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Research Article

Austerity as the Solution to the Eurozone Crisis: Analysing the Ordo-Liberal Pre-Eminence over Contending Framings of the Crisis

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Abstract

Using a multiple stream framework and constructivist theories, this article provides an explanation for the adoption of austerity packages in the Eurozone. It argues that the European debt sovereign crisis that began in 2009 was mainly managed according to ordo-liberal principles. Yet other explanations for the crisis, accompanied by different solutions other than austerity, were promulgated. Just as the persuasive power of ordo-liberals upon national heads of state, along with the European Central Bank and the European Commission are the main reasons for the success of the ordo-liberal political entrepreneurs, likewise the longevity of the ordo-liberal framing can be explained through an examination of the interplay of politics and ideologies.

Keywords

Austerity; Eurozone crisis; Ordo-liberalism; Germany; Multiple streams approach

The adoption of strong austerity measures in the Eurozone as a solution to address the economic crisis has provoked numerous protests. The peak of these protests was the election of the radical left wing Syriza party in Greece in January 2015 following a campaign against austerity imposed by the European Union (EU) and the International Monetary Fund (IMF) as compensation for international bailouts. Yet, as Greece's eurozone bailout ended in September 2018, it appears austerity has remained largely unchallenged at the EU level despite the long and difficult recovery from a crisis that began nearly a decade ago.

Austerity, however, was not the only possible solution to the crisis, and debates over it have taken place in those academic and policy circles where political decisions and reforms are discussed. When the debt sovereign crisis was sparked off in the Eurozone, many stakeholders declared their resistance to austerity plans and promoted other solutions.

Nevertheless, it was austerity, 'a form of voluntary deflation in which the economy adjusts through the reduction of wages, prices, and public spending to restore competitiveness which is (supposedly) best achieved by cutting the state's budget, debts, and deficits' (Blyth 2013: 2) that was defined as the solution by the entire European Monetary Union (EMU) governing bodies — the European Commission, the European Central Bank (ECB), the ECOFIN (Economic and Financial Affairs) Council and the European Council. Influenced by ordo-liberal theories developed in post-war Germany and to some extent in EMU since its creation, they understood the Eurozone crisis as a 'crisis of state spending' and imposed austerity measures on the profligate periphery states to resolve it (Blyth 2013). However, there was no unanimous approval of this explanation and solution.

The purpose of this article is to explain how different schools of thought haggled over the interpretation of the crisis. It will focus on how ordo-liberalism won acceptance by European policymakers and how its proponents managed to keep ordo-liberalism as the main set of ideas to

understand the crisis several years after its beginning and despite protests at national levels and economic hardships in the Eurozone.

Although the ordo-liberals dominated the crisis resolution process, their solution need not be understood as the best option. Using Kingdon's (1984) multiple streams theory which stresses disorder in the policymaking process, this article argues that tough austerity measures were implemented because the ordo-liberals managed to join the problem, policy and politics streams.

The main contribution of this article is to highlight the relations within and among EMU institutions in the light of the Eurozone crisis resolution process and then – in this particular case – to demonstrate why the ordo-liberal framing of the crisis predominated in the initial political debate over the framing of the crisis (i.e. 2009 - 2011) and thereafter, even as national elections and economic results were threatening it. Indeed, while ordo-liberal principles were infringed upon, depending on the interests of the actors who claim to defend it, the framing of the crisis in ordo-liberal terms has quickly stabilised and remained remarkably unchanged, increasing the political power of some actors (mainly the ECB) and forcing others to adapt to maintain their influence (such as the European Commission).

This article is divided into three sections. The first one demonstrates the pertinence of the use of a multiple streams approach to the Eurozone crisis. Contributions of strategic and social constructivism also enrich this approach. The second section analyses the problem, politics and policy streams that were associated with each other by ordo-liberal thinkers. Particular attention is also paid to contending framings of the crisis that could have united the three streams. The third and last section explains why and how the ordo-liberal framing of the crisis dominated the decision-making process in EMU intergovernmental bodies, the ECB, and the European Commission, and how the longevity of the ordo-liberal framing can be explained through the multiple streams approach, thus giving room to argue for a combination of political and ideological reasons.

MULTIPLE STREAMS FRAMEWORK AND ITS RELEVANCE FOR THE EUROZONE CRISIS

The Strengths of the Multiple Streams Approach

Multiple streams theory argues that during a period of uncertainty, such as the Eurozone crisis, there is only very limited rationality in policymaking. This is particularly the case within the EU's 'deinstitutionalized' (Benz 2003: 101) policymaking where informality of power, entrepreneurial politics, strategies and political power play a greater role in the policymaking than the power deriving from institutional design. Zahariadis (2008: 515) argues that 'in the presence of time constraints and ambiguity, a relatively small group of skilled policy entrepreneurs are capable of dominating the process and steering decisions toward their favorite outcomes'. Based on the multiple streams theory, the author assumes that policy outcomes are more determined by political power than by a problem—solution sequence. Far from having to provide solutions to a predefined issue, the policy entrepreneurs need to present a convincing explanation and a related solution to the issue. With each policy, political actors fight to advance their own explanations of the situation and their own solutions to address it in compliance with their own interests.

