

## **The Discursive Double Game of EMU Reform: The Clash of Titans between French White Knight and German Iron Lady”**

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### **Introduction**

In the aftermath of the EU's enlargement towards Central and Eastern Europe, many scholars and observers of European integration were proclaiming that the French-German 'engine' of Europe had come to an end, with the 'new Europe' requiring new leadership dynamics. However, the experience of the Eurozone debt crisis provided dramatic evidence that no alternative to the Franco-German partnership has yet to emerge in the enlarged EU. In a time of existential crisis, Franco-German initiatives appear to have remained the basic dynamic of integration. However, as the crisis initially unfolded, French and German leaders had very different views regarding how to respond to the Greek issue. While Sarkozy sought to profile himself as something of a 'White Knight' riding to the rescue of Greece and weak Eurozone countries, Merkel was pictured as Europe's new 'Iron Lady' outside Germany, imposing hardship on Greece as well as other European countries. A deal was brokered as market contagion threatened other European countries. It involved a lot of give and take on both sides. Basically, Germany eventually ended up committing to financial solidarity towards the PI(D)GS, in spite of its aversion to a so-called '*Transfer Union*'. In exchange, Sarkozy consented to a conversion to the German ordo-liberal economic paradigm, which implied austerity policy for the EU as a whole. Subsequent episodes in the saga of the Eurozone crisis replayed this basic pattern throughout 2010 and 2011, culminating in the adoption of the Treaty on Stability, Coordination and Governance (also known as the 'fiscal compact') signed in March 2012. How can we account for this new Franco-German 'grand bargain' on the reform of the European Monetary Union (EMU)? More specifically, what made the agreement possible and why did it take the form it did? These are the questions addressed in this paper.

When trying to make sense of the current politics of EMU reform, many explanations could be used to good effect. On the one hand, as in the early 1990s, decision makers themselves have invoked functional pressures, as it seems obvious that a long decade of monetary integration has made macro-economic and fiscal coordination more necessary than ever. This, in turn, has spilled over into political integration, since new governance rules and institutions must be created in the face of the crisis. On the other hand, it is clear that the crisis was not a critical juncture in the sense used by historical institutionalists. Since the creation of EMU, the ordo-liberal paradigm prevailing across Europe was never seriously threatened, in spite of dissenting voices mainly among the (somewhat isolated) Social Democrats and the radical left (Blyth 2013; Dullien and Guerot 2012; McNamara 2006). In this context, the ECB was instrumental in using the legitimacy of the paradigm to extend its competences to new policy territories (Fontan 2012). Finally, negotiations mainly occurred in intergovernmental arenas with powerful Member States –

primarily France and Germany – crafting decisions, as intergovernmentalism became the major decision-making process for the Eurozone during crisis (Fabbrini 2013).

This seems to take us back to Putnam’s two-level game, where deals at the international level result from rational calculation by national negotiators and overlapping sets of preferences forged at the domestic level. And yet, intergovernmental bargaining, especially if with game-theoretic presuppositions of fixed preferences, cannot get at the complexity of the deals, and the ways in which principals’ positions and ideas about their interests changed incrementally over time. Moreover, rationalists’ definitions of principals’ preferences themselves tend to be after-the-fact attributions of what their ‘objective’ interests must have been, as opposed to what the players’ ‘subjective’ interests really were—meaning their ideas about their interests as they changed incrementally over time. Although the rationalist game-theoretic approach can be useful at a high level of abstraction, it does not lend insight into the complexities of the day-by-day, month-by-month changes in EU leaders’ perceptions of their interests, as reflected in their changing positions—which is our focus herein. For this, we take a more ‘constructivist’ approach, in which our understanding of interests cannot be easily separated from actors’ ideas and discourse (Abdelal *et al.* 2010; Hay 2010; Risse 2000; Schmidt 2008), and in which our investigation focuses on what actors actually said.

So the question remains open with regard to how to explain why and how French and German leaders, having started from very different positions, managed to converge on a specific agreement for reforming EMU. Our argument is that a bargain was only possible as French and German leaders gradually agreed to common solutions and justified them at home by using frames that are deeply historically rooted in their national traditions and thus resonate within respective public opinions. We further suggest that the bargains themselves involved incremental shifts in positions during the time period studied, in response to changing events and changing perceptions of interests (national and EU-related), under conditions of economic constraints and institutional path dependencies. That said, this study will not try to identify the changing perceptions of interests—for fear of being subject to the same critique as we just made about the rationalists, by attributing to the players our own interpretation of their interests. Rather, we look at what the actors themselves stated to be their policy positions, and how they legitimated them, taking these as proxies for their shifting ideas about their interests (or ‘preferences’) across time.

