Abstract:
The EU’s sovereign debt crisis is not just economic; it is also political, resulting from the failure of EU leaders to offer solutions that calm the markets and convince the people. These failures stem from problems with EU leaders’ ideas about how to solve the crisis as well as their communication about them. That communication encompasses not just EU leaders talking to one another in negotiations of crisis solutions but also speaking to ‘the markets’ and to ‘the people’ about those solutions, all of which may interact in perverse ways. This paper uses the analytic framework of ‘discursive institutionalism’ to consider the different forms, types, levels, rates and mechanisms of change in ideas followed by the EU leaders’ discursive interactions in the ‘coordinative’ discourse and 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.

Keywords: Eurozone crisis, discursive institutionalism, markets, discourse
Speaking to the Markets or to the People? A Discursive Institutionalist Analysis of the EU's Sovereign Debt Crisis

Introduction

The sovereign debt crisis that hit European Union (EU) 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—in particular the Germans and the French—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 solutions. 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 their national constituencies. There are also feedback loops, however, in 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 national contexts. 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 not always as central 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 European 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 had little effective voice, and has only rarely been heard above the cacophony of EU member-state leaders’ voices. This is in great contrast to its role in other areas, such as in international trade (see De Ville and Orbie, this issue). 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 evidenced 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, 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 1997; see also Beland and Cox 2011) and the ‘*référentiel*’ school (Jobert 1989; Muller 1995) in comparative politics; with ‘constructivism’ in international relations (e.g., Finnemore 1996; Rosamund, this issue); 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 engages with post-structuralist and post-modernist approaches (e.g., Foucault 2008) when it comes to discourse as the embodiment of ideas, including critical discourse analysis (De Ville and Orbie, this issue; Diez, this issue). 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), epistemic communities (e.g., Haas 1992), and knowledge regimes (e.g., Fischer 1993; Campbell and Pedersen 2010) 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., Habermas 1989; Mutz et al., 1996).

The article uses a number of these methodological approaches as it examines the political dimension of the Eurozone’s economic crisis. In so doing, the article also points to the scope and limits of such approaches, as it shows which aspects of the crisis a given approach best illuminates, which it may ignore or obscure as a result of its methodological focus, and with which other approaches it is more complementary or contradictory in its interpretation of the crisis.

The first part of the article explores 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 rules 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 ideas and discourse will be provided throughout in illustration, with those of the Germans most prominent along with the French, as the two main generators of ideas and discourse, although the Italians also appear toward the end of the discussion.

THE CONTENT OF IDEAS AND DISCOURSE ABOUT THE EUROZONE CRISIS

The Eurozone crisis has generated a wide range of ideas conveyed by EU leaders’ discourse that come in many different forms—frames, narratives, stories, memories, discursive struggles, and argumentative 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) that in turn affect problems with finding jointly agreed solutions to the crisis.

Forms and Types of Ideas and Discourse about the Crisis

The Eurozone crisis has been conceptualized and articulated in many different ways (see Table 1). Discourse surrounding the Eurozone crisis contains rival ‘frames’ with different guideposts for knowledge, persuasion, and action (Rein and Schön 1994) or “frames of reference” that serve to orient differing understandings and actions (Jobert 1989; Muller 1995). Such frames largely pit those who explain the crisis in terms of excessive private sector debt, insufficient regulation of the global financial markets, and the need for expansionary state intervention to rescue countries in distress against those who understand the crisis instead in terms of excessive public sector debt in peripheral countries, the failure of states to reign in their finances, and the need for budgetary austerity and structural reform for countries in trouble (see also De Ville and Orbie, this issue; Rosamund, this issue). While the latter are generally termed ‘neo-liberals’ or ‘ordo-liberals’ (read neo-liberals with rules, a primarily German approach to economics—see Mirowski and Plehwe 2009; Ptak 2009), the former are often called ‘neo-Keynesians’, although ‘non-neo-liberals’ might be a more accurate term, since it would encompass the much wider range of economists who frame the crisis in this way but are not strictly speaking Keynesians.