Contrary to rational institutionalism, multiple streams theory refutes the idea that solutions to economic crises are natural or objective. Rather, the decisional process achieved is the result of a dynamic between problems, solutions and representatives of interests. In that sense, the policymaking process can be compared to a garbage can (Cohen, March and Olsen 1972). According to Kingdon (1984), a decision is the result of the joining of three streams: the problem stream, the policy stream and the politics stream. The problem stream is comprised of an issue that has been

signalled by a clear event or report. This issue alerts the policymakers seeking measures to address it. The policy stream is composed of solutions already drawn up by experts. The policymakers advocate one of these solutions according to their political party and ideology. Finally, the politics stream is imposed by electoral timetables, political power plays or what the politicians believe to be the demands or mood of their constituents.

A policy window opens either in the politics stream or in the problem stream. Some policy entrepreneurs seize the opportunity to draw attention to the policies that they were already defending before the policy window opened (Kingdon 1995). The policy entrepreneurs that manage to combine the three streams push forward their policies. Windows are therefore fleeting 'opportunit[ies] for advocates of proposals to push their pet solutions, or to push attention to their special problems' (Kingdon 1995:165). Contrary to institutional theory which asserts that a problem is first identified and then followed by solutions, multiple streams theory claims that windows structure the policymaking process.

Constructivism and the Strategic Use of Ideas to Legitimise Solutions

Policymakers that join the three streams impose their narrative of the crisis and the related solution to address it. Joining those streams requires a strategic use of ideas. They legitimise an actor's own explanation or narrative of the crisis. Once it is legitimised, it is easier to find support and enforce the measures advocated. The use of constructivist theories is fruitful to understand this aspect of the joining. Two intertwined branches of constructivism in European studies – social constructivism and strategic constructivism – provide explanations to understand better how certain actors manage to join the streams.

Social constructivists, such as Schimmelfennig (2000), argue that the member states' perceptions of their own political interests evolve thanks to international socialisation processes. This socialisation leads to success in implementing rules, norms and legal principles at the European level (Wiener 2006). In the EU, policy entrepreneurs are more likely to impose a new way of thinking when a window of opportunity opens (Saurugger 2009).

As for strategic constructivism, Blyth (2002) highlights the strategic considerations of the actors and the social construction of ideas. As a result of the high uncertainty of the situations, what constitutes an economic crisis is not clearly understood. It has to be narrated and explained. Therefore, ideas are used for strategic purposes and play a key role during an economic crisis. Ideas allow agents to propose solutions to build new economic stability. They help individuals to understand their role in the decision process in order to harmonise collective action. Finally, ideas offer guidelines for the transformation of the preexisting environment by explaining to actors how to adapt the former projects to the circumstances. This 'strategic social construction' of reality (Blyth, Widmaier and Seabrooke 2007: 748) is appropriate for (re)defining key concepts and to convince one's partners. In other words, crises are opportune moments to replace the existing system with a new one through the interpretation of new events. Nevertheless, a crisis will not necessarily bring a change in a paradigm because the meaning of the problems, their interpretation and analysis is filtered by ideals and cultural structures within which political actors operate. We can argue that, in a period of crisis, dominant political actors try to control changes and contestation by explaining the crisis through their ideological reading grids (McNamara 2006).

The multiple streams framework highlights the point that the difficulty in policymaking lies in understanding the problem raised rather than in finding the best solution to a clearly defined problem. The art of defining the problem is central when it comes to promoting certain policies (Rochefort and Cobb 1993). As argued by Zahariadis (2005: 198), 'strategically emphasizing [...] one

conceptualisation of the problem or threat over others enable[s] policy entrepreneurs to steer the debate, and, therefore, bias the policy making, toward certain types of policy and away from others'. Both sides of the coin have to be considered: for political actors, having successfully framed a debate in a certain way is not only crucial in order to implement their preferred policies, but also to prevent competing policies being adopted. The following sections will focus on the application of multiple streams theory to understand how austerity became the mainstream discourse of EMU.

THE COUPLING OF THE THREE STREAMS LEADING TO THE ADOPTION OF AUSTERITY MEASURES IN THE EUROZONE

This section examines the problem, policy and politics streams that were associated by ordo-liberal political entrepreneurs. It starts with an overview of the main tenets of the ordo-liberal theory. It then provides a panorama of the other narratives and solutions to the crisis that were advocated by competing political entrepreneurs.

The Principles of Ordo-Liberalism

Ordo-liberalism is the German version of neoliberalism that shaped the German economic model from 1945 onwards. Its principles were developed by Walter Eucken, Franz Böhm and Hans Grossman-Doerth during the Nazi period. It was designed to overcome the failings of economic liberalism and Hitler's consequent rise to power. At that time, economic liberalism was associated with economic chaos, demonstrated by the hyperinflation of the 1920s (Balaam and Dillman 2011).