This article has four parts. The demonstration begins by revising Putnam’s two-level game (Putnam, 1988) in order to offer a constructivist account of the politics of ‘grand bargains’ in the EU. Adopting a discursive institutionalist approach, we argue that the Eurozone negotiations are better viewed as a simultaneous double game, in which preferences (or interests) are constructed, reconfigured, and communicated simultaneously to national constituencies and other European decision makers (section 1). Empirically, the paper provides an analysis based on a large set of original data, namely a systematic corpus of press conferences by Nicolas Sarkozy and Angela Merkel after European summits, complemented by a number of press interviews and important speeches (including some given by their respective Finance Ministers), from when the crisis was triggered early in 2010 until the last significant measures were taken in 2012, and before the French Presidential elections the same year. We present the empirical analysis of French and German discursive interactions by focusing successively on policy solutions (section 2), paradigms (section 3), and norms and values (section 4).

## **EXPLAINING THE DYNAMICS OF AGREEMENT IN EU MULTI-LEVEL POLITICS**

### **A simultaneous discursive double game**

As European integration has increasingly blurred the demarcation lines between domestic and foreign policy, the articulation between domestic politics and intergovernmental negotiations has become increasingly important for any understanding of governance and democracy in the EU. Paradoxically – partly because comparativists tend to concentrate on the former while international relations specialists deal with the latter – the processes of articulation remain under-researched and under-theorised with regard to EU integration. In the 1980s Robert Putnam originated the famous metaphor of the two-level game. His argument was that while negotiating international treaties national leaders have to seek agreement at two different tables, which implies different sets of preferences at the national level on one hand, and at the international level on the other. These two arenas are presumed to mutually influence each other, since the overlap of the two preference sets determines the possibility of ratifying an agreement. Other scholars have extended this analysis to the role of domestic politics in EU integration. Andrew Moravcsik (1997) proffered a liberal intergovernmentalist account of international relations in which States define their position on the basis of domestic societal preferences, including economic interests, identities and political values. State behaviour, understood as the management of international interdependence, is then geared toward gains on the basis of these preferences. These approaches, we argue, cannot sufficiently account for the dynamics of agreement in the EU today due to two interrelated drawbacks: the conceptual dichotomy between a domestic and an international arena, on the one hand, and their instrumental-rationalist understanding of politics, on the other hand.

First, realist and intergovernmentalist approaches assume the existence of two separate realms of fixed preferences that interact with each other. Those preferences tend to be reified and pictured as homogeneous (especially in the liberal approach) and the formation of preference sets seems to happen at different moments. This is where the uniqueness of European politics must be taken into account. The domestic and the EU spheres of preference formation do not interact with each other, we argue, they rather interpenetrate each other. In this perspective, democratic legitimacy results less and less from the preservation or reproduction of established national preferences, and more and more from the ability to re-configure and re-negotiate those preferences in the context of enhanced interdependence. In a post-functional era where EU integration has been increasingly politicized (Hooghe and Marks 2009), political leaders arguably do not only have to address their national constituencies; they also need to speak to other European audiences in order to convince them that the policy option they advocate is not the mere defence of a national preference but serves the collective ‘good’ of the EU as a whole. During the crisis of the Eurozone, not just national leaders acting in their EU capacity but also national finance ministers like the French Minister for Finance, Christine Lagarde, and her German counterpart, Wolfgang Schäuble, sought to reach their neighbour’s constituencies with interviews in the press of the neighbouring country.

Secondly, and consequently, the ‘game’ cannot be understood as the strategic interaction between given preferences. In realist and intergovernmentalist approaches, the main interplay between the domestic and the international arena occurs through the overlapping of the respective ‘win sets’ determined by a number of variables including

societal preferences, ratification rules, etc. The logic is therefore that of instrumental rationality geared towards the satisfaction of domestic preferences. One main problem regarding our puzzle on EMU negotiations is that the extremely high level of uncertainty makes it impossible for decision-makers as for scholars to anticipate or formulate expectations about what an instrumentally defined rational decision would be. An analysis of the French-German bargain on EMU reform *à la* Moravcsik is therefore bound to be an *ex-post* interpretation of actors' rational behaviour, likely emphasizing only one of any number of possible interest-based preferences. For example: how could A. Merkel have known, in January 2010, whether it was more 'rational' to rescue Greece as quickly as possible to prevent contagion or to abide by the terms of EU treaties and avoid the use of bail-out? She was criticized precisely for increasing the cost of the crisis by delaying action and for doing 'too little too late'. Moreover, that she may have calculated—wrongly—that she had a better chance of winning the Nord-Rhein Westphalia elections on May 9, 2010 is certainly possible. But this cannot possibly explain the complex reasoning that went into the constitution of Merkel's 'preferences,' given not just EU level attempts to consolidate member-state coalitions of support but the national level pressures from other German institutional actors such as the *Bundesbank* to abide by the rules, concerns about potential rulings of the Constitutional Court, the desire to shield German banks from major losses, her acquiescence with the media-led narrative about 'lazy Greeks,' and her own storyline that excess debt was the cause of the Eurozone crisis—despite the fact that this constituted a reversal of her own 2008 morality tale blaming 'cheap money' in the US as the driver of the crisis (Newman 2010; Schmidt 2013).