[Table 1 about here]

The crisis-related discourse also contains rival ‘narratives’ that shape understandings of events (Roe 1994; Bal 2009), including the realization that this is a crisis, and whether it is surmountable or signals decline (Della Sala 2012). Thus, in accounts of how the crisis was being addressed, the narrative of French President Sarkozy tended to emphasize his country’s long-standing political leadership in the EU and the triumph of its long-thwarted plans for gouvernance économique, without mentioning the neo-liberal content
of that economic governance or the reductions in sovereignty that it implied. German Chancellor Merkel’s narrative instead focused on her own country’s more collective (or partnership) approach to leadership, on her ‘ordo-liberal’ solutions (rule-based liberalism focused on stability) to the crisis, and the need to deepen the federalism Germany has always supported, without mentioning the acquiescence to French gouvernance économique (Crespy and Schmidt 2012).

In addition, there are different stories about the crisis, depending upon the actors involved, as in the case of the financial crisis, where politicians, technocrats, and bankers all had contrasting stories of why the crisis occurred (Froud et al. 2012). In the case of the Eurozone crisis in its early days, the story on the German side was all about the profligate Greeks versus the ‘good Germans’ who save, whereas on the Greek side it was about arrogant Germans who refuse to do what’s right. For the French, moreover, the story was initially about the importance of solidarity whereas later, as Sarkozy increasingly acceded to German demands for austerity, it was focused on stability (Crespy and Schmidt 2012).

“Collective memories” that frame action (Rothstein 2005) also play a role. Most notable is its influence in the Germans’ story, which consistently evokes the 1923 hyperinflation as justification for austerity policies and for opposition to 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 (Wolf 2011).

The “discursive struggles” that establish problem definitions, define ideas, and create shared meanings on which people act (Stone 1988) are also an important part of the development of frames, stories, and narratives. These can be read in the op-ed pages of major newspapers across Europe and on online websites, as think tanks, experts, and opinion leaders propose different interpretations of and solutions to the crisis, divided in particular by neo-liberal versus neo-Keynesian (or non-neo-liberal) framing of the crisis. But they can also be seen in the parliamentary debates in any given member-state (Wendler 2012).

The discourse about the Eurozone crisis also involves different types of “argumentative practices” which sit at the center of the policy process (Fischer 1993), and can be usefully divided for analytic purposes into cognitive and normative arguments. The Eurozone crisis discourse has had its share of cognitive arguments that offer guidelines for political action justified through reference to (social) scientific principles and interpretations, often with interest-based logics and invocations of necessity (see Hall 1993; Muller 1995; Schmidt 2002, 2008), as neo-Keynesians and other non-neo-liberals, neo-liberals and ordo-liberals developed analyses based on their different frames. But the crisis discourse also had normative arguments that attach values to action and serve to legitimize ideas (Schmidt 2002: 213–17; Finnemore 1996).

Most of the neo-liberal cognitive arguments that cite the principles of neo-classical
economics are accompanied by normative 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. German arguments, similarly, mixed cognitive assessments that blamed the crisis on excessive public spending with normative condemnation, as they castigated the Greeks’ public profligacy and then extended this to the other ‘PIIGS’ (Portugal, Ireland, Italy, Greece, and Spain). Neo-Keynesians (and other non-neo-liberals) in response challenged the argument’s cognitive justification, since the other countries were not guilty of the Greek under-reporting and over-spending of public budgets, and argued instead that Germany has a normative obligation to help because (cognitively) Germany’s surplus producing, export-oriented economy profited greatly from the deficit-spending South.

Levels of Generalization in Ideas and Discourse about the Crisis

Ideas and discourse related to the Eurozone crisis also come at different levels of generalization, with differences in the timing and mechanisms of change. These include the philosophies at the deepest level of ideas and discourse, that also tend to be the slowest to evolve; the programmatic ideas and discourse at an intermediate level that may involve sudden revolutionary change or incremental evolution; and the policy ideas and discourse at the most immediate level that are the quickest to change (Schmidt 2008). All three are important for understanding why EU leaders have encountered such great difficulties speaking to the markets and to the people, let alone to one another (see Table 2).

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; Freeden 2003). These are for the most part portrayed as the slowest to change, mainly through evolutionary processes, helping to explain how it is that EU leaders have had such different perspectives on the crisis and have therefore failed over and over again to reach agreement.