Ordo-liberals concur with many classical liberal values and principles such as humanist values, democracy, economic and political freedoms, protection of individuals from excessive state power, control of monopolies to maintain open markets and competition as a source of economic wellbeing. However, they consider that liberal policies can be effective only if they take into account the embedding of the market into legal and political systems. The ordo-liberals therefore argue that 'the market process will support and promote liberal values only if appropriate rules governing the market process (property law, contract law, trade law, competition policy, etc.) are established by the state' (Balaam and Dillman 2011: 50). By conducting a regulatory policy, the state makes possible the existence of a market that creates just outcomes with a need for redistribution only in special circumstances (Vanberg 2004). Expansive monetary policies cannot be used and a strong independent central bank secures financial stability (Commun 2003). For instance, the Deutsche Bundesbank Act stipulates that the Central Bank shall not be subject to instructions from the Federal Government, and in this way defines the maintenance of price stability as the primary objective. The rules governing the market process are constitutional – enshrined in the German Constitution – to avoid their manipulation by politicians influenced by interest groups.

What matters for ordo-liberals therefore is creating the conditions in which markets can function (such as fair competition). The state is not deemed legitimate or sufficiently efficient to organise significant redistributions, between sectors or regions, or to implement expansive monetary policies. In ordo-liberals' opinion, to create the aforesaid conditions in the overly indebted countries, it was necessary to implement structural reforms and austerity measures which would in return restore confidence in the financial markets and improve competitiveness.

It is important to note now that ordo-liberalism is not the belief that the ideas that made the German economy flourish in the 1950s should be maintained: rather, it is one explanation of this economic success that emphasises certain aspects of the political and institutional framework of that time over others, e.g. the importance of the Marshall Plan and the leniency of Germany's creditors which

allowed for economic policies of investment rather than austerity. Ordo-liberalism's efficiency and results are still a matter of debate amongst historians, economists and political scientists, as 'little work has been done to question the ordo-liberal assumptions and whether these ideas were in fact [so] important for the German economic growth' (Young 2014: 282).

Ordo-liberalism is mainly a German economic tradition, yet we will see that it has influenced the creation of EMU and the whole European approach to the economic crisis of 2008, as its proponents managed to impose their views by combine the problem, policy and politics streams.

The Problem Stream

The problem stream is here presented in the form of a factual synthesis of how the crisis unfolded in the first few years, based on Adda's (2012) work. It is difficult to pinpoint an end to the crisis but as our analysis concentrates mainly on the framing of the crisis, and on sovereign debts rather than on deflation and economic stagnation, we need only to establish the background of the political debates in the first few years of the crisis.

The European economies were struck by a crisis that originally was a financial one and had broken out in the United States in July 2007 when two investment funds of the investment bank Bear Stearns went bankrupt. This event can be identified as the phenomenon that allowed the policy window to open in the problem stream.

Like many American and some European banks, Bear Stearns had been weakened by the collapse of the subprime market that led to a global liquidity crisis threatening the economy with a credit crunch. This destabilisation of the banking sector obliged the central banks and governments to intervene in order to avoid a banking crisis whose systemic effects would have been devastating for the whole economy. However, the financial crisis worsened in September 2008 when the American Government decided not to bail out Lehman Brothers. In October 2008, European governments had to bail out banks in Belgium, France, Germany, Ireland and the United Kingdom. This crisis forced households and financial institutions to engage in a long process of de-leveraging that was detrimental to economic growth and employment. The double commitment of the government in support of the banking sector – the socialisation of banking losses – and of the economy contributed to a significant increase in public deficits. In Japan, the United Kingdom and the United States, the financing of public deficits did not cause major problems particularly, thanks to the monetary issuing powers of their central banks. That was not the case for the overly indebted EMU countries; nor could they rely on European budgetary integration. The financial crisis, therefore, became a sovereign debt crisis, severe enough to threaten the existence of the monetary union.

The first signal forecasting the evolution of the crisis was the downgrading of Greece's sovereign debt at the end of 2009 from A to BBB+ by the rating agency Fitch. As early as February 2010, the euro went through a sharp depreciation against the US dollar and the Greek budget deficit was revised upward by Eurostat. Italy, Ireland, Portugal and Spain also proved to have worrying debt deficits. Rating agencies downgraded these countries' sovereign debt. The financial markets, alerted by the rating agencies, increased the interest rates on those countries' loans. From that moment onward, there were concerns about a systemic crisis in EMU. The European institutions had to take action to prevent European countries from going bankrupt and to contain the diffusion of the debt-sovereign crisis. However, as explained by Hall, 'bond markets are simply strident messengers about problems originating elsewhere, and many factors converged to produce this crisis' (2012: 357). As a consequence, diverse policy entrepreneurs offered various profound reasons and solutions for the crisis. They pointed out certain loopholes in EMU while disregarding others, as demonstrated in the sub-section below.

The Politics Stream

The politics stream was influenced by public opinion and future elections in Germany. Those ordoliberal leaders led the crisis management as illustrated in the final section. Indeed, Germany has played a role of paramount importance with regards to the resolution of the crisis: while it is generally considered to be one of the motors of the EU, the importance placed on sovereign debts and long-term interest rates for member states made it appear as a model during the crisis.