By contrast with the rationalist attribution of preferences to actors, our approach focuses on the communicative logic of contemporary EU politics. The 'game' should therefore be understood less as the overlapping of preference sets and win solutions than as a discursive game of real-time deliberation and contestation. This does not mean that interests are not at stake. If they prove to be unable to legitimize an agreement brokered at the EU level, national leaders will have to bear the political costs of popular resentment. The rationality of leaders resides not so much in any cost-benefit calculations but rather in their capacity to discursively articulate and (re)construct the (interest-based) position of the State both for their domestic constituencies and their European counterparts. The following section turns to the theoretical underpinnings of discursive institutionalism and the analytical and methodological framework for the empirical analysis of the Franco-German simultaneous discursive double game of EMU reform.

### **A Discursive Institutional Analysis**

National political elites, who simultaneously act as EU policymakers (henceforth termed European elites), have played a key role in articulating visions of the EU that have had a major influence on public perceptions, especially during the early years of the 'permissive consensus' up until the 1990s (Schmidt 2013). Since then, these elites' discourses often reflect as they respond to the greater contestation coming from an increasingly 'constraining dissensus' among the larger public (Hooghe and Marks 2009; Kriesi *et al.* 2008) as well as social movements and civil society (Crespy 2012, 2013). Leaders therefore enjoy limited room for manoeuvre: they have to formulate a discourse that justifies policy solutions – possibly going off ideational path dependencies – with ideas that resonate among the public, i.e., because often inherited from the history and culture of their particular country.

A number of distinctive features of discursive institutionalism are helpful for our elucidation of change in the German and French positions and resulting convergence towards an agreement on EMU reform (Schmidt 2006, 2008). First, the conceptualisation of discourse is two-fold: in order to understand how preferences are constructed and reconfigured over time, both the substantive content of ideas and the interactions among agency through discourse must be analysed (Schmidt 2008; Schmidt and Radaelli 2004). Saying that discourse is the empirical manifestation of ideas does not mean that it is mainly a reflection of ‘what people think’, or alternatively (depending upon one’s theoretical approach) the expression of what they have come to believe as ‘subjects’ of a discourse in Foucault’s sense (Foucault 2000). Instead, or at least in addition, there can be a strong strategic dimension in the sense that leaders will select ideas that seem appropriate with regard to enabling them to build coalitions, create resonance for the public and, eventually, ensure the legitimacy of their action (Jabko 2006). Besides, the power of ideas will be effective only through discursive interactions, i.e. the way they are carried by agency. Thus, as Hall has shown in the case of the creation of EMU, preference formation is strongly driven by eventfulness, uncertainty, and interpretation of multiple interests and the multiple consequences of possible action (Hall 2005). In that sense, discourse is the device through which actors attempt to deal with such complexity while reacting to others’ moves in real time.

Furthermore, discursive institutionalism also differs from other ideational and constructivist approaches in that it is more concerned about elucidating the dynamics of change through discursive interactions in formal institutional context (hence institutionalism). European leaders’ positions cannot be understood without also considering national institutional configurations—which are more ‘compound’ in the German polity and therefore more difficult to negotiate internally, given the dispersion of governing activity through multiple authorities, including responsibility for EU policy, than in the more ‘simple’ French polity, in which governing activity is channelled through a single authority, the executive (Schmidt 2006). This feeds into questions concerning the extent to which, in this simultaneous double game, considerations other than those involved in solving the Eurozone crisis, such as getting re-elected or maintaining one’s coalitional majority, play an important role.

From a methodological point of view, the operationalization of discursive institutionalism rests on qualitative discourse analysis, and more specifically frame analysis (Diez Medrano, 2003; for an overview see Author 1, forthcoming) whose purpose is to detect clusters of discursive elements (Creed *et al.* 2002: 37). As in these works, the descriptive statistics describing the content of discourse (in the figures) rest on a qualitative and interpretive methodology<sup>1</sup>. This methodology is mainly deductive. Building on the literature focusing on ideas in policy analysis, we distinguish three categories of frames at different levels of generalization (Sabatier 1988; Schmidt 2008): 1) policy ideas related to policy measures and solutions, both economic (for instance the EFSF) and institutional (the budgetary ‘golden rule’); 2) programmatic ideas related to policy paradigms (for instance, convergence or regulation); and 3) norms and values (for instance, stability or solidarity).