Neo-liberalism has often been portrayed as an ideology that sets an all-encompassing perspective on reality (Freeden 2003), such as in the ideological worldview of the followers of Friedrich Hayek (Gamble 2013), or that represents the hegemonic ideology of a resurgent capitalist class (Overbeek and Apeldoorn 2012). Another way of understanding it would be as an underlying worldview or ‘discourse’.

A Foucauldian post-structuralist approach, for example, by explaining the problem in terms of the underlying worldview of the ‘subjects’ to the discourse (Foucault 2000), enables us to get away from seeing only interest-based calculation, intentional blindness
or ‘bloody mindedness’ on the part of EU leaders. It focuses attention instead on the ‘archeology’ of the discourse, or how EU leaders are caught by the dominant discourse of their culture or their institution—in this case by ordo-liberalism (Foucault 2004). This applied well to the bankers of the ECB up until recently and still largely does to the economists and bankers of the Bundesbank, so immersed in the discourse and practice of ordo-liberalism and its anti-inflation philosophy (MacNamara 1999) that they had been long deaf to pleas to promote growth, and seemingly ignored the dangers of deflation. 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 underlying ordo-liberal philosophy, for obvious reasons French leaders do not. Here, Foucauldian ‘genealogy’ or investigations of the slowly evolving ‘webs of belief’ (Bevir and Rhodes 2003) of these countries’ differing traditions of economic governance 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, reinforced by collective memories of the 1920s hyperinflation. It remains the principle point of reference today, used not only in German leaders’ speeches but also in parliamentary debates, especially by the conservative majority (Wendler 2012). For the French, by contrast, the political ‘Culture of the State’ has been a deeply embedded philosophical idea since Louis the XIV. This is despite the fact that 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 devised by right-wing technocratic elites (Nord 2010). Since the 1980s, however, the ‘State in action’ has become more of a ‘state of mind’ (Schmidt 2012) as postwar Keynesianism gave way to neo-liberal reform. 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.

Deep philosophical ideas do naturally evolve as circumstances change, events intervene, and life goes on. In the process, in the repertoire of values of any given society, some may be brought to the fore and other de-emphasized by leaders and publics as they seek to understand and respond to changing realities. But where one particular set of philosophical ideas remains predominant, it may remain unquestioned even at moments of great crisis, when the policy programs that it underpins may suffer crisis, renewal, or even rejection.

Programmatic Ideas
At an intermediate level, in between philosophical and policy ideas, are the paradigms, problem definitions, or analytical frameworks that constitute policy programs (Hall 1993; Jobert 1989; Muller 1995; Schmidt 2002, 2011). Programmatic 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. And when such programmatic ideas are defined as ‘paradigms,’ following Kuhn’s philosophy of science, they suggest a
predominance of one over-arching policy program over a relatively long period of time, to be overthrown in a revolutionary shift by another such paradigm (e.g., Jobert 1989; Hall 1993; Schmidt 2002, Ch. 5, 2011; Skogstad and Schmidt 2011). Paradigm theory offers an explanation of European political economy in two periods: the postwar neo-Keynesian paradigm that lasted up until the 1970s, and the neo-liberal paradigm that has predominated ever since. At the heart of this latter paradigm is neo-liberalism, with its recommendations for budgetary austerity, low inflation, and low deficits and debt. The paradigm could be said to have had its beginnings and biggest success in the UK, with the 1980s Thatcher revolution (Hall 1993), while processes of global diffusion of ideas, mimesis, or learning enable us to explain its adoption elsewhere (Hall 1989). This paradigm had its first major challenge in a long time in 2008, when UK Prime Minister Brown followed quickly by French President Sarkozy called for Keynesian stimulus, while German Chancellor Merkel demurred, but ultimately gave in. 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- (or ordo) liberal austerity was re-imposed.

The very fact that neo-Keynesianism was considered at all suggests that rival paradigms or, better, overlapping ‘research programs’ (following Lakatos 1971) or historically developing ‘research traditions’ (following Laudan 1977) may co-exist in competition with the predominant policy program (see Schmidt 2002, ch. 5, 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 (Mirowski and Plehwe 2009; Gamble 2013). And similarly today, as just noted, although the neo-liberal paradigm seems to rule supreme, a neo-Keynesian (or at least non-neo-liberal) alternative has been actively articulated and even instituted from 2008 to 2009. Neo-liberalism returned with a vengeance in 2010, not to be challenged until the campaign of Socialist President François Hollande in Spring 2012, in the calls for a ‘Growth Pact’ to accompany the ‘Fiscal Compact’.

