaders' Discourse during the EU's Sovereign Debt Crisis

Introduction

The sovereign debt crisis that hit European Union member-states at various junctures since 2008 has become an existential one for the EU. This is not only because of the economics of the crisis, resulting from the volatility of the financial markets in response to perceptions of member-states' high deficits, excessive debts, declining growth, and loss of competitiveness. It is also because of the politics of the crisis, in particular with regard to how EU institutional and member-state leaders have conceived of the crisis and how they have communicated (or not) about their solutions to 'the markets' and to 'the people.' With regard to the communication alone, EU leaders are effectively engaged in three different sets of discursive interactions with potentially conflicting messages. EU leaders speak to one another in one way in the 'coordinative discourse' of Summits and EU Council meetings as they debate and negotiate agreements behind closed doors; they speak in another way in their 'communicative discourse' to 'the markets' as they seek to convince the main financial market players of their crisis solution; and they speak in yet another way in their 'communicative discourse' to 'the people,' as they seek to legitimate their EU level decisions generally to the European public, with EU member-state leaders also focused on their national constituencies. There is an additional feedback loop, however, since the ways in which EU member-state leaders ideas and discourse about the crisis and its solution are generated not just at the supranational EU level but also, and more significantly, in the national context. The latter influences not only EU member-state leaders' short-term calculations about the electoral consequences of their EU decisions and how these will 'sell' to national constituencies but also their conceptualization of the necessary and appropriate policy responses, policy programs, and philosophies for European economic governance and how to fix the Eurozone.

There are many actors involved, both in the conceptualization and the communication of potential crisis solutions. The main actors are the EU member-state leaders who engage in the intergovernmental negotiation of solutions in EU Summits and Council meetings at the same time that they are the prime communicators to the 'markets' and to 'the people' or, better, to their national publics. EU institutional leaders have also been key to the generation of ideas for solutions, however, although less to their communication. The European Central Bank (ECB) has been a major player in this game, in particular with regard to coordination with other EU leaders and (subtle) communication to the markets. The Commission is also an important actor, in particular with regard to its new institutional role of vetting member-state budgets as well as its periodic assessments of the state of EU member-states' economies. But with regard to the overall crisis, although it has occasionally proposed remedies, the Commission has little effective voice, and has only rarely been heard above the cacophony of EU member-state leaders' voices. Other actors with varying degrees of input include the think tanks, experts, and interest groups involved in the coordinative discourse of policy construction; the top private banks, investors, firms, and ratings agencies also engaged in the communicative discourse with the markets; and the opinion leaders, mass media, and social movements engaged in the communicative discourse with the public. Citizens *per se* are less directly involved because they have little power and no purchase over the coordinative negotiations carried out in their name by their elected leaders, although their opinions, as expressed in polls, surveys, and votes, and their practices, as evident through buying and selling of shares, spending and savings patterns, protests, strikes, and demonstrations, naturally make themselves felt in the communicative sphere.

This paper uses 'discursive institutionalism' as its framework for analysis. This approach tends to be very open to a wide range of ways of analyzing the substantive content of ideas and the interactive processes of discourse in institutional context (Schmidt 2002, 2006, 2008, 2010, 2011; see also Campbell and Pedersen 2001). With regard to the analysis of ideas, it has much in common with approaches such as the 'ideational turn' (Blyth 2007; see also Beland and Cox 2011), 'constructivist institutionalism' (Hay 2006), and the '*référentiel*' school (Jobert 1989; Muller 1995) in comparative politics; with 'constructivism' in international relations (e.g., Finnemore 1996; Wendt 1999); and with a range of framing and agenda-setting approaches in policy analysis (e.g., Stone 1988; Baumgartner and Jones 1993; Rein and Schön 1994). Discursive institutionalism also, however, engages with post-structuralist and post-modernist approaches when it comes to discourse as the embodiment of ideas, despite certain differences in epistemological and ontological premises (e.g., Foucault 2000; Bourdieu 1990; or Laclau and Mouffe 1985– see discussion in Schmidt 2008, 2011). With regard to the interactive processes of discourse, moreover, discursive institutionalism builds on approaches that emphasize the 'coordinative discourse' of policy construction via discourse coalitions (Sabatier 1993; Hajer 1993; Lehmbruch 2001); discursive communities (e.g., Haas 1992), and knowledge regimes (e.g., Fischer 1993; Campbell and Pedersen n/a) as well as those concerned with the 'communicative discourse' between elites and the public through deliberation and contestation with mass publics, the media, electorates, social movements and the everyday public (e.g., Dryzek 2000; Habermas 1989; Mutz et al., 1996; Seabrooke 2007; Wodak 2009; Zaller 1992)).

The paper will build on a number of these approaches as it seeks to develop a theoretical explanation for why the Eurozone's economic crisis is also a political one, resulting from EU leaders' difficulties in coming up with ideas and discourse with which to resolve the crisis. The first part focuses on the substantive content of ideas and discourse regarding the Eurozone crisis, examining their different forms, types, and levels of generalization, as well as the differences in rates and mechanisms of change. The second part considers the agents and their discursive interactions in the processes of policy coordination and political communication. Issues related to the institutional context will be considered throughout, both in terms of the formal institutions that make for a multi-level set of interactions— international institutions and global markets, EU institutions and actors, European and national publics—and of the 'informal institutions' that give agents' ideas and discursive practices meaning in these contexts. What actually happened is naturally also part of the analysis, because whether and how ideas and discourse lead to collective action help in the assessment of the credibility and feasibility of the ideas and discourse as well as of the intentions of the agents (see Schmidt 2008 2011. Empirical examples of EU institutional and member-state leaders' ideas and discourse will be provided throughout in illustration, with Germany and France, as the two main generators of ideas and discourse, receiving the most attention.

THE CONTENT OF IDEAS AND DISCOURSE ABOUT THE EUROZONE CRISIS

The Eurozone crisis has generated a wide range of ideas and discourse that come in many different forms—frames, narratives, stories, memories, and practices; two types of arguments—cognitive and normative; and three levels of generality—policies, programs, and philosophies. These may have different rates and mechanisms of change (or persistence). Differentiating the different levels of ideas and discourse along with the likely rates and mechanisms of change helps us understand in particular where some of the problems are with regard to the negotiation of solutions to the crisis. It is not just that the frames, narratives, stories, and discourses may be different, whether justified through cognitive arguments or legitimated through normative ones. It is that these may reflect very different levels of ideas and discourse that may therefore be more or less amenable to reconceptualization and (re)articulation.