Furthermore, the demonstration rests on a diachronic and comparative analysis. The demonstration consists in analyzing French and German discourses from early 2010, when the discussions about bail outs and the setting up of the European Financial Stability Facility (EFSF) started; during 2011, that witnessed the agreement on a durable European Stability Mechanism (ESM); up until the new Treaty on Stability, Coordination and Governance was

signed in March 2012. The frame analysis thus consists in detecting the relative salience of the frames in the three categories identified above in a corpus consisting of 35 press conferences given by A. Merkel and N. Sarkozy prior to or after European Council summits. We further illustrate our arguments with excerpts from nine press interviews given by Merkel, Sarkozy and their respective finance ministers Lagarde and Schäuble in that same period of time. In tune with the conceptualization of discourse both in terms of content and interactions in discursive institutionalism, the comparison in time from 2010 through March 2012 will help us to grasp the unfolding of the simultaneous double game of EU negotiations.

## **POLICY AND INSTITUTIONAL SOLUTIONS: ACTIVATING SOLIDARITY, CONSTITUTIONALIZING AUSTERITY**

In this section, the systematic analysis of discursive interactions shows that, starting from contrasted discourses and frames, the French and German leaders moved towards an agreement not only on new financial instruments (the EFSF and EMS) but also on more in-depth institutional reform of EMU over the course of 2010 and 2011. German leaders kept insisting that they would not agree to such funds...until they did. At a press conference in the fall for example, both Merkel and her Finance Minister, Wolfgang Schäuble, maintained that they would not agree to any extension of the EFSF to a permanent fund (PC 16.09.2010, also Schäuble in *FAZ* 16.07.2010). By December of that same year, they agreed to the EMS at the EU level. The respective discursive dynamics in France and Germany must be understood in the framework of contrasted institutional settings, namely that of compound and simple polity. In the German compound polity, regional governments represented in the *Bundesrat* or the Constitutional Court in Karlsruhe and other institutions are powerful veto players which can counter the power of the federal government and Chancellor in Berlin. The rescue took place against a background of a series of defeats in regional elections in North Rhine-Westphalia, Baden-Württemberg and Bremen in the course of 2010 and 2011. Merkel's initial discourse, about 'lazy Greeks' who needed to put their own house in order, while she was protecting German savings, made it very difficult for her to legitimate her switch in discourse. She then attempted to convince a disenchanted electorate that their savings would be safe, and that the Eurozone countries would become more and more like Germany. In contrast, Sarkozy had none of the institutional and electoral problems of his German counterpart, given that France is a 'simple' polity with tremendous concentration of power and authority in the president, which has only increased under his presidency as a result of constitutional reform. In the run-up of the 2012 presidential election, he was keen to profile himself as a powerful European leader capable of promoting joint European action and of using Europe as a 'multiplier of power' even if this seemed to contradict some of the views he had expressed at the outset of his mandate (Dehousse 2013). He therefore held a very different discourse to the public focused on solidarity with the Greeks, even if in the restricted national discourse among policy actors there was resistance to a costly bailout and, in some cases, to Eurobonds.

Figure 1 demonstrates that whereas, in 2010, Sarkozy advocated establishing not only the two funds but also such solutions as Eurobonds or enhanced budgetary oversight, Angela Merkel was stuck on already existing, but inefficient, policy solutions such as respecting the rules enshrined in the Stability and Growth Pact or even investing in research, as contained in the Lisbon strategy.

Figure 1 about here

In 2011, the respective French and German discourses on policy solutions display greater overlap. The German Chancellor, while fully endorsing the ESFS and the EMS, developed a complex set of arguments to explain how they might function together. While she continued to refer to the stability and growth pact and the need to invest in research in order to boost competitiveness, she also started advocating enhanced mutual budgetary and fiscal oversight as a counterpart to financial solidarity. On this particular issue, Finance Minister Schäuble was much ahead of the Chancellor in advocating increased integration (*FT Deutschland* 12.03.2010). By contrast, the complete absence of acceptance of Eurobonds by the German Chancellor provides evidence for strong internal German resistance to any such initiative along with a failed discursive move from the French President (as well as internal resistance from his own economic advisors). This is clear from the fact that since, in 2011, the theme had disappeared from all speeches.

A converging pattern can also be observed with regard to institutional solutions. Although Germany finally embraced France's long-standing demand for '*gouvernance économique*,' that is, for an economic government that would oversee the Eurozone, it did so on condition that this meant strengthening the sanctioning mechanisms for the countries that would not be able to abide by the budgetary rules. The French went along with this with some reluctance, in particular because these were increasingly focused on automatic financial sanctions (PC 25.03.2010), a theme that Merkel promoted from the beginning of the discussions in 2010. Discourse on the institutional policy solutions therefore changed markedly in 2011. The issue of automatic sanctions was more salient in the French discourse because Nicolas Sarkozy had to justify his consent to automatic sanctioning mechanisms as well as the role of the EU Commission in the monitoring of the excessive deficit procedure. In addition, he very often mentioned the role of the new economic government of the Eurozone in order to suggest that the long-standing French demand was satisfied in the course of Franco-German negotiations (without noting that its automaticity was in direct contradiction with the discretionary euro-group governance originally called for by the French). This theme remained marginal for the German Chancellor.