This suggests that while paradigm theory provides a useful metaphor for what appears in retrospect as long-standing stability followed by radical, crisis-induced change, it is of little use when looking into the moment of crisis, when ideas seem in flux, new policy ideas are being tried, and the dominant ‘paradigm’ is under attack, but continuing to apply its cure, with little result. In consequence, whether within crisis periods or over time, change can just as easily be seen to occur as incremental steps in adaptation and adjustment to changing realities (e.g., Berman 2006).

It is equally important to note that some new policies fit neither the paradigmatic prescriptions nor the ideologies, philosophies, or ‘discourse’ of the neo-liberals. For example, the ECB’s decision to ease the crisis first in December 2011 by providing massive three year loans to the eurozone’s banks with low rates of interest, and then even more significantly with the October 2012 pledge to buy member-state bonds without limit
because the markets were unfairly pricing their debt, violated the non-intervention prescriptions of the ordo-liberal program and philosophy, and came very close to the neo-Keynesian program, which recommended that the ECB become a lender of last resort. But to explain this, we need to consider the policy ideas that go beyond those expectable within existing programmatic and philosophical ideas, developed through processes of *bricolage*, by adding new elements to the old ideas (Carstensen 2011).

**Policy Ideas**

At the most immediate level 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, and they often ran counter to the EU’s extremely constraining institutional context of the EU Treaties.

The EU skirted the no-bailout clause that forbids the EU and any member-state from assuming the financial commitments or liabilities of any other for the Greek bailout by providing a loan at close to market prices, while the ECB got around the prohibition by purchasing government debt on the secondary markets. At the same time, the EU justified establishing the European Financial Stability Facility (EFSF) by applying the exception allowed for ‘natural disasters or exceptional occurrences beyond its control’ to the ‘unnatural disaster’ threatening other member-states with contagion from the Greek crisis. Moreover, the EU 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 (Schmidt 2010).

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. In the meantime, a vast range of ambitious proposals that clearly violated the tenets of the neo-liberal policy program—such as making the ECB a lender of last resort, pooling member-state debt through Eurobonds, or promoting growth through investment via ‘project-bonds’—were widely discussed by think tanks, academics, and the press, demonstrating that there was a (neo-Keynesian—or at least non-neo-liberal) way out of the crisis, but were not taken up. That said, by late 2011 and early 2012, some of these ideas were reintroduced into EU leaders’ debates by ‘credible’ players newly on the scene, i.e., in November 2011, the new Italian Prime Minister, Mario Monti, and in the spring, the French Presidential candidate, François Hollande, as noted above.

All of this suggests that the give and take of policymaking is more complex than theories about paradigms would allow, and that philosophical principles or deep-seated ‘discourse’ do not always stop their ‘subjects’ from taking action, although they may delay it. New and unexpected policy ideas that don’t fit the paradigm do emerge all the time, while philosophical ideas and policy programs evolve. So how then do we understand the mechanisms of change? As evolutionary or revolutionary? It is difficult
to choose between them because while radical revolutionary change do occur and can certainly be seen from the distance of time, during the moment of crisis the mechanisms of change are often understood as incremental, involving *bricolage* or layering of one new idea on the other, although they can also involve the recurrence of old ideas reintroduced in a new guise (Schmidt and Thatcher 2013; see also Campbell 2004). Notably, continuity with small evolutionary changes also occurs, even through a major crisis, as De Ville and Orbie show for the neo-liberal program in international trade (this issue). For the explanation of the dynamics of any such change or continuity, however, we need to turn to the discursive processes of interaction among EU leaders, as they discussed, debated, deliberated, and contested one another’s ideas about what to do in response to the crisis.

**DISCURSIVE INTERACTIONS IN THE EUROZONE CRISIS**

The Eurozone crisis stems not just from problems with the substantive content of EU leaders’ ideas and discourse. It also concerns their discursive interactions 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 2002, Ch. 5, 2008) (See Tables 3 and 4). But complicating matters is that when EU leaders communicate in either sphere, ‘the markets’ may be listening, as they read accounts of their coordinative discussions with one another in the financial press, the specialized media, and online, or of their communicative discourse to ‘the people’ in the general press.