Forms of Ideas and Discourse

With regard to their form, ideas and discourse may be cast as "frames" that provide guideposts for knowledge, persuasion, and action (Rein and Schön 1994); narratives or discourses that shape understandings of events (e.g., Roe l994); "frames of reference" that orient entire policy sectors (Jobert 1989; Muller 1995); "storytelling" to clarify practical rationality (Forester 1993); "collective memories" that frame action (Rothstein 2005); discursive "practices" or "fields" of ideas that define the range of imaginable action (Bourdieu 1994; Howarth, Norval, and Stavrakakis 2000; Torfing 1999); "argumentative practices" at the center of the policy process (Fischer and Forester 1993); or the results of "discursive struggles" that establish problem definitions, define ideas, and create shared meanings on which people act (Stone 1988).

These different forms of ideas and discourse enable us to identify the many different ways in which the Eurozone crisis has been conceptualized and articulated. To begin with, there are rival frames about what caused the crisis and how to solve it. These pit the Keynesians, who frame the crisis in terms of excessive private sector debt, insufficient regulation of the global financial markets, the markets' 'irrational exuberance' that led to the boom and bust, and the need for expansionary state intervention, against the neo-liberals, who frame the crisis in terms of excessive public sector debt, the failure of states to reign in their finances, and the need for budgetary austerity.

There are also rival narratives of the crisis. With regard to the economic policy initiatives, French leaders tend to emphasize their own vocation for political leadership in the European Union while they push for Keynesian solutions, the Germans instead focus on their own more partnership approach as they impose their 'ordo-liberal' version of the neo-liberal solutions (rule-based liberalism focused on a 'stability culture). As for EU economic governance, French leaders celebrate the fact that their previously thwarted plans for *gouvernance économique* are now being implemented through the intergovernmental negotiation of the crisis solutions as well as the various mechanisms adopted for deeper economic integration and oversight, while leaving out of the narrative the solutions' neo-liberal content and the reductions in sovereignty that the deeper oversight imply. The German leaders, having resisted the French push for *gouvernance économique* at the inception of the Euro as well as their insistence on loans and guarantees beginning 2010, by fall 2011 started explaining their push for deeper economic integration as the deepening of the federalism they have always supported.

There are rival stories in addition, for example, on the German side about the profligate Greeks versus the Germans who save, on the Greek side about arrogant Germans who refuse to do what's right. Collective memories also play a role, in particular in the case of the Germans who evoke the 1923 hyperinflation (with in all minds the image of the wheelbarrow with the 1 million marks it took to buy a loaf of bread), as justification for not allowing the European Central Bank to act as a lender of last resort, to buy member-state debt, or to engage in quantitative easing (printing money), as the Federal Reserve Bank has been doing periodically since 2008. But the question never asked is why they return to this memory rather than the depression of 1931, with its massive deflation that made possible Hitler's rise (see Martin Wolf op-ed, *Financial Times*, Nov. 2011)? The discursive struggles, finally, can be read on the op-ed pages of major newspapers across Europe and in online websites, as think tanks, experts, and opinion leaders propose different interpretations of and solutions to the crisis, divided in particular by neo-Keynesian vs. neo-liberal framing of the crisis.

Types of Ideas and Discourse

Ideas and discourse also involve different types of arguments. These include cognitive arguments that offer guidelines for political action justified through reference to (social) scientific principles and interpretations of events, often using interest-based logics and invocations of necessity (see Hall 1993; Muller 1995; Schmidt 2002a, 2008); and normative arguments that attach values to political action and serve to legitimize ideas through arguments based on their appropriateness (see March and Olsen 1989; Schmidt 2000, 2002a: 213–17), often evoking norms about appropriate standards of behavior or desirable actions shared by members of a social entity (Finnemore 1996).

The Eurozone crisis has had its share of cognitive arguments, but fewer normative ones. The strongest cognitive arguments for the successive crisis solutions that emphasize neo-liberal austerity, 'structural reform,' and sticking with the Stability and Growth Pact (SGP) criteria can be summed up in the acronym used by Thatcher to justify her response to the crises of the mid to late 1970s and early 1980s: 'TINA'--there is no alternative. Most of the neo-liberal cognitive arguments go on to cite the principles of classical economics, accompanied by normative sounding arguments that invoke the virtues of belt-tightening and the 'moral hazards' that would come from countries believing they would be bailed out for their bad debts and overspending—itself the main reason cited for not bailing out the Central and Eastern European countries (CEECs) in 2008. However, leaving the bailout to the IMF instead created a 'market hazard,' as the markets got the idea that the EU would not rescue its member-states from sovereign debt default (Schmidt 2010b).

The more truly normative arguments, however, are best illustrated, again, by the German castigation of the Greeks' profligacy, in particular in extended storytelling of how wrong it would be to reward such bad behavior, and about the virtues of saving, as do the Germans. Moreover, that normative argument was extended to the other 'PIIGS' (Portugal, Ireland, Italy, Greece, and Spain), despite its lack of cognitive justification, since they were not guilty of the Greek under-reporting and over-spending of public budgets. For example, Spain had low deficits prior to the crisis in 2008, Italy low private debt and comparatively low public spending (the servicing of its excessively high debt has been the main problem, exacerbated by its low growth). The Keynesian counterarguments to the neo-liberal view are many, but in the case of the Germans' normative storytelling, they counter that the German stories hide the cognitive truth: Germany has profited well from the Eurozone's existence, and in many ways was partially responsible for the Southern European's profligacy. This is because Germany's surplus producing, export-oriented economy fed off the deficit-spending South, as German banks flooded them with money that they then spent unwisely, on German products as well as on over construction of housing (especially in Ireland and Spain—see Matthijs and Blyth 2011; Schmidt 2010b).

Put another way, if Ireland, Spain, and Greece were indeed drunkards on a binge, then the German and French banks were the bartenders, and the Eurozone the bar in which they got drunk (Schmidt 2010b). Once the Southern European countries (and Ireland) were in the eurozone, their banks had easy access to huge sums from the international financial markets with little exchange rate risk at low interest rates and little regulation, so they lent large amounts to prominent developers. German banks were some of the biggest lenders, since they needed some outlet for the unspent savings of German citizens that they held on deposit, given comparatively little demand in the country for loans, especially by contrast with the PIIGS.

Levels of Generalization and Rates of Change in Ideas and Discourse

Ideas and discourse can also come at different levels of generalization, with differences in timing of change. These include the philosophies at the deepest level of ideas and discourse, that also tend to be the slowest to change; the policy ideas and discourse at the most surface level that are the quickest to change, and the programmatic ideas and discourse, that are in between the other two both in level and timing of change, although the change itself may be revolutionary or evolutionary (Schmidt 2008; Mehta 2011). All three are important for understanding why EU leaders have encountered such great difficulties speaking to the markets and to the people, not to mention one another.