According to Schuman (2011), German voters were resistant to the idea of rescuing profligate states and making risky loans to them. The main reason why Chancellor Angela Merkel was reluctant to approve the bailout package requested by Greece in April 2010 was the regional election in North Rhine-Westphalia scheduled for May 2010 (Schneider 2013). This election was of major importance because a defeat of the CDU-coalition would have resulted in a loss of its majority in the Bundesrat. Given that 90 per cent of the voters in Nordrhein-Westfalen were opposed to the Greek bailout, Angela Merkel, who had shown a firm attitude towards Greece in her public speeches, wanted to postpone an agreement until after the regional elections. The Greek bailout and the poor results of the German negotiators in the European and international summits became the most important topic in the election campaigns and the CDU achieved its worst ever result in the region. This was a clear demonstration that straying from the ordo-liberal model at the European level was costly at the national level for the German government.

German perceptions of the Greeks were influenced not only by ordo-liberal political and economic elites but also by the mass media. The latter engaged in a populist campaign caricaturing the Greek people. Mylonas (2012) calls this phenomenon 'culturalization' of the crisis. The author points out the 'hegemonic naturalization of the economic crisis by the "free market" economistic ideology' (2012: 1). He depicts Greece as a scapegoat. German elites and the mass media floated the idea that Greece was the epicentre of the crisis. Appealing to the 'German tradition of frugality' (Young 2014: 281), they described the Greeks as a spendthrift and irresponsible people. As reported by *The Guardian* (2010), Josef Schlarmann, a member of the CDU party, said that 'those in insolvency have to sell everything they have to pay their creditors'. German magazines also used this topic for their covers. For instance, *Focus* magazine showed in their February 2010 issue the Venus de Milo making a finger gesture under the headline 'Swindlers in the eurozone'.

The politics stream cannot be summed up entirely by German national debates as other governments also had to take into account elections and internal debates, while austerity measures have not always proven to be popular. While he was Prime Minister of Luxembourg, Jean-Claude Juncker stated that he knew how to implement austerity measures but not how to be reelected after that (Fontan 2013). In fact, the importance of national politics in the European solution to the crisis has been the subject of heated debates, epitomised by the election of anti-austerity Greek Coalition of the Radical Left (known as 'Syriza') in 2015. Few concessions were made to the new Greek government even though it had been elected on a programme emphasising the refusal of the original bailout plan. Jean-Claude Juncker, President of the European Commission, commented that 'there can be no democratic choices against the European treaties' (Mével, 2015).

The Policy Stream

The predominant narrative of the crisis has competed with other narratives during the process of crisis resolution. The following sub-section is structured around the five narratives pinpointed by Matthijs (2011) but is completed by our own supplementary work. Each narrative identifies the real roots of the crisis but only a combination of two were taken into account by EMU governing bodies.

The first explanation of the Eurozone crisis is that the original institutional design of EMU was not sustainable. EMU, which established the Euro as a currency in 1999, was not an optimum currency area according to Mundell (1961). Indeed, it did not meet the conditions required to compensate the loss of monetary policy, i.e. having a coordinated fiscal policy and free movement of labour and capital among countries (Lane 2012). The European Commission argued that EMU would increase trade and financial integration, which would lead to a better business cycle convergence and then would make EMU member states suitable for the currency union. However, this proved to be wishful thinking, and the imbalances became more acute. Lane (2012) argues that the solution to this crisis is either to let periphery states leave EMU, devaluate their currency and come back once they have regained competitiveness; or to implement a fiscal transfer mechanism or a banking union in order to balance the impact of the unified monetary policy.

The second explanation is that the crisis is a budgetary or fiscal one. At the beginning, this narrative was associated with the German policy elite. It suggests that the crisis happened because EMU member states did not respect the convergence criteria in terms of public deficit and debt. In 1992, article 121 of the Treaty establishing the European Community, Maastricht version (1992) limited government deficits to 3 per cent of GDP and public debt levels to 60 per cent. In 1997, the member states agreed to strengthen these criteria with the Stability and Growth Pact. However, in 2005, Germany and France convinced ECOFIN to water down the fiscal criteria and opened the way to a lack of discipline regarding the respect of these criteria. The level of deficit and debt of peripheral states climbed without significant reactions from European institutions and financial markets where borrowing rates were at record lows for EMU members. However, when the financial crisis spread in Europe, investors realised that the budgets of profligate states were not sustainable, and the bond yields of these countries soared (Ngai 2012). The solution to this crisis is to harden the fiscal rules, to clean public accounts and to implement austerity measures.

The third explanation also originates from the German policy elite. It suggests that it is a crisis of competitiveness 'where slow, anemic and economic reform-resistant Southern Europe could no longer pretend to compete on an equal footing with a flexible, productive and fast-growing Northern Europe' (Matthijs 2011: 6). In southern European countries, growth strategy is based on domestic demand. These countries experienced an economic boom and salary inflation in the early 2000s whereas their partners, particularly Finland, Germany and the Netherlands, experienced relatively low economic growth and low wage increases (Hall 2012). The differentials in economic growth and inflation levels across EMU led to divergent movements in international competitiveness and trade imbalances within the Eurozone. This narrative advocates that the solution to this crisis is to cause a salary deflation and to implement structural reforms based on economic liberalisation. Jürgen Von Hagen (2010) advocates for a widened scope of policy coordination while Kouretas and Vlami (2010) emphasise the internal devaluation in the non-tradeable sector to promote exportation.