[Tables 3 and 4 about here]

**The Coordinative Discourse among Policy Actors**

In the Eurozone crisis, the ‘coordinative discourse’ consists of the individuals and groups in the policy sphere, including elected officials, civil servants, experts, think tanks, organized interests, and activists, among others, who seek to *coordinate* agreement among themselves on policy ideas through their discursive interaction. The strongest ‘advocacy coalition’ (Sabatier 1993) in the Eurozone has been constituted arguably by members of the ECB, the EU Commission, Germany, and some other Northern European member-states who constitute the ‘Brussels-Frankfurt Consensus’ (Jones 2013), all promoting neo-liberal precepts of ‘sound’ macroeconomic policy, budgetary austerity, and ‘structural reform’. The European Monetary Union (EMU) is itself the fruit of an earlier, more loosely connected ‘epistemic community’ (Haas 1992) 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 the ordo-liberalism, which informed not just the Bundesbank but also the ECB, were developed by a post-war
‘discourse coalition’ in Germany (Lehmbruch 2001). In addition, ‘knowledge regimes’ made up of think tanks and other experts have also in recent years become increasingly important players in the coordinative discourse, by providing alternative views and/or expert advise to EU policymakers (Campbell and Pedersen 2010). Finally, and most notably, the IMF has been a key partner of the EU in the various rescue packages, but it has questioned the EU’s focus strict and rapid fiscal consolidation even though it went along with it, and has been more favourable to many of Keynesian remedies discussed above.

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. Their actions have often been hesitant and delayed, largely because of resistance from one or another of the other leaders involved in negotiation. 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 at the national level. The result, rather than a rationalist, two level game of separate calculations of fixed preferences at EU and national levels is a discursive, double game of simultaneous reconstructions of changing preferences (see Crespy and Schmidt 2012).

As already suggested 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 (see Jones 2010). The reasons for German 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 and domestic politics. Merkel demanded that Greece put its own house in order before any help would be forthcoming because she worried that the German Constitutional Court might block a Greek bailout on German constitutional grounds. But 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 lost the regional election along with her majority in the upper house.

In contrast, on that ‘historic’ weekend of May 8-9, President Sarkozy was himself largely responsible for convincing Chancellor Merkel to drop her opposition to the bail-out and for pushing the €750 billion loan guarantee mechanism designed to shore up other vulnerable member-states. In exchange, he dropped his neo-Keynesian resistance to imposing budgetary austerity across Europe along with his discourse about the need to solve the problems that stemmed from deficit vs. surplus countries.
Subsequent rounds of negotiation added more complications. Not only was Merkel hesitant and slow to move, over and over again, but other EU leaders also threw in monkey wrenches along the way, again over national considerations involving coalitions partners or electoral pressures. On the second Greek bailout, for example, 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, and the Slovakian government fell over internal divisions in its coalition.

During the eurozone crisis, the EU has been largely subject to a restricted coordinative discourse due to the excessive intergovernmentalism of decision-making. Member state leaders in the Council—in particular Germany and France—remained in control, with the European Parliament sidelined and the EU Commission largely reduced to acting as secretariat charged to implement the rules through technocratic oversight. Think tanks, experts, and other actors with innovative ideas such as euro-bonds or an EMF were given short shrift.

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 growing disaffection of national electorate, along with the rise of the political extremes.

**The Communicative Discourse with the Markets and the People**

In the Eurozone crisis, the ‘communicative discourse’ of EU leaders has served mainly as part of a mass process of persuasion (see, e.g., Mutz et al. 1996) through which they seek to communicate with both the markets and the people on the results of the coordinative discourse in the effort to convince them of the necessity and appropriateness of their decisions. The problem here is that the discourse may work at cross-purposes. Communication about new bailout initiatives that might calm the global markets can easily inflame the national publics of Northern Europe while comforting Southern Europe, or vice-versa. Increasing the complexity of the discursive interactions in this communicative sphere is that it involves multiple interlocutors at different levels. Agreements within the coordinative discourse among EU leaders may be complicated not only because hard to legitimate to national publics but also because EU leaders bring their national publics’ policy concerns to the table. The results are then communicated through the media to the markets, possibly increasing their panic, and to the people, possibly reinforcing their resistance to any proposed solutions. Finally, the markets themselves may respond directly to the coordinative discourse, when it is communicated by the specialized press or in online venues by experts and think-tanks, as well as to EU leaders’ actions or, more likely, non-action.