Philosophical Ideas

At the deepest level of generalization are the worldviews, ideologies, philosophical principles, public philosophies, normative values, or discourses that underpin the core understandings of individuals and society about how the world works and what is therefore appropriate action in the world (e.g., Weir 1992; Berman 1998, p. 21; Campbell 1998; Foucault 2000). These are for the most part portrayed as the slowest to change, mainly through evolutionary processes. The philosophical level gets us to explore the deepest questions, helping to explain how it is that EU leaders have had such different understandings of the crisis and have therefore failed over and over again to reach agreement. A Foucauldian post-structuralist approach, for example, by explaining the problem in terms of the underlying worldview of the 'subjects' to the discourse, enables us to get away from seeing only interest-based calculation, intentional blindness or 'bloody mindedness' on the part of EU leaders, and instead to illuminate how they are caught by the dominant discourse of their culture or their institutions, as embodied by their 'practices'. This can apply well to the bankers of the European Central Bank, for example, who are so immersed in the discourse and practice of ordo-liberalism and its anti-inflation philosophy, as originally developed and disseminated by the Bundesbank (MacNamara 1999), that they have been deaf to pleas to promote growth, and have seemingly ignored the dangers of deflation. It can also help explain the fact that we may be seeing again what Eric Hobsbawn wrote of the Great Depression: "Never did a ship founder with a captain and a crew more ignorant of the reasons for its misfortune or more impotent to do anything about it" (cited in Matthijs and Blyth 2011). This is about the hold of old ideas that can't be dislodged because they are so fundamental to actors' understanding of events—and themselves.

What makes this deep-seated philosophy even more apparent is that although German leaders (or at least those of the majority) share the ECB's underlying philosophy, for obvious reasons, French leaders do not. Here, Foucauldian genealogies or investigations of the slowly evolving 'webs of belief' (Bevir and Rhodes 2003) of these countries' differing traditions of economic governance, taking them back to the postwar years if not earlier, could help further elucidate their philosophies. For the Germans, the ordo-liberal economic 'Culture of Stability' has been a ruling idea since the postwar period, and debt anathema. This has been reinforced by collective memories of the hyperinflation of the 1920s and the first postwar years, which meant that even when everyone else was implementing neo-Keynesian macroeconomic policy, a Social-Democratic German government tried it only briefly in the late 1960s, to be quickly stopped by the Bundesbank (Hall 1989). The idea that debt is immoral is even embedded in the language, since the word for 'debt' is the same as for 'shame' (*schuld)*, while the perils of inflation are immortalized in the literature taught to all schoolchildren, most notably in Goethe's *Faust Part II*, as Mephistopheles convinces the emperor to use undiscovered gold beneath the land as collateral for promissory notes to pay the army, which then leads to inflationary spiral and civil chaos as the emperor prints money without restraint (John Pender *New York Times,* Dec. 29, 2011).

For the French, by contrast, the political 'Culture of the State' has been a deeply embedded philosophical idea since Louis the XIV, although it has had only periodic concretizations as a major force in directing the economy, such as during the Second Empire of Louis Napoleon, and in the postwar period, with the *dirigiste* (interventionist) state and its neo-Keynesian policies. Here, too, however, a closer historical investigation reveals that postwar state revival was actually the brainchild of right-leaning technocratic elites during the last days of the Third Republic, the Vichy regime, and the Liberation era, with that revival getting more from the ideas of the right and even far right about state leadership and organization than from the left during the Liberation period (Nord 2010). Since the 1980s, however, the 'State in action' has become more of a 'state of mind,' as postwar Keynesianism gave way to neo-liberal reform in which the state engineered the '*dirigiste*' end of *dirigisme* through liberalization, privatization, and deregulation (Schmidt 1996, 2012). Nonetheless, the deep-seated idea of the legitimacy of strong state action helps explain why the French would be ready to jump back in with a more state-led, Keynesian approach to the 2008 crisis, and why Germany, with its stability culture, and without such an idea of the state, would resist.

Policy Ideas

At the opposite end of the spectrum are the ideas contained in the specific policies, norms, values, and political discourse applied to particular situations which change rapidly when new agendas emerge and 'windows of opportunity' open up (Kingdon 1984; Baumgartner and Jones 1993). Here we can place the whole range of Eurozone leaders' policy solutions that followed one another in rapid succession, each time calming the markets only momentarily, often because the best window for action was long gone. Nonetheless, these were highly innovative solutions, despite their failure to convince the markets. To understand how innovative they were, they need to be considered in terms of the EU's extremely constraining institutional context. The EU Treaties, including the recent Lisbon Treaty, now known as the Treaty on the Functioning of the EU (TFEU), forbade most of what the economic initiatives set out to do while past institutional practice made the governance initiatives unprecedented. The two sets of initiatives have together taken the EU into much deeper economic and political integration.

The policy responses to the Eurozone crisis start in May 2010, with the direct loan to Greece of €110 billion loan to save the country from sovereign default, and the establishment of a three-year loan package (€440 billion, plus another €220 to come from the IMF) as a "special purpose vehicle" for other member-states threatened by contagion, subsequently called the European Financial Stability Facility (EFSF). In addition, the ECB started buying up member-state debt. These kinds of actions were all technically in violation of the EU's treaties. These include the no-bailout clause that forbids the EU and any member-state from assuming the financial commitments or liabilities of any other, that allows the granting of financial assistance only where a member-state's difficulties are caused by "natural disasters or exceptional occurrences beyond its control," and that does not allow the ECB to purchase the debt instruments of its member-states, including government bonds.

So how did EU leaders get around these restrictions? We need to credit EU leaders with a lot of imagination. On Greece, the EU skirted the no-bailout clause by making a loan at close to market prices, while it justified the EFSF by interpreting the potential contagion from the Greek crisis as involving an "unnatural" disaster beyond the control of the member-states in question. Moreover, it did not attempt to set the EFSF up under the Treaties for fear of failing to achieve unanimity, and instead went through multiple bilateral agreements, to which Eurozone members plus Sweden and Poland signed up.

Only afterwards, at the insistence of the German Chancellor, did it agree via a strictly worded treaty amendment in November 2010 to establish a treaty-based permanent European Stability Mechanism (ESM) as of 2013, once the EFSF ended. Finally, the ECB got around the prohibition against directly buying government debt by purchasing it on the secondary markets (Schmidt 2010b).