Figure 2 about here

Finally, the most salient theme regarding institutional solutions is the 'golden rule' for budgetary discipline (or debt brake), an idea on which France and Germany converged at an early stage of the negotiations. While this mechanism was promoted by Germany, including in the French press (PC 10.05.2010, *Le Monde* 19.05.2010), Nicolas Sarkozy had already advocated introducing it in the French Constitution since early 2010. He supported it for a range of reasons, including not only that this meshed with the likely preferences of his own conservative electoral constituency but also because it was likely to create political difficulties for the Socialist opposition. In August 2011, a poll confirmed that the French President had been quite successful in communicating the new orientation towards austerity as a majority of the French approved the introduction of the 'golden rule' into the French Constitution (*Le Point* 2011). This resulted in further convergence on the obligation to enshrine the new rules in an intergovernmental treaty, a theme that, again, was initiated by the German Chancellor in 2010. In the following section, we turn to the economic philosophies and paradigms that French and German leaders refer to in order to legitimize the agreed solutions in their respective national arenas. As suggested by the double game argument put forward, such references are made neither previous to nor after agreement at European level but are part of the same simultaneously unfolding communicative process.

## ECONOMIC PARADIGMS: LIMITED CONVERGENCE TOWARDS GERMAN *ORDNUNGSPOLITIK*

In addition to the different institutional contexts outlined above (e.g., compound vs simple polity), the discursive institutionalist approach requires us to consider how historically embedded and institutionalised ideas limit the room for manoeuvre in which national leaders operate. The analysis of the frames related to economic paradigms therefore explains the following paradox: while convergence on policy and institutional solutions occurred, this was possible only in so far as the French and German leaders justified the reconfiguration of interests by invoking frames that resonate within the respective national cultures.

The German ‘social market economy’ which emerged after much political struggle during the 1950s was a compromise accepted by conservatives and social democrats alike that consecrated a state that would set the rule for ensuring the proper functioning of competitive markets while at the same time ‘enabling’ corporatist management and labour coordination of wages and work conditions (Streeck 1997). Ordo-liberalism has been the underlying paradigm informing not just the *Bundesbank* but also, later, the ECB, which absorbed its ideology (Blyth 2013). Post-war Germany has continuously followed the ordo-liberal philosophy characterized by a ‘culture of stability’. This political program was the direct opposite of that of France’s post-war *dirigisme*, in which an interventionist state was much more actively engaged in both macroeconomic steering and microeconomic industrial policy. Despite the fact that since the 1980s, post-war Keynesianism and state *dirigisme* gave way to neo-liberal reform in which the state engineered the ‘*dirigiste*’ end of *dirigisme* through liberalization, privatization, and deregulation (Schmidt 1996), the deep-seated idea of the legitimacy of strong state interventionism persists. Both countries followed the path of liberal reform over the past two decades and, at the same time, both governments responded with a neo-Keynesian style of stimulus policy response to the 2007 financial crisis. However, their approaches during the entirety of the crisis remained fundamentally different due to their historically entrenched economic traditions—despite liberalizing reforms in both countries since the 1980s. French ‘statist liberalism’ is rooted in a Republican conception of the State making it responsible for society’s welfare and economic modernization hence geared towards macro-economic intervention. In contrast, German ‘corporate liberalism’ conceives the role of the State in terms of setting the framework conditions for fair competition among social groups, the basic principle of ordo-liberalism (Vail, 2013).

As figure 3 suggests, during the Euro-crisis, the German discourse was dominated by ordo-liberal framing. The *leitmotiv* of this discourse was control over public finance, as signalled by the use of a wide range of terms, all expressing this idea in the German language – *Haushaltsdisziplin*, *Haushaltskonsolidierung*, *Defizitkontrolle*, *Sparkurs*, etc. These terms, moreover, are all closely associated with the concept of competitiveness, which was over-used in many speeches of the German Chancellor (for example PC 04.02.2011).

Figure 3 about here

Notably, with the May 2010 agreement on the Greek bailout and the EFSF, French political leaders embraced the ordo-liberal framing of the crisis while adopting the German discourse about competitiveness. While doing so, however, they adopted a differentiated strategy. On the one hand, they strongly converged towards the competitiveness program and framing. As early as May 2010, Christine Lagarde claimed in the German press: ‘There were neither winners nor losers. A strong and stable currency results from budgetary

discipline and strong competitiveness' (*FAZ* 16.05.2010). In February 2011, moreover, she gave an interview to the *Spiegel* seeking to persuade the German political establishment and public of the French commitment to increasing competitiveness and stability (14.02.2011) while emphasizing the need for more stringent rules at home (*Les Echos* 11.5.2010). On the other hand, besides competitiveness, Nicolas Sarkozy avoided evoking the austerity frame nationally, emphasizing instead the idea of policy convergence within the Eurozone (*Le Monde* 13.12.2011), which was in tune with the French vision of a core Europe shaped by States' voluntarism. He also talked more about growth, employment and the regulation of finance as complementary references to Keynesian policy (see also Lagarde in *Le Monde* 04.05.2010).