**Speaking to the Markets**

EU leaders’ communicative discourse to ‘the markets’—representing individual
investors, pension funds, traders, and bankers using a wide range of financial instruments to bet with or against the euro, national sovereign debt, national banks, and national and European companies—has been singularly bad. One problem has much to do with how the two level institutional structure of the EU affects the discourse. A cacophony of EU leaders’ voices tends to follow any given coordinative negotiation among EU leaders, as they step out of their closed-door meetings to address the international press as well as their own national press, often spinning the coordinative discourse differently from what they actually said or agreed in the meetings. And the media in turn may further distort what went on through simplification or taking a statement out of context.

EU institutional leaders’ discourse is different from that of EU member-state leaders, since they tend to think more about the markets or the people generally as opposed to national constituencies. The EU Commission has little clout with the markets, but the ECB is naturally a major player. As Jörg Asmussen, a German member of the Executive Board of the ECB noted, central bank communication is all about creating trust and managing market expectations. And this has become more difficult because of ‘market communication versus political communication,’ since ‘messages that are necessary and legitimate in public debate can be completely unsuited for market communication and exacerbate tensions’. To illustrate, he used the example of Chancellor Merkel’s political discourse legitimating her turnaround on the first Greek bailout, insisting that ‘the future of the Euro is at stake,’ which led to the newspaper headlines, ‘Merkel questions survival of Euro,’ that in turn sowed panic in the markets (Asmussen 2012).

One of the main problems for EU leaders generally with regard to the markets is that they constantly give the markets new ideas to panic over. For example, when the German Chancellor insisted that bank creditors should also share the pain under the more permanent EMS to start in 2013, 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, which by the end of November 2010 had to seek protection under the EFSF. Meanwhile, Portugal for similar reasons had to ask for protection under the EFSF by spring of 2011, while Spain, having managed to hold off the markets through austerity program after program, finally asked for loans directly to its banks from the EFSF in summer of 2012.

Another part of the problem has been not just that EU leaders’ initiatives did not do enough; it is also that they consistently came late. Actions, or lack thereof, are also a form of silent communication signalling EU leaders’ unwillingness or inability to rescue member-states at risk of default. The Greek tragedy, in its many acts, was poorly handled. Had the Greek rescue arrived in January or February 2010, 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 (Jones 2010). This said, had the EU rescued the CEECs two years earlier, in 2008, rather than sending them to the IMF, the markets might not later have worried about a possible Eurozone debt default. The neo-liberal
ideas about ‘moral hazard’ that had stopped the EU from rescuing the CEECs effectively created a ‘market hazard’, by signaling to the markets that they would not necessarily intervene to rescue their own member-states (Schmidt 2010). And 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.

**Speaking to the People**

EU leaders have not done much better in terms of their speaking to ‘the people’. The people can be understood here as consisting of national and European electorates, interest groups, members of civil society and social movements, public intellectuals as well as the ‘informed publics’ (Rein and Schöen 1994), and ‘strong publics’ (Eriksen and Fossum 2002) of opposition parties, members of legislatures, and political commentators. EU leaders’ discursive interactions with the people are generally mediated by the media, which act as the main transmission belt for information, reporting, commenting, and critiquing EU leaders’ press conferences, speeches, declarations, and actions, as well as the responses from informed publics and ordinary citizens.

In Germany, for example, Chancellor Merkel’s discourse in the months before agreeing to the first Greek bailout and creation of the EFSF seemed to go along with the tabloid press that castigated the ‘lazy Greeks’. Her discourse, which also rejected any ‘transfer union,’ fueled a nationalistic, media feeding-frenzy that opposed any bailout because it would make “good” member-states liable for the debts of “bad” ones. 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, as noted earlier.