The agreement of May 9-10, 2010, was supposed to 'shock and awe' the markets into submission. Nothing of the sort happened, nor did it thereafter, whenever EU leaders announced that the next 'big bazookas' were certain to impress the markets and stop the contagion to other member-states. On the contrary, every time a new policy initiative was declared, it gave the markets a new idea to panic over. Thus, for example, when the German Chancellor insisted that bank creditors would also share the pain under the EMS, arguing that it was not fair that only taxpayers were asked to pay for the bad debts of the banks, the markets for the first time considered the possibility that they would have to take losses, and immediately intensified their pressure on Ireland and other Southern European countries. No amount of subsequent reassurances by European leaders that "haircuts" for creditors would apply only to bonds emitted after 2013 could stop the run on Ireland. By the end of November 2010, with the interest rates on bond issues rising to unsustainable levels, Ireland was forced into asking for protection through the EFSF. Meanwhile, Spain announced yet another round of painful budget cuts to fend off the markets and Portugal voted in a highly restrictive 2011 austerity budget. But this did not stop the market attacks that led the latter country to ask for protection under the EFSF in spring of 2011.

A large part of the problem has been not just that EU leaders' initiatives did not do enough; it is also that they consistently came late. Had the Greek rescue arrived in January or February, when the Eurozone debt crisis started, or even in March rather than May, the markets might have been reassured and the EU may not even have had to come up with the loan guarantee mechanisms for the other countries at risk. This said, had the EU rescued the CEECs in 2008 rather than sending them to the IMF, by setting up its own European Monetary Fund (EMF), as some had called for at the time, the markets may not later even have worried about a possible Eurozone debt default. As it is, even had there been early resolution to the Greek meltdown, it might have only briefly put off the attack on the other PIIGS (acronym for Portugal, Ireland, Italy, Greece, and Spain). Once the markets got the idea that government debt was not completely safe, which followed Dubai's insolvency problems in 2009, it was only a matter of time before the eurozone's weaker member-states with less competitiveness and higher deficits would become a target.

Moreover, the Greek sovereign debt crisis has yet to be resolved. The first bailout, which stipulated that Greece follow the strictures of the Troika (IMF, ECB, and EU Commission) in exchange for its loan—with not even a renegotiation of its debt, which was promised only in the second bailout package—was insufficient. The second loan, agreed in July 2011, was still in negotiation as of January 2012, as creditors balked at 'haircuts' of 60% or more while the Greek government failed to implement the structural reforms it had promised way back in May 2010—after all, the Greek politicians in the technocratic government seem to reason, what is the incentive, since this second tranche won't solve the countries' debt problems, in particular since its GDP has been plummeting and the already long sharp period of austerity has only resulted in major reductions in salaries along with a massive reduction in welfare state entitlements and services (*New York Times* January 16, 2012).

Other economic policy ideas that were not taken up also need to be added to this list, such as allowing the ECB to buy member-state debt directly as lender of last resort and printing money where necessary (quantitative easing); the pooling of member-state debt through euro-bonds; or the creation of a European Monetary Fund for countries in trouble. These unaccepted policy ideas can be seen as ones that violated one or another EU leader's underlying philosophical ideas while the accepted ideas in many ways can be seen as the compromises resulting from the struggles of EU leaders to reconcile their different underlying philosophies of economic governance. But their acceptance or rejection can also be understood in terms of the more general policy programs that underpin them directly.

In addition to the economic policy ideas were ones about economic governance. With regard to the EU's economic governance, for one, instead of evaluating countries separately on a narrow range of numerical macroeconomic indicators, the EU has agreed to consider the interplay of all the member-states' economies as part of the new "European Semester." This is a new exercise in which member-states' economies are to be assessed in advance of government budget proposals in order to provide national parliaments with an outside source of expert recommendations as they assess government budgets. Those things taken into consideration in the overall exercise would not only be member-states' economic performance but also their impact on fellow member-states, including current account surpluses and deficits. Initially this was taken to be voluntary. But the exercise became more focused on fines and sanctions for deficits (although not surpluses—as Germany ensured), first with the 'six pack' agreed in June 2011 and then the 'fiscal compact' agreement among twenty-six member-states (following British Prime Minister Cameron's veto of a new Treaty initiative)

Programmatic Ideas

At an intermediate level, in between the philosophical and policy ideas, are the paradigms, problem definitions, or analytical frameworks that constitute policy programs (Majone 1989; Hall 1993; Jobert 1989; Muller 1995; Schmidt 2002, 2011; Mehta 2011). These often serve as the linkage between the policies and the philosophies, by encompassing the policies in a larger set of policy commitments and instruments, while also reflecting deeper philosophical concerns. Programmatic ideas may be considered either to stand alone as the predominant 'paradigm' in use (e.g., Hall 1993) or to be in competition with rivals programs as they identify the goals, objectives, instruments, and principles for political economic practice (Schmidt 2002, 2011). After all, even in the heyday of neo-Keynesianism, as it was applied across the advanced industrialized world (Hall 1989), there were theorists such as Friedrich Hayek and Milton Friedman who were biding their time, writing about the dangers of the predominant Keynesian paradigm, who found windows of opportunity for their policy ideas in the mid-seventies, when the oil shocks hit (Blyth 2008). Such programmatic ideas tend to change at longer intervals than policy ideas, but much more frequently than philosophical ideas.

Here, too, we can talk about rival programmatic ideas or paradigms with reference to conservative neo-liberalism on the one side, more progressive neo-Keynesianism on the other. Programmatic ideas are generally seen to bring with them a set of problem definitions and solutions, policy instruments and objectives, as in Thatcher's monetarist paradigm in Britain (Hall 1993) or France's *dirigiste* paradigm of postwar economic management (Schmidt 1996). As such, these ideas are more than just 'frames,' since they come with a whole set of policy prescriptions, instruments, and goals in addition to having a given conceptual approach. They are also at a different level of generality from more deeply rooted philosophical ideas, such as when Keynesianism represents a progressive philosophy that helps establish 'embedded liberalism'—such as in the US and Sweden from the 1930s to the early 1970s, whereas monetarism is part of a more radically conservative neo-liberal philosophy that serves to 'disembed' liberalism, which happened in both countries beginning in the late 1970s, but in different ways to differing effects (Blyth 2002, 2008). This said, the concepts may also be approached primarily as policy ideas, such as when Keynesian economic ideas are shown to apply in different countries in very different ways, as in the UK and France, by contrast with Germany (Hall 1989).