The fourth explanation asserts that it is a crisis of intra-European macroeconomic imbalances. From 1992 to 2007, Northern countries experienced current account surpluses and acted as net investors while Southern countries experienced current account deficits and accumulated net foreign liabilities. The launch of the single currency allowed the Southern countries to attract increasing inflows of capital from investors. The diverging current accounts could be seen as a natural consequence of the convergence process among countries with different levels of development within a monetary union. However, Holinski, Kool and Muysken (2012) argue that the evolution of the financial and competitive patterns in the Eurozone do not match with the neoclassical hypothesis of convergence. They prefer to explain the intra-European macroeconomic imbalances by cross-country differences in time preference, planning horizon and risk aversion. They argue that 'systematic monitoring of external imbalances and implementation of better coordinated policies to

prevent the emergence of unsustainably large imbalances in the Euro area is advisable' (Holinski et al. 2012: 1).

The last explanation is certainly the most ignored in the literature. It argues that the crisis evidences the inefficiency of the financial markets. According to Prüm (2013), EMU has been established in accordance with the liberal efficient capital market hypothesis which encouraged European politicians not to regulate the financial industry too strictly and even to deregulate it. Yet, the sovereign debt crisis has highlighted the limits of this hypothesis and the instability it creates. Prüm (2013) argues that the overreaching goal of EMU should be to release the stress that the financial markets exercise upon it.

Among these five narratives, only the second and third ones were completely taken into account by EMU governing bodies (Matthijs 2011). Both are narratives supported by the ordo-liberal policy elite who dominated Europe's process of crisis resolution. Thus, structural reforms and austerity measures were chosen as the solution to the crisis. We will now explore how the ordo-liberal theory was championed at the European level, mostly by the German Government and the ECB.

IMPOSING AND MAINTAINING A FRAMING: THE PERSUASIVE POWERS OF ORDO-LIBERAL THINKERS

This section will examine how the ordo-liberals managed to couple the policy, politics and policy streams and therefore to impose austerity measures. An analysis of the strategies adopted by the national and EU leaders will highlight the persuasive power of the ordo-liberals and will put into perspective the rationality of the policymaking process.

The Pre-Eminence of Ordo-Liberal Solutions

The ordo-liberal vision of the crisis has certainly dominated the EU crisis resolution but, nonetheless, some concessions to the three other narratives were made, particularly to the fifth narrative. For instance, the European Financial Stability System (EFSS) was recast in December 2010 with the implementation of the European Systemic Risk Board (ESRB), and the European Financial Stability Facility (EFSF) of EUR 720 billion was created in May 2010 to protect the countries that were facing an increase of the bond yields. The objective of those measures was to create substantial financial clout able to act as a firebreak in case of loss of confidence in the financial markets, thus preventing a state from refinancing itself in normal conditions (Adda 2012).

Nevertheless, Fontan (2014) argues that the three other narratives were never at the heart of the conclusions of the Eurozone meetings that orchestrated the crisis resolution process. The condition for the activation of the EFSF was to realise structural reforms in line with the German social market economy model: squeezing of public wages, privatisation, lowering pension contributions, liberalisation, strengthening competitiveness rules, etc. The European Stability Mechanism (ESM) implemented under the leadership of the European Council in December 2010 led to further automaticity in sanctions in the case of fiscal deficit throughout a stronger Stability and Growth Pack. Eventually, instruments such as the 'Six pack', the 'Fiscal Pact', the 'two Pack' and the Treaty on Stability, Coordination and Governance created a strict rule-based system against the fiscal profligacy of EMU member states. Moreover, none of the conclusions of the European Council meetings between 2008 and 2014 were agreed "without a reminder to budgetary discipline and to the implementation of structural reforms" (Fontan 2014:113).

The Persuasive Power of Ordo-Liberals upon National Heads of State

The decisions taken by the heads of state of EMU countries at the Euro Summits demonstrate the coupling of the problem, politics, and policy steams by the ordo-liberals. It is during those summits that the financial funds (EFSF and ESM) were created and made available to the countries in difficulty on condition that they respect budgetary discipline. This highlights the persuasive power of ordo-liberal actors.

This persuasive power is due to an historic balance of power in favour of the creditors and to the detriment of the debtors (Dyson 2010). In times of crisis, creditor countries are more able to rewrite the governance rules according to their views, as debtor countries have less negotiating leverage, especially those who were, like Spain, on the brink of bankruptcy. In this way, creditor countries of the Eurozone which had a preference for the orthodox politics tended to ally and carry further weight during the crisis negotiations in the European Council – contrary to the debtor countries that advocated heterodox policies.

The Euro Summit statements reflect this ratio of power. The Euro Summit held on July 12, 2015 was organised in order to reach an agreement on the new aid plan for Greece. European heads of state repeated that Greece was responsible for the crisis and insisted on the efforts made by the European creditors to resolve the crisis. In the Euro Summit statement of 12 July 2015 (2015: 6), it was claimed that

There are serious concerns regarding the sustainability of Greek debt. This is due to the easing of policies during the last twelve months, which resulted in the recent deterioration in the domestic macroeconomic and financial environment. The Euro Summit recalls that the euro area Member States have, throughout the last few years, adopted a remarkable set of measures supporting Greece's debt sustainability, which have smoothed Greece's debt servicing path and reduced costs significantly.