This anti-Greek, anti-action discourse made Merkel’s about-face, with her political 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 offered 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. Critics like the conservative newspaper, the *Frankfurter Allgemeine Zeitung* (May 11, 2010) announced 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. 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. Finally, it has only been very recently that the Chancellor has been making a strong positive case in Germany for EU level solutions, for example, when she insisted in a speech to the CDU’s annual conference 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’ (*New York Times*, November 14, 2011).
In France, by contrast, Sarkozy’s message of maintaining solidarity was largely positively received, and he was seen as something of a ‘White Knight’ riding to the rescue of Greece, by contrast with Merkel, as Europe’s new ‘Iron Lady’ (Crespy and Schmidt 2012). However, his slow turn to a stability discourse, with an emphasis on austerity, was increasingly contested over time, contributing to his loss of the presidential elections to opposition candidate Hollande, who argued for growth and opposed the fiscal compact. Once President, however, Hollande shifted his own communicative discourse into one much more in tune with that of his predecessor and Merkel, as he proposed and then passed an austerity package that went much farther than anything Sarkozy had implemented, on the grounds that France had to maintain its credibility with the markets and regain its credibility with Germany by becoming more competitive while meeting the terms of the fiscal compact. The irony is that in so doing France is likely to go into recession, thus losing credibility with Germany.

In Italy, the replacement of Italian Prime Minister Silvio Berlusconi with Mario Monti in November 2011 was significant not just for Italy—by making it almost immediately more credible with the markets—but for the EU, in being the first to challenge ordo-liberal orthodoxy by arguing for growth. In Italy, Monti engaged in a much more positive discourse about the EU, claiming for instance 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’. (New York Times, Dec. 5, 2011). Monti, in fact, was at least initially brilliant at speaking to the markets, the people, and to EU leaders all at the same time. In his end-of-year 2011 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 insisted that ‘the turbulence is absolutely not over’ and that more had to be done (FT Dec. 29, 2011). With the election of Hollande, moreover, the two of them, plus Prime Minister Rajoy of Spain, constituted a new discursive coalition pushing for growth policies. From the middle of his year in power on, however, his discourse to the people began to sound more hollow, mainly because he was unable to carry out many of the more ambitious reforms because of resistance from the parties in parliament, while they were paying with higher taxes, lower pensions, and high unemployment.

CONCLUSION

The insights from the use of a range of methodological approaches that fall under the analytic framework of discourses institutionalism are many, including the fact that they lead us to consider different aspects of the Eurozone crisis. On the ideational side, crisis frames provide snapshots of rival ideas, narratives and stories weave together such ideas with events over longer periods, paradigms depict systems subject to revolutionary change at times of crisis, programmatic ideas trace incremental changes through stability and crisis, while new, rapidly changing policy ideas demonstrate the creativity of EU leaders’ ideas, beyond what might have been expected within the context of long-accepted frames and paradigms, let alone the deeper, slowly evolving philosophical ideas. On the side of discursive interaction, moreover, we see how such ideas may be
consciously deployed or unconsciously reflected in EU leaders’ discourse as they coordinate agreements in the policy sphere and as they communicate to the markets and the people. Here, by separating out the different levels and interlocutors of EU leaders’ discourse, we better understand the difficulties that such leaders have had in arriving at solutions to the crisis that satisfy the markets, persuade the people, make the case to the media, and convince one another.

The Eurozone’s economic crisis has developed and intensiﬁed largely because the clash in EU leaders’ ideas make it difﬁcult for them to coordinate agreement sufﬁciently well to produce adequate solutions to the crisis or to communicate convincingly to ‘the markets’ and ‘the people’ about them. The problems have involved not only the substantive content of the ideas and discourse but also the discursive interactions in multi-level Europe.

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. The markets, however, responded not only to the failures of EU leaders’ communicative discourse but also to their coordinative discourse, as it came out in the specialized media and as it failed to lead to positive action.

With regard to the people, the wrong messages, in particular with Germany’s chastising discourse, have not prepared national publics for the necessary EU as well as national reform initiatives, while the poverty of the legitimating discourse generally has increased public disaffection. This has been complicated by the fact that EU leaders are national leaders first, and their national communicative considerations often trump their EU coordinative discussions.

The only way out of this multi-level bind is for EU leaders to develop new frames and narratives that enable them to speak convincingly to both the markets and the people. But for that, they will need to develop a discourse that proposes new political economic ideas that go beyond neo-liberalism, and that not only convince but that work.
REFERENCES


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