In contrast, Angela Merkel put the stress on conditionality – namely the implementation of austerity measures allowing for financial help – as a means to ensure the enforcement of public deficit reduction, whereas convergence, growth and employment were less salient in her discourse. The discrepancy between both framings was reflected when the Pact for the Euro was adopted and acknowledged by the French President: 'We have also changed the name, it is 'Pact for the Euro in favour of competitiveness and convergence'. This allowed us to put an end to the debate between those who were for convergence and those who were for competitiveness' (PC 11.03.2011).

All in all, the frame analysis shows that a reluctant German agreement on new policy instruments for the financial rescue of debt countries was only possible because the Chancellor's move was legitimized by the extension of the ordo-liberal paradigm – implying that help is conditional on the implementation of austerity in the 'PI(I)GS' – across the EU. On the French side, the turn to the German style policy program only appeared legitimate insofar as it implied convergence of the Eurozone, regulation of financial markets and efforts for stimulating growth and employment. The contrast between the French and the German justificatory frames becomes even more striking when examining the deeper normative dimension of discourse.

## **NORMS AND VALUES: SOLIDARITY VS STABILITY**

While the cognitive arguments in the German and French leaders' discourse were reasonably well-developed, the normative arguments were strikingly thin, with scant reference to values, especially as far as Germany was concerned. Whereas Sarkozy repeatedly talked of solidarity, Merkel insisted only on stability, as Figure 4 demonstrates. Stability itself is a traditional (ordo-liberal) frame inherited from the monetarist spirit of the Maastricht Treaty, for which the core task of the ECB is to ensure price stability (low inflation) while the rules for EMU are enshrined in the Pact of Stability and Growth. It is also a core value of German macroeconomic policy since the 1950s and, as mentioned earlier, a key component of ordo-liberal economic philosophy. For the Germans, in other words, stability of the currency has been elevated to a moral value, as a result of history and collective memory.

Figure 4 about here

In contrast, Sarkozy also appealed to the grand narrative of EU integration: 'The Euro is Europe, Europe means peace on the continent' (PC 08.05.2010). In stressing the principle of solidarity, the French banking interests that were to benefit most from a bailout for Greece were discursively absent from the construction of the French position, which

helped make it more legitimate. This was also, one might add, true for the German discourse, in which citizens' interests were at the forefront of the discourse, as the German government insisted time and again that it was most concerned about engaging the German taxpayers' responsibility in the financial rescue of Greece. Indeed, the idea of solidarity remains marginal in the German discourse and, when mentioned, it is always associated with responsibility and stability. On the one hand, as the largest and economically most significant member of the Eurozone, German leaders made clear that they felt responsible for the survival of the common currency. On the other hand, they were equally clear about the fact that the PI(I)GS also had to commit themselves to policies that would allow for stabilizing the common currency. In Angela Merkel's words, 'stability and solidarity are two sides of the same coin' (PC 26.03.10).

The normative discourse and the appeal to values became even thinner in 2011 compared to 2010. While Nicolas Sarkozy still referred to solidarity, albeit less often, Angela Merkel also referred, besides, to the German concept of *Wohlstand* as a secondary frame, i.e. the underlying idea of the German post-war economic miracle, making clear that what was really at stake with the Eurocrisis for the Germans was a threat to their standards of living and well-being.

The most salient normative dimension of discourse here involves the different assignation of responsibility. In the first months of 2010, the French President mainly put the blame on 'the markets' while pointing to speculators as common enemies for the Eurozone, insisting that:

'It is logical that a member country of the Euro that is being attacked by speculators, as is the case of Greece today, should be able to rely on the solidarity of other members of the Eurozone. Otherwise, why did we decide to have a common currency?' (PC 03.03.10). Moreover, he pressured the German Chancellor while instrumentally appealing to her European commitment: 'I believe in the European solidarity of Germany, I believe in Mrs Merkel's European commitment' (PC 07.03.2010). This is where Nicolas Sarkozy most clearly managed to profile himself as the 'White Knight' rescuing Greece.

In contrast, Angela Merkel played the 'Iron Lady,' first stressing the lax budgetary policies of the 'PI(I)GS' as she insisted in a joint press conference early on in the crisis that: 'Greece won't be left alone, but there are rules and these rules must be adhered to' (*Washington Post* February 12, 2010). In March, she directly countered Sarkozy's insistence that speculators were the problem, saying:

'I would suggest that we should not assume that the situation was only caused by mean speculators (...) If the budget situation in Greece had not been what it was, the speculators would have not had such a chance. This is actually something that should not have taken place after the Treaty of Maastricht' (PC 26.03.10).