Matthijs and McNamara (2015) demonstrate that there has been an entanglement among academic, think tank, business, bank, investor and political communities who participated in the social construction of the southern countries as sinners and the northern countries as saints. Once the southern countries were portrayed as sinners, the ordo-liberal insistence on the necessity to adopt austerity measures was legitimised in the eyes of most of the European heads of state. Young (2014) argues that German political leaders have extolled the virtues and advantages of the ordo-liberal economic model as a panacea for the Eurozone countries to recover the path of growth. She claims that ordo-liberals have used their doctrine as an 'agenda setter' for the Euro crisis 'to prevent alternative ideas from challenging the austerity discourse in the Eurozone' (Young 2014:276).

Matthijs (2011) argues that the ordo-liberal viewpoint prevailed thanks to the persuasive power of its ideas. According to him, EMU should address all the issues raised in the five narratives mentioned above so as to become stronger, and yet only the second and third ones were admitted because of the 'ability of political actors to construct a convincing narrative of the causes of a crisis' (Matthijs 2011:15). As a result, the preexisting paradigm of fiscal discipline and price stability in EMU was reinforced. Matthijs adds that the early recovery of the German economy in 2010 strengthened the German stance and that once Chancellor Angela Merkel had convinced the French President Nicolas Sarkozy that Germany had the best explanation to the crisis, the other heads of state 'could not do anything else but grudgingly agree' (Matthijs 2011: 20).

Given that France and Germany are the leading countries of the EU (in economic matters at least) – as evidenced by the famous metaphor of 'the Franco-German motor' – the other countries had no other alternative but to accept the austerity measures unless they were ready to exit the Eurozone

and face the consequences. According to Crespy and Schmidt (2014), the convergence of Germany and France and the obedience of other EMU countries demonstrate that the Franco-German initiatives remain the basic dynamic of integration in economic and financial terms. Through a qualitative analysis of Nicolas Sarkozy and Angela Merkel's discourses, Crespy and Schmidt explain why and how France and Germany agreed on EMU reforms even though their stances were different at the beginning of the crisis. Sarkozy, depicted as a 'white knight', seemed to be ready to rescue weak Eurozone countries while Merkel, perceived as the new 'Iron Lady', rejected financing a rescue of indebted countries. Eventually, Merkel consented to the mechanisms of financial solidarity and in exchange, Sarkozy gave approval of the conversion to ordo-liberalism for the entire Eurozone. This 'grand bargain' on the reforms was only possible because Sarkozy and Merkel justified the common solutions at home by using their national and traditional norms, values, economic paradigms and policy solutions that could be understood and accepted in their respective public opinions.

The implementation of austerity measures was additionally facilitated by the formation of new pro-EU governments in the countries in difficulty. In Italy, Prime Minister Berlusconi was replaced in November 2012 by Mario Monti, a former member of the Santer and Prodi Commission. In Greece, Prime Minister Papandreou was replaced in May 2012 by Loukas Papadimos, former Vice-President of the ECB.

These analyses reflect the ordo-liberal entrepreneurs' strategic use of ideas presented in the first section. Thanks to their persuasive power, these ideological entrepreneurs promoted their explanation of the crisis while minimising others. They managed to dominate the European Council, the informal Eurogroup meetings and the Economic and Financial Affairs Council where the emergency measures taken to address the crisis were taken.

The Persuasive Power of Ordo-Liberals upon the European Commission

The European Commission was first sidelined from the Eurozone crisis resolution but managed to regain influence when it conformed to the ordo-liberal stance through the establishment of austerity principles, structural reforms and economic surveillance in the Europe 2020 strategy.

The Commission was one of the main supporters of the creation of EMU (Jabko, 2011) and has since initiated many important economic projects, such as the Lisbon Strategy launched in 2000. This strategy aimed at making the EU the most dynamic and competitive knowledge-based economy in the world. It illustrates the ordo-liberal orientation of the Commission. Indeed, Internal Market and Taxation Commissioner Frits Bolkestein described the Lisbon Strategy as 'an ambitious program of deregulation and increased flexibility' that 'will be a major step in the direction of an ordo-liberal Europe' (2000: 4). Puetter (2012) argues that despite the declared ordo-liberal orientation of the Commission, the latter lacked visibility in early management of the crisis. In fact, the Commission suffered from a lack of credibility, for which Copeland and James (2014) offer three persuasive explanations. First, it was slow in responding to the crisis. Second, the Barroso Commission had confusing objectives when it started to revise the Lisbon Strategy. Third, the open method of coordination turned out to be a failure. Nevertheless, Copeland and James argue that the Commission was still able to benefit from the opportunity window in early 2010 when its new composition was confirmed. Indeed, at that moment, the member states demonstrated their support for the Commission's ambition to address fiscal and macroeconomic challenges in the new Europe 2020 Strategy. A second policy window opened in the politics stream with the arrival of the Finnish liberal Olli Rehn as Economic and Financial Affairs Commissioner. He declared that his priority for the Europe 2020 Strategy was the restoration of fiscal discipline (Rehn 2010). A clear line of work was followed and the other DGs were almost excluded from the writing of the strategy. The Commission Secretariat General allied with the DG ECFIN to ensure that the Commission would play a key role in the future economic governance of the EU.