Prior to 2008, the macroeconomic governance of the dominant neo-liberal policy paradigm was monetarism, with its recommendations for budgetary austerity, low inflation, and low deficits and debt. This paradigm had its first major challenge in a long time in 2008, when Prime Minister Brown followed quickly by President Sarkozy called for Keynesian stimulus, while Chancellor Merkel of Germany demurred, but ultimately caved in and agreed. This is when many thought that a new progressive neo-Keynesian paradigm was about to take hold. But this hope faded in May 2010, when neo-liberal or, better, ordo-liberal austerity was re-imposed, at the behest of Germany and EU institutional actors, in exchange for agreement to the Greek bailout and to setting up the EFSF.

These two main paradigms or sets of programmatic beliefs continue to help define the different analyses of the Eurozone crisis and its potential remedies. Thus, for example, the dominant conservative neo-liberal policy program defines the Eurozone crisis as a problem of excessive debt in peripheral countries, recommends that these countries cut public spending and institute austerity, despite the fact that their structural reforms have yet to show any effects, that their economies are slipping into recession, with increasing rather than diminishing budget deficits, and that this has done nothing to convince the markets, focused now on growth. The conservative neo-liberal program also assumes that the only thing that could be done at the EU level has been done, with the EFSF for three years, the ESM thereafter, and, when the former did not prove large enough before the ESM kicked in, the EFSF's further leveraging by getting the BRICs and the Federal Reserve Bank to buy in, which they refused. The downgrading of France's Triple A rating in particular makes this approach even less likely to succeed, given that the borrowing costs of the EFSF will only go up. The response: to bring in the ESM sooner.

The progressive neo-Keynesian approach instead defines the crisis as one of weak regulation of financial markets, imbalances between surplus and deficit countries, too much austerity too soon for a recovery from the 2008 market meltdown, and the need to encourage growth. The solutions, moreover, are all the ones mentioned earlier with regard to the policy ideas not taken up—although not all those who favor one or another solution necessarily fit in the progressive camp, among them the German Minister of Finance, Wolfgang Schäuble. The progressives want more expansionary monetary policy, including monetary easing; going beyond the loan guarantee mechanisms, both the EFSF and the ESM, to a real European Monetary Fund (EMF) (first proposed by Schäuble in 2008); allowing the ECB to become a lender of last resort so as to stop the speculation against European sovereign debt once and for all; and pooling member-state debt through some form of eurobonds (see, e.g., Pisani-Ferry, Breughel website).

Supporters of these different policy programs can be seen as sitting in different camps, trading insults from afar in the op-ed pages of major quality newspapers. But the contestation has also occurred in EU institutions and national capitals. The French were largely in the progressive neo-Keynesian camp until May 2010, but this ended when Sarkozy agreed to austerity in exchange for the Greek bailout. Until then, French policy elites not only pushed for continued stimulus but also focused on the problem of surplus countries (read Germany) with high exports and low domestic consumption and their responsibility to spur demand and reduce savings. This was most clearly articulated in 2009 by Finance Minister (and now IMF chief) Christine Lagarde (cite). The German government—true to form—responded vigorously against any such criticism, insisting that the problem was not Germany's surpluses but the Southern European countries' deficits (cite).

Mechanisms of Change in Ideas and Discourse

With all these economic policy ideas, grouped into two main policy programs, and underpinned by the deep-seated philosophical ideas that generally have a long tradition in any given country, one has to wonder whether there can be any change at all. Theoretically, for those who focus primarily on the paradigm interpretation of policy programs or the 'subject' position into which philosophical ideas put most actors, change is not easy. And yet, new and unexpected policy ideas that don't fit the paradigm do emerge all the time, while philosophical ideas evolve.

Policy programs, moreover, are sometimes portrayed as involving sudden conversions during moments of uncertainty (e.g., Blyth 2002) through paradigm shifts (Hall 1993), other times as incremental steps in adaptation and adjustment to changing realities (e.g., Berman 2006). Paradigm theory in particular, building on Kuhn (e.g., Jobert 1989; Hall 1993; Schmidt 2002, Ch. 5, 2012, Skogstad and Schmidt 2011), tends to see revolutionary shifts from one policy program with a single over-arching idea to the next. This kind of approach is useful when considering radical shifts in programs, as in the case of Thatcher in the UK in the 1980s (Hall 1993), or as a metaphor for major change when viewed at a distance, say, from France in the 1970s vs. France in the 2000s. But it does little to help explain France's 'paradigmatic' abandonment of *dirigisme*, since there was no clear idea of where they were going, either by the right or the left as they instituted neo-liberal policies. And what of Germany, which can be explained better by the continuity of its underlying philosophy through incremental changes in its policies? Paradigm theory is equally of little use when looking into the moment of crisis and uncertainty, when ideas seem in flux, as in the case of the Eurozone debt crisis, when new policy ideas are being tried, the dominant neo-liberal 'paradigm' is under attack, but continuing to apply its cure, with little result. For example, how do we explain the case of the ECB's decision not to follow the prescriptions of either neo-liberals or Keynesians when, instead of either doing nothing as the conservative neo-liberal paradigm dictated or becoming a lender of last resort as the progressive neo-Keynesian paradigm proposed, it sought to ease the crisis in December 2011 by providing massive three year loans to the eurozone's banks at a benchmark rate of 1% interest, without stigma, an offer the banks could not and did not refuse (the initial take-up was €489bn for 523 banks). The goal was for these banks to use the money to buy the debt of the Eurozone countries under attack by the markets—in particular Italy and Spain. This example raises the question of the mechanisms by which ideas and discourse change over time.

For the mechanics, we need approaches that take us deeper into the theorization of the content of ideational and discursive change. The most developed such approaches are those of discourse analysts who build on the work of Foucault, by investigating the 'archeology' of what was acceptable in a given discursive formation from one period's *episteme* to the next, through examination of networks of rules establishing what is meaningful at any given time (see Pedersen 2011). Conversely, discourse analyses built on Laclau and Mouffe (1985) can point to different ways in which concepts may be employed, such as 'nodal points' from which all other ideas take their meanings in an ideological system, or the 'logics of difference' which separate out 'bad' ideational elements, as when reference to 'the transition' in Romania entailed new understandings of 'market' and 'privatization' (Howarth, Norval, and Stavrakakis 2000). Carstensen (2011a), taking the notion of central 'nodal points' from Laclau and Mouffe (1985) plus the concept of 'web of beliefs' from Bevir and Rhodes (2003), sketches the process of change by showing how meanings shift by changing the weight of different elements in a 'web of related elements of meaning.' This can prove useful to understanding the ways in which new Keynesian policy ideas may be being grafted into the old neo-liberal programs in ways that make for incremental change. But this does not deny that radical change can also occur.