The underlying idea among the German establishment and public was that the Greeks should be punished for cheating and then lying about the state of the country's public finances. This position echoed the German public's hostile stand on what was then seen as the 'Greek crisis'. In February-March 2010, numerous opinion polls showed that about two thirds of German citizens opposed the idea of the federal government committing itself to financial help<sup>2</sup>. In a nutshell, discursive interactions show that French and German leaders grounded their discourse on the articulation of contrasting norms and values.

## CONCLUSIONS

This paper has investigated the political dynamics of Franco-German agreements during the Eurocrisis in order to explain why the German Chancellor overcame the initial German rejection of financing a rescue of debt countries (mainly Greece and Ireland) while the French President turned his back on the Keynesian macro-economic policy tradition in the country to embrace the German ordo-liberal paradigm focused on sound public finance (read austerity). This, we have argued, cannot be explained by a two-level game model focused on a rational calculus involving material interests and fixed preferences. Rather, EU intergovernmental politics can better be understood as a double game where deals are only possible if political leaders are able to legitimize policy and institutional solutions simultaneously towards their public constituencies and other European decision makers. Hence, convergence on a number of policy measures was only possible because Sarkozy and Merkel used justificatory discourses invoking different norms and values, and to a lesser extent, policy paradigms. While this may seem puzzling at first sight, a discursive institutionalist approach elucidates this (only apparent) paradox by contrasting ideational and institutional contexts in France and Germany.

In the German compound polity, this was crucial at a moment when successive regional elections were putting her party at risk. This explains not only the delay in agreement to financial rescue in 2010 but also the discourse used throughout the period under study to legitimize this position while framing the crisis in terms of stability, responsibility, and the need for preserving the German *Wohlstand* threatened by budgetary drift in the 'PI(I)GS'. In the French simple polity, the President had more leeway, which he used to re-direct his discourse about the French economy towards the German model geared towards competitiveness, budgetary austerity and the culture of monetary 'stability'. In the run-up to the 2012 presidential election, however, he was keen to put the emphasis on his voluntarism in external action and profile himself as a 'White knight' facilitating the rescue of Greece in the name of solidarity and peace in Europe and promoting growth stimulation along austerity.

The institutional constraints and path dependencies established in the course of the simultaneous discursive double game of EU leaders, with the institutionalization of ideas about budgetary and fiscal austerity, have so far proven very difficult to change. The initial attempts by Mario Monti and François Hollande to re-direct European decision-making towards the stimulation of growth went nowhere, as the result of negotiations on the next financial framework in the EU have recently proven. Moreover, Hollande's announcement in January 2014 of a new 'pact for responsibility' focused on improving business competitiveness by continuing fiscal consolidation via government cutbacks is a far cry indeed from his 'pact for growth,' announced with fanfare in 2012. In the meantime, the new German coalition government of Conservatives and Social-Democrats in January 2014 reiterated its commitment to the Eurozone's stability policy. This suggests that the grand bargain between Sarkozy and Merkel that was prepared in the period between 2010 and 2012 has reinforced the stability and austerity frames of reference that have made it difficult, if not impossible, to change.

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Figure 1 : Economic policy solutions