It should be noted, however, that the Commission carefully supported the Eurobond instrument as an alternative solution to the crisis. Several think tanks like Centre Forum in the UK, Instituto per gli Studi di Politica Internazionale in Italy and Bruegel in Belgium proposed establishing this common debt instrument in order to strengthen the overall macroeconomic governance framework of the Eurozone. This solution received substantial support in the policy debate but was dismissed by German opinion leaders who were afraid of the moral hazard it would bring. The Commission, which was well aware of the reluctance of the ordo-liberal group for the Eurobond, presented a Green Paper assessing the feasibility of introducing 'Stability Bonds'. The name of this instrument was carefully chosen to emphasise the stability role of these bonds and then secure an agreement from the German leaders. However, their logic was similar to that of the Eurobonds (Matthijs and McNamara. 2015). Even if the proposal was rejected, the way the Commission presented the Stability Bonds confirms the importance of perceptions in the EU political system, where each body wants to secure its power. This is even more so the case during a crisis resolution process when the resources owned by the political actors fluctuate (Dobry 1992).

Ultimately, the Commission managed to regain visibility and preserve its reputation by aligning itself with the ordo-liberal principles. It reframed its Europe 2020 proposal within the solution to the crisis advocated by the European Council and ECOFIN. By taking up the fiscal and budgetary framing of the crisis and by implementing governance architecture of economic surveillance in the Europe 2020 strategy, the Commission succeeded in maintaining a key role in the EU economic governance but it also strengthened the paradigm of fiscal discipline and the governance architecture of economic surveillance.

The Persuasive Power of Ordo-Liberals upon the ECB

The principal mission of the ECB is to focus on price stability – like the Bundesbank – but there is no numeric specification of what price stability is in its legal status (Dyson and Featherstone 1999). As a result, its legal status does not really constrain its monetary policy. Neither is its policy restrained by the mandatory report of the ECB President to the European Parliament, given that these reports are more akin to a strategic arrangement between both institutions than real democratic control over ECB activities (Jabko 2009). Therefore, the monetary policy of the ECB can be in line with the ordoliberal theories on which the ECB was built. For instance, during the crisis, it minimised the responsibility of monetary policy in the crisis and accentuated the role of national fiscal policy in accordance with the ordo-liberal stance. That is why it pleaded for the automaticity of the sanctions in case of fiscal indiscipline and refused the possibility of involuntary debt default (Fontan 2014).

Another element played a central role in the ECB's position: the importance it grants to political leaders' perceptions. Indeed, the ECB was mindful of how its audiences – European Council, ECOFIN and the Economic and Financial Committee (which prepares the meetings of ECOFIN) – could think about its handling of the crisis. One of its main concerns was to protect its reputation, that is to say the:

Set of symbolic beliefs about an organization, beliefs embedded in multiple audiences [...]. Reputation built regulatory power in all of its facets. And power, once possessed, has been used and managed in ways that maintain reputation, and hence power itself (Carpenter 2010: 10).

The ECB acted in accordance with the ordo-liberal audiences in order to remain trusted (Fontan 2014). This was crucial to preserve its power, as a Central Bank's reputation is its principal source of regulatory power (Jervis 1976).

As a result, when the crisis was threatening the Eurozone and the ECB felt the need to react with an expansionist monetary policy not aligned with ordo-liberal principles, it could not swerve too much from its original mission. Therefore, the ECB used ambiguity in the monetary instruments and in institutional communication. For example, to stabilise the exchange rate in the debt market in 2010, the ECB implemented the Security Market Programme (SMP) that was an instrument designed to facilitate the refinancing of distressed sovereigns but was presented as a technical tool to avoid tensions with EMU leaders.

Thus, the action of the ECB aimed at protecting, preserving and even enhancing its reputation. In other words, it respected the fiscal, budgetary and competitiveness framing of the crisis to retain the confidence of the ordo-liberal-orientated leaders and even to extend its competences to new policy territories. Fontan (2014) argues that the ECB benefited from the framing of crisis made by the European Council because it strengthens the preexisting paradigm of price stability and strict fiscal policies on which EMU has been built. This kind of behaviour motivated by the willingness to be well perceived, is representative of the EU's 'de-institutionalized' (Benz 2003: 101) policymaking presented in the first section.

External influences were also exerted to keep the ECB from departing from its original ordo-liberal principles. In particular, the German Government was firmly committed to protect the ordo-liberal stance of the ECB. Angela Merkel demonstrated it by her strong support for the appointment of Mario Draghi to succeed Jean-Claude Trichet as ECB President. According to the Financial Post (2011), she told *Die Zeit* newspaper in May 2011: 'I know Mario Draghi. He's very close to our ideas of a stability culture and solid economic policy. Germany could support his candidacy for the office of the ECB president'.

The Longevity of the Ordo-Liberal Framing

The economic crisis was a 'window of opportunity' that has allowed ordo-liberal actors to push their agenda and their framing forward. However, as the crisis went on for months, and then years, it became important for these actors to close this window of opportunity, that is to say to prevent competing framings and competing policies to gain ground. In that respect, the two main proponents of ordo-liberalism at the European level, the German Government and the ECB, were careful to maintain the preponderance of their framing, and therefore, in the long-term, to preserve their reputation, power and expertise.