Political science approaches that attempt to explain incremental change in formal institutions through concepts of 'layering,' 'drift,' 'reinterpretation,' 'conversion,' and 'exhaustion' can also prove useful (e.g, Streeck and Thelen 2005), if taken beyond descriptions of policy shifts to apply to the discursive dynamics behind them. Thus, for example, to explain the changes in philosophical ideas about the EU itself, we could show how President Mitterrand 'layered' a more modern understanding of the EU and France's role on top of that of De Gaulle, while President Sarkozy made up for his predecessor Chirac's 'drift' with the renewal of a Gaullist leadership-style in the EU; how Prime Minister Tony Blair and even more so his successor Gordon Brown allowed for Euroskeptic 'drift,' by rarely engaging in any pro-EU discourse within the UK, while

Prime Minister Cameron has 'converted' the discourse into a much more actively Euroskeptic one, in particular with his decision to veto the 'fiscal compact;' or how Chancellor Angela Merkel may very well have most recently 'reinterpreted' the national discourse about the EU by shifting from the past desire to forge a political identity of Germany as European into the present attempt to forge an economic identity of Europe as German.

Sociological approaches that theorize about the mechanisms of change are equally useful, whether in terms of emulation (imitation), learning and competition dynamics as well as in processes of diffusion of ideas (Dobbin et al. 2007) or as 'bricolage' (Swidler 1986), in which agents are in a constant process of engagement with ideas, handling the complexity of information through 'schemas,' constructing 'chains of action' with some 'pre-fabricated links' based in culture, used as a toolkit to engage with events. Carstensen (2011b) builds on this to show how agents act as 'bricoleurs' who use 'toolkits' to combine elements from the existing ideational repertoire to create new meanings and, with these, seek to create a powerful political coalition for change. But here, we are already into the interactive side of ideas and discourse, which shifts our focus to the agents who generate, deliberate, and contest ideas (whether as policies, programs, or philosophies using frames, narratives, stories, and memories) through discursive interactions that lead to collective action.

DISCURSIVE INTERACTIONS IN THE EUROZONE CRISIS

The Eurozone crisis stems not just from problems with the substantive content of the ideas and discourse. It also concerns their discursive interactions, which occur in different spheres. To analyze the crisis it is not enough to know what EU leaders thought (ideas) or said (discourse), we also need to investigate what they said to whom in the process of policy construction and political communication in the 'public sphere' (Habermas 1989). The two main parts of the public spheres of discursive interaction are the policy sphere, in which policy actors engage one another in a 'coordinative' discourse about policy construction, and the political sphere in which political actors engage the public in a 'communicative' discourse about the necessity and appropriateness of such policies (see Schmidt 2002a, Ch. 5, 2008)

The Coordinative Discourse among Policy Actors

In the policy sphere, the 'coordinative discourse' consists of the individuals and groups—the elected officials, civil servants, experts, organized interests, and activists, among others—who seek to *coordinate* agreement among themselves on policy ideas through their discursive interaction. The coordinative discourse may be the domain of loosely connected individuals united in 'epistemic communities' who share cognitive and normative ideas (Haas 1992); more closely connected individuals who also have access to policymaking via "advocacy coalitions" (Sabatier l993), "discourse coalitions" (Lehmbruch 2001), or "advocacy networks" (Keck and Sikkink 1998)*;* as well as 'entrepreneurs' (Finnemore and Sikkink 1998) or 'mediators' (Jobert 1989, Muller 1995) who draw on and articulate the ideas of discursive communities and coalitions. Think tanks and other experts who are part of 'knowledge regimes' have also in recent years become increasingly important players in the coordinative discourse (Campbell and Pedersen 2010). The main actors we are concerned with here are those with the institutional power to act, the policymakers whose role it is to take decisions, who are the focus of the attention of entrepreneurial actors and discursive communities, and who may (or may not) get their own ideas and discourse from these other actors with the 'power of ideas.'

In the Eurozone crisis, the strongest advocacy coalition has been constituted by members of the European Central Bank, the IMF, the EU Commission, and Germany, all promoting neo-liberal precepts of monetarist macroeconomic policy, budgetary austerity, and 'structural reform.' The European Monetary Union (EMU) is itself the fruit of an earlier epistemic community of central bankers, economists, and financial reporters who convinced policymakers of the merits of EMU (Verdun 2000). Moreover, the philosophical ideas at the basis of German ordo-liberalism, which inform not just the Bundesbank but also the ECB, which absorbed its ideology, were developed by a discourse coalition led in the early postwar period by Alfred Müller-Armack, the entrepreneurial actor who articulated the arguments that convinced policy actors, political actors, and then the public of the necessity and appropriateness of this idea (Lehmbruch 2001).

The most significant players in the coordinative discourse surrounding the Eurozone crisis are the EU leaders themselves. In this crisis, their discursive interactions have been fraught with conflict while their actions have often been hesitant and delayed, largely because of resistance from one or another of the other leaders involved in negotiation—as we have already seen. The problems stem not only from the ideas and discourse *per se* but from how they are used in the multi-level set of dynamics at play. These involve not just EU level politics, involving ideas and discourse about the necessary and appropriate policies, programs and philosophies, but also national politics, involving concerns about the impact of EU decisions on a wide variety of national issues. Such concerns include the effects of EU initiatives not just on national economies but also on the EU leaders' electoral prospects as well as on how any given decision would be perceived by national coalition members, opposition parties, and other national institutional players, not to mention the citizens.

As already noted above, the crisis could have been avoided had German leaders not been so resistant to any kind of bailout of Greece in the period from late January to early May 2010. The reasons for that resistance are many. But in addition to the deep-seated ordo-liberal philosophical ideas along with the policy and programmatic ideas already mentioned, we need to cite short-term, interest-based ideas as well as institutional considerations. Merkel demanded that Greece put its own house in order before any help would be forthcoming because, she claimed, the German Constitutional Court would be skeptical of any Greek bailout. She was also all the while hoping that Greece would tighten its own belt sufficiently to calm the markets while allowing her party to win the Nord Rhine Westphalia elections on 9 May 2010 before any action would need to be taken. Both were major miscalculations. The crisis got much worse and she got a drubbing in the regional election, losing her majority in the upper house

In contrast, on that 'historic' weekend of May 8-9, President Sarkozy was himself largely responsible for overcoming Chancellor Merkel's opposition to the bail-out and for pushing the €750 billion loan guarantee mechanism designed to shore up other vulnerable member-states—although he did fail in his push for 'economic governance' by the eurozone countries as well as in his neo-Keynesian resistance to imposing budgetary austerity across Europe. Obama also made an important phone call to the Chancellor to urge her to act.