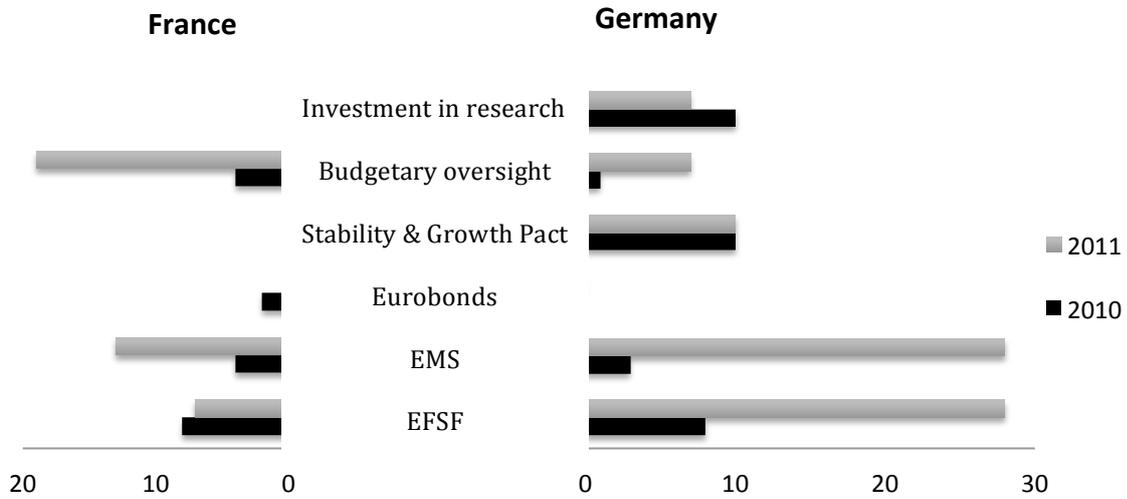


Figure 2 : Institutional policy solutions

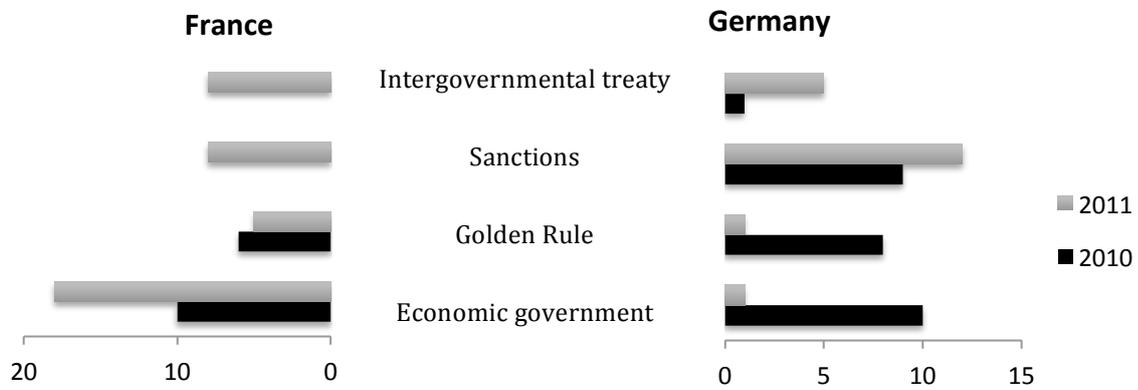
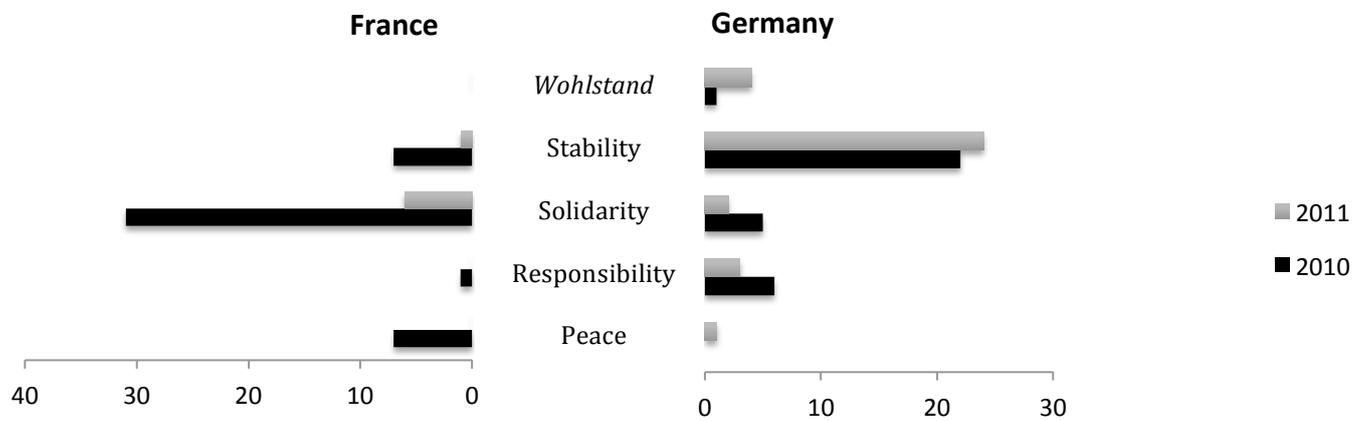


Figure 3 : Policy paradigms



Figure 4 : Norms and values



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<sup>1</sup> The frame analysis was conducted in Atlas.ti, a software assisting discourse analysis. The various frames were coded manually on an interpretive basis: manual coding allows to code words or group of words under the relevant frame. It also allows for analyzing documents in the various original languages (namely French and German). The figures show the number of occurrences (or frequencies) of the various frames (in absolute numbers). Their purpose is primarily to visualize the content of discourse and, more importantly, to allow for comparison. While they are a means to ‘objectivize’ discursive interactions, these numbers, in tune with discursive institutionalism, must be interpreted in the broader political and institutional context.

<sup>2</sup> Data from February 2010 by the German Institute for Statistics Statista, available at <http://de.statista.com/statistik/daten/studie/77453/umfrage/finanzielle-hilfen-der-bundesregierung-fuer-griechenland/> (accessed 6 May 2013).