Thus, solutions that were dismissed in the first years of the crisis were rebranded and reexamined in later years (Matthijs and McNamara 2015) and compromises were found when those solutions could be reformulated in a way that was compliant with ordo-liberal principles, at least superficially. For example, Schäfer (2016) demonstrated that the German Government accepted the principles of the Single Resolution Fund once a compromise was made with ordo-liberalism reluctance for moral hazards.

Ordo-liberalism has remained the norm at the discursive level while the practice became more nuanced, and sometimes even paradoxical. Indeed, the ECB's 'unconventional and loose monetary policies [operated] in direct opposition to the tight fiscal policies of its member states' government' (Matthijs and Blyth 2018: 110). Mario Draghi, then President of the ECB, in a press conference on 18 June 2013 defended it, saying that it was not violating its 'ordoliberal principles' after the ECB

decided to carry out long-term refinancing operations supporting banks that had bought toxic assets, a moral hazard that should not be backed by institutions, according to ordo-liberal theory.

In fact, proponents of strict ordo-liberalism showed their disagreements with the policies implemented. For instance, in February 2011, Alex Weber, President of the Bundesbank, expressed his disagreement over what he perceived as heterodox policies by leaving his position and announcing that he would not accept the presidency of the ECB after Trichet's end of term, despite being a front-runner.

The importance attached to maintaining this ordo-liberal framing while adopting less ideological policies has been explained by its convenient compatibility with the culture of northern creditor countries, especially Germany (Hien and Joerges 2018). It can be further explained by the interests of ordo-liberalism's champions: counter-narratives could have put the emphasis on subjects they did not wish to tackle, such as the deficiencies of the economic governance in the EU (Matthijs and McNamara 2015) or the chronic imbalances between the economic deficits or surpluses of European countries' trade balances (Jabko 2013). An ordo-liberal framing is a political tool that puts the burden of adjusting to the crisis on indebted countries. This is further evidenced by the fact that Germany itself cannot be said to have implemented strict ordo-liberal policies during the crisis (Young 2014), despite its influential Minister of Finance, Wolfgang Schaüble, claiming in the Financial Times that 'Austerity is only cure for the Eurozone' (Schaüble 2011). Moreover, path dependence makes it all the more so difficult for competing policy entrepreneurs to overthrow the institutionalisation of austerity. This was exemplified by the Greek contestation of austerity that took a new lease of life in 2015 with the election of Alexis Tsipras. After six months of negotiations with European institutions and within EMU, Tsipras declared on 14 July 2015 that he was 'signing a text that [he does] not believe in, but [feels] obliged to implement'.

CONCLUSION

The Eurozone crisis was a window of opportunity for the political actors of EMU. The debt sovereign crisis that emerged in Greece in late 2009 was threatening to spread across Europe and forced political actors to react quickly. The unclear information about the phenomenon allowed various policy entrepreneurs to promote different explanations for the crisis in accordance with their interests. The narrative of the crisis that won over the others was brought by ordo-liberal leaders. They managed to persuade other leaders, through a strategic and persuasive use of ideas, that ordo-liberalism could adequately explain the roots of the crisis, and that ordo-liberal austerity measures were the better solution. To do so, they used the example of Germany, given that the country seemed to have quickly recovered from the economic crisis. Other political actors with different narratives could have won, but the willingness of institutional actors to maintain their reputation and strengthen their power helped the ordo-liberal framing to become the consensus. The result was a spread of austerity measures, the diffusion of the German model of economic institutions in Europe and the strengthening of the existing ordo-liberal paradigm in the Eurozone.

However, a decade after the beginning of the crisis of sovereign debt, the thesis of an ordo-liberalisation of Europe must be nuanced. While the need for consistency pushed actors to maintain their discourse, negotiations with dissenting actors and the need for quick, good economic results pushed the champions of ordo-liberalism in power to adapt to the situation and be flexible on their principles.

The framing of the crisis, but also the maintenance of this framing, is at the interplay between power plays and ideology. The multiple stream framework provides us with the tool to show that actors have neither been acting completely ideologically, nor in a Machiavellian manner: actors who

managed to push forward their framing at the beginning of the crisis gained from closing the window of opportunity that was still usable in the continuing crisis. This article's analysis of the gap between discourses and practices in the Eurozone crisis highlights that the ordo-liberal rhetoric has been strategically used to construct a coherent narrative of the political responses. This was done to save face and to retain power while, in fact, the adopted policies were not always ideologically coherent.

Yet, the propagation of austerity measures and structural reforms based on the ordo-liberal economic model might very well have endangered the EU project. On the one hand, more and more populist and Eurosceptic political parties are registering successes across the EU, especially in countries most deeply affected by austerity. On the other hand, the European people can interpret the strengthening of austerity measures in Greece — despite the referendum rejecting these measures — as a negation of sovereign democracy. Precise academic work to highlight the influence of diverse ideologies in the responses to the economic crisis is, in that sense, a necessity for the democratic debate.

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