Subsequent rounds of negotiation added more complications. Not only was Merkel hesitant and slow to move, over and over again, but other EU leaders threw in monkey wrenches along the way, again often over national considerations involving coalitions partners or electoral pressures. On the second Greek bailout, moreover, the need for parliamentary ratification in all 17 Eurozone countries slowed the process, and worried the markets even more as the Finns insisted on collateral from Greece for its participation in the second bailout, while the fourth partner in the Slovakian government coalition threatened to vote against the bailout and then did, along with the center-left, which then brokered a second positive vote in exchange for the government's agreement to hold early elections.

The coordinative discourse of EU policymaking also suffers from another set of problems related to Eurozone governance. During the eurozone crisis, the EU has been largely governed by the member state leaders in the Council—in particular Germany and France—with the EU Commission for the most part sidelined. Moreover, the European Parliament, the only directly elected body in the EU, has barely been involved. Finally, while the implementation of the rules tends to be automatic, with technocratic oversight by the EU Commission, now also charged with surveillance of member-state's national budgets along with the review of government's budget proposals before they go to national parliaments.

The political leaders don't seem to worry much about the implications of this for perceptions of democratic legitimacy, in particular since they have moved toward assuming that an intergovernmental Europe is the best way to govern. Note Sarkozy's Toulon speech on the Eurozone crisis (Dec. 1, 2011), in which he states that 'Europe needs more democracy' and defines a more democratic Europe as 'a Europe in which its political leaders decide.' Merkel does not seem as single-mindedly intergovernmental as Sarkozy, which for him also seems to mean excluding the Commission from most active involvement in coordination. But she, too, seems to support intergovernmentalism in Eurozone governance. This comes out in her speech at the College of Europe in Bruges (Nov. 2, 2010), in which she claims that with the new 'Union Method:' "a coordinated European position can be arrived at not just by applying the community method; sometimes a coordinated European position can be arrived at by applying the intergovernmental method."

Finally, the decisions of EU leaders often speak for themselves, as mediated by the media and interpreted by 'the markets' and 'the people.' But EU leaders for the most part also communicate about their decisions, speaking to the markets and the people in order to convince them of the necessity and appropriateness of their actions. In this, they have not been very successful, as judged by the continued volatility of the markets and the rise of the political extremess.

The Communicative Discourse with the Public

In the political sphere, the 'communicative discourse' consists of the individuals and groups at the center of political communication involved in the presentation, deliberation, and legitimization of political ideas with the general public. These consist of political actors who, as political leaders, government spokespeople, party activists, 'spin doctors,' and more, *communicate* the policy ideas and programs developed in the context of the coordinative discourse to the public for discussion and deliberation in a mass process of public persuasion (see, e.g., Mutz, Sniderman, and Brody l996). But it encompasses other political actors as well, including members of opposition parties, the media, pundits, community leaders, social activists, public intellectuals, experts, think-tanks, organized interests, and social movements, among others who, often organized in the 'policy forums' of 'informed publics'(Rein and Schön 1994) and the 'public of organized private persons' (Habermas 1989) as well as in the 'strong publics' of oppositions parties, members of legislatures, and political commentators (Eriksen and Fossum 2002).

'The people' are also an important component of the communicative discourse. The general public of citizens and voters to whom this communicative discourse is directed also contribute to it, as members of 'civil society,' through grass-roots organizing, social mobilization, and demonstrations, and as the 'weak publics' of the electorate, whose voices are heard as the subjects of opinion polls, surveys, focus groups, as well as, of course, as voters. The arrows of discursive interaction, in other words, go from the bottom up as well as the top down. This is where the extensive literature on the Europeanization of the European public sphere comes in to elucidate the 'transnational communities of communication" (Risse 2010) as well as the ways in which the media act as transmission belts for the articulation of citizens' 'claims' toward political decision makers (Koopmans and Statham 2010).

We also need to consider 'the markets' here as a separate category from 'the people.' How to explain the markets, and in particular the motivation of market agents, comes up for the markets in a way it does not for 'the people.' This is because the motives of the general public have been studied in great depth in a variety of ways. In political science alone they are defined as the behaviorally motivated subjects of electoral behavior studies, the manipulated masses of mass communication studies (Zaller 1992), the 'mini-publics' of citizen juries and the deliberative voter in deliberative polls (Goodin and Dryzek 2006), the targets of public debates (Mutz et al. 1996), or even just the ordinary people who, through their everyday talk and argumentation, play an important role in the forum of "opinion-formation" and even "will-formation" (Mansbridge 2009).

By contrast, 'the markets' tend to be identified as consisting of rational actors motivated by profit. Although the different actors in the markets are often seen as having different objectives related to their roles, such as bankers, investors, hedge fund managers, and the like, this all tends to be boiled down when it comes to their motivations into a view of them as profit-seeking interest maximizers. Economic rational actor theory, combined in particular with neo-liberal theory, offers one of the most elaborated theories about the 'micro-foundations' of markets, but its view of agents as rationally self-interested calculators with complete information and fixed preferences in stable institutions does not square with reality. The problems with this approach are perhaps best illustrated by the view of Alan Greenspan, former head of the Federal Reserve Bank, who responded in Congressional hearings on the causes of the economic crisis in the US, when asked if he saw a problem with his ideology: "those of us who have looked to the self-interest of lending institutions to protect shareholders' equity, myself included, are in a state of shocked disbelief" (New York Times, October 24, 2008).

There has been a great deal of criticism of these economic rationality presuppositions as much too narrowly 'rational,' from the side of the behavioral psychology and economics as well as from constructivists. On the behavioral economics side, the rediscovery of Keynes has brought with it much attention to 'irrational exuberance' and 'animal spirits' as a corrective to assumptions of constant and total clear-seeing on the part of market actors (Akerloff and Shiller 2009). But this arguably goes too far in the opposite direction. We are left a choice between market actors as rational following a very narrow economistic definition of rationality, or as irrational. However, there are critiques of this approach on the behavioral side, such as the 'framing effects' experiments by Druckman (2004) that show that the meaning context matters, and that much of this is based in language (see Schmidt 2010a). There are also critiques from economic sociology, such as that of Jens Beckert (2011), who uses the concept of 'fictionality' to argue that instead of being economically rational, market actors elaborate 'imagined futures,' and organize their activities based on such 'mental representations.' All of these latter views of market rationality offer support to the argument developed in this paper: that ideas and discourse matter. For 'the markets,' it means that market actors, whatever the herd mentality, have ideas or 'fictions' about what may happen in the future that influence how they act in the present. For the Eurozone crisis, their fear of future default has been driving their actions, even though the EU and even the member-states under attack—before the attacks—were not in danger of default. This is where, as we have already seen, better coordinated action by EU leaders, along with better communicative discourse, would have helped allay those fears.

As for speaking to 'the people,' EU leaders have in some cases created their own problems with their national publics. In Germany, for example, Chancellor Merkel's discourse in the months before agreeing to the first Greek bailout and creation of the EFSF did nothing to prepare the public for it, and instead seemed to agree with the tabloid press that castigated the 'lazy Greeks.' Her discourse about punishing the Greeks and maintaining the most restrictive adherence to the Stability and Growth Pact fueled a nationalistic, media feeding-frenzy that opposed any bailout because it would make "good" member-states liable for the debts of "bad" ones. It also emphasized the virtue of good Germans who saved, tightened their belts through budget-cutting and wagerestraint, and that opposed any "transfer union" in which Germans would underwrite the irresponsible South. And there was no mention here of the ways in which Germany itself had benefited from consumption in other European countries, with current account surpluses that were partly responsible for the deficits in other countries. This anti-Greek, anti EU level action discourse made Merkel's about-face, with her legitimating discourse 'to save the euro' on May 10 2010, all the more difficult to legitimize. When Merkel came out on national television to explain her decision, she offer a very thin, economic argument maintaining that, "the future of Europe depended on the bailout" and "it was essential to maintain the stability of the euro." The move was deeply unpopular, with critics like the conservative newspaper, the *Frankfurter Allgemeine Zeitung*, announcing that: "All of the principles of monetary union have been sacrificed." In order to appear more credible, therefore, Merkel's government became the defender of the most rigid interpretation of the Stability and Growth Pact, calling for draconian punishment of offending eurozone members, including loss of voting rights (although it backed off of this in light of EU Council objections. The subsequent 'six pack' and 'fiscal compact' that German leaders insisted upon pushing through have been as much about trying to convince the people at home that the Euro would be German as it was to convince the markets that the EU was resolving its problems (especially since these measures for the most part only restated previous agreements). Finally, it has only been very recently that the Chancellor has been making a strong positive case in Germany for EU level solutions, by insisting that "not less Europe but more" was the answer to the crisis, since Europe had likely entered its "most difficult hours since World War II" (cite?).

Interestingly, the French leaders' communicative discourse to the public has been entirely different. Unlike the Germans, it has all along been focused on the importance of maintaining solidarity Moreover, in Sarkozy's speech in Toulon (Dec. 1, 2011) on the severity of the Eurozone crisis and what needed to be done, he sought to reinforce French identity in Europe while countering the extreme right's message by insisting that: "Europe is not less sovereignty, because it entails greater capacity to act."

In contrast to both Germany and France, the discourse of Italian Prime Minister Silvio Berlusconi was all about blame-shifting to Europe on the economic problems. Moreover, he kept going back and forth between claiming that Italy was in great shape because it saved so much, and admitting that things were bad, all the while producing no serious reform. Only with the resignation of Berlusconi at the height of Italy's sovereign debt crisis in December 2011 did the blame-shifting stop and serious reform begin, with his replacement by a technocratic government headed by Mario Monti, who stated that: "You will never hear me ask for a sacrifice because Europe asks for it, just as you will never hear me blame Europe for things that we should do and that are unpopular. I would rather be considered unpopular, rather than Europe, because you can do without me, but not without Europe." *New York Times,* Dec. 5, 2011). Monti, in fact, has been brilliant at speaking to the markets, the people, and to EU leaders all at the same time. In his end-of-year press conference he spoke to the Germans, by describing himself as the "most German of Italian economists," to the markets, by claiming that Italy was now moving with the winds behind it "to the north-west, towards Brussels and far from Greece," and to fellow EU leaders as he claimed that "the turbulence is absolutely not over' and that more had to be done to agree on measures to ensure financial discipline while "substantially increasing" the European Financial Stability Facility bail-out fund (FT Dec. 29, 2011). In a direct message to Germany, again, in interview in *Die Welt*, Mr. Monti said that more needed to be done at the EU level or else "a protest against Europe will develop in Italy, also against Germany, which is viewed as the ringleader of E.U. intolerance, and against the European Central Bank" and that economic discontent could force Italy to "flee into the arms of populists" (NYT Jan 11, 2012). His support for aggressive action by the European Central Bank to bring down Italian interest rates, the issuance of Eurobonds, as well as support for providing concrete assistance to promote growth, fits better with Sarkozy's views than those of Merkel.

The Eurozone crisis has been brought home to national politics in another way as well: the rise of the political extremes. Populist parties have become increasingly vocal in opposition to Eurozone bailouts across Continental Europe, from France's extreme right National Front to Germany's extreme left *Die Linke*. In the Netherlands, Gert Wilders has succeeded in making his party the second most popular in the Netherlands by shifting his emphasis from anti-Muslim to anti-European politics, while the far left Socialists, also opposed to the Eurozone rescue packages, have moved up in the polls. As for France, a recent poll found that 31 percent of the French agreed with the ideas of Marine Le Pen's National Front, as opposed to only 22 percent in January 2011, and 11 percent in 1999 (*Le Monde*, Jan. 13, 2012). Anti-European sentiment has increased also outside the Eurozone, most noticeable recently in the UK, with the backbenchers' revolt in the Conservative party. More generally, Euroskepticism is on the rise both in Southern Europe, where citizens see the EU as imposing unnecessarily harsh austerity to placate Northern Europe, and in Northern Europe, where citizens see the EU as imposing unnecessarily high costs in bailing out Southern Europe. And European leaders have done little to counter this.

CONCLUSION

The Eurozone's economic crisis has developed and intensified largely because of the politics, and in particular because of EU leaders' inability to coordinate with one another sufficiently well to produce adequate solutions or to communicate convincingly to 'the markets' and 'the people' about them. The problems involve not only the substantive content of the ideas and discourse, in which EU leaders have had different frames, narratives, and stories favoring different policies contained in rival programs underpinned by very different philosophies of economic governance, which they supported with often very different cognitive and normative arguments. The problems also involve the discursive interactions in multi-level Europe, as national communicative considerations often trump EU-level ones. With regard to the markets, EU leaders have proposed solutions that were seen as too little too late, such as the various loan guarantee mechanisms; were considered to be the wrong solutions, as in austerity measures that created growth concerns; or raised new contingencies that the markets themselves had not anticipated, as in banks taking haircuts and Greece exiting the Eurozone. With regard to the people, the wrong messages, as in Germany's chastising discourse, or confusing ones, as in Berlusoni's blame-shifting, have not prepared national publics for the necessary EU as well as national reform initiatives, while the poverty of the legitimating discourse generally has left the field open to the extremes of the right in particular.

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