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European Political and Administrative Studies/

Études Politiques et Administratives

Dijver 11, B-8000 Brugge, Belgium

www.coleurope.eu/pol

About the authors

Ferdi De Ville is assistant professor at the Centre for EU Studies, Department of Political Science, Ghent University. His main research interests include EU trade policy and economic and monetary union and the euro crisis. His research has been published in *New Political Economy*, *Journal of European Public Policy*, *Comparative European Politics*, *British Journal of Politics and International Relations* and *International Studies Review*. His book (with Gabriel Siles-Brügge) [TTIP: The Truth about the Trade and Investment Partnership](#) will come out with Polity Press this fall.

Dieter Berckvens is a teaching and research assistant at the Department of Political Science, University of Trier. His research interests concern the political economy of European economic and monetary integration, more specifically the effect of economic ideas on policy formation in the Eurozone crisis, as well as German economic policy and its interaction with the advancement of internal rebalancing in the euro area.

Contact:

Ferdi.deville@ugent.be

Berckvens@uni-trier.de

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Dijver 11, B-8000 Bruges, Belgium | Tel. +32 (0) 50 477 281 | Fax +32 (0) 50 477 280

email michele.chang@coleurope.eu | website www.coleurope.eu/pol

Abstract

This paper is an empirical contribution to the literature on the formation of policy preferences on Economic and Monetary Union (EMU) reform within its Member States. In the aftermath of the euro crisis, many proposals to ‘complete’ EMU have been tabled. However, discord among Member States has led to a piecemeal restructuring of EMU. For this paper, a survey has been conducted among euro area academic experts, gauging preferences on EMU reform. We find that general consensus masks significant discord among academics from different Member States. Our data indicates the existence of conflicting national epistemic communities, bound by shared causal beliefs on macro-economic policy. Academics within the key creditor Member State, Germany, assume an outlier position. Within the sample of German academics, economists are particularly strongly opposed to all moves in the direction of fiscal or social union. As economists are those academic experts most likely to influence the economic policy beliefs dominant among the German policy elite, these results are highly politically salient. We confront these findings with the literature on the exceptionalism of German economics. We contend that our results substantiate the claim that inadequate EMU reform and, more generally, the EU approach to the Eurozone crisis, can be partially explained by the firm grip these economic doctrines hold over the economics profession and policy-making circles in Germany.

Introduction

Why is the Eurozone, more than four years after the outbreak of the euro crisis, still very much in dire straits?¹ According to several critical observers, piecemeal and counterproductive reform to the institutional make-up of the economic and monetary union (EMU) explains its current predicament. As is well-known, the euro crisis policy response has, until now, mainly consisted of a combination of bail-outs, austerity and structural reforms (e.g. Draghi 2012; Rehn 2013). Institutionally, this has meant the construction of a permanent bail-out fund, the bolstering of fiscal rules and the creation of fiscal surveillance mechanisms. Practically, the rescue operations for Greece, Ireland, Portugal and later Cyprus were accompanied by strict ‘economic adjustment programs’ including fiscal contraction measures and a structural reform agenda comprising labour market reforms, increases to value-added and excise taxes, public-sector wage cuts and reductions in pensions, social expenditures and public investment, going into such details as to stipulate that firm-level collective bargaining agreements shall prevail over sectoral and occupational agreements (cfr. Scharpf 2011: 27ff). However, many observers argue that these responses have been insufficient to fix the design failures in the Eurozone (e.g. De Grauwe 2013).

But why has this been so? Are policy-makers unwilling or unable to implement those reforms necessary to exit the crisis and put EMU on a sustainable footing? A plethora of interest-based and institutionalist accounts explain the policy reaction to the Eurozone crisis through an emphasis on two factors: the supremacy of creditor interests and the inhibition of far-reaching reform by the institutional and political setting.² Yet, these explanations neglect the role of ideas in the preference-formation of creditor states. Expecting a rule-based ‘rescue-cum-retrenchment strategy’ (Scharpf 2011) to deliver debt repayment, let alone sustainable economic growth, essentially depends on the assumption of certain economic ideas (Blyth 2013; Dullien 2013).

¹ The survey for this paper has been drafted and administered in cooperation with four of Ferdi De Ville’s master students in EU Studies (2014). He would like to thank Peter Hyndriks, Robin Vandekeybus, Helena Verhoeven and Tom Vermeersch for their assistance.

² Observers point to the relatively good fiscal and competitive position of creditor Member States, incentivizing strategies focused on ‘self-help’ (f.e. Donnelly 2014), the naked costs of relaxing fiscal constraints (Dyson 2012), the export-led growth structure of creditor Member State economies (Hall 2013; Iversen & Soskice forthcoming), unanimity rules enhancing the powers of veto players (Scharpf 2011), as well as the incongruity between Member State political economies, which require very different monetary regimes (Höpner & Schafer 2011; Hall 2014).

In this paper, based on a survey among euro area academic experts, we suggest an *ideational* explanation based on conflicting epistemic communities, providing Eurozone policy-makers with contradictory crisis interpretations and consequently, clashing policy advice. Crucially, academics from the key creditor Eurozone Member State, Germany, assume an outlier position. Ideational perspectives point to an underlying clash between different economic policy ideas: both beliefs on the appropriate goals and instruments of economic policy, as well as core causal beliefs on the functioning of the economy.

It has been noted by a number of critical observers such as Paul Krugman and Paul De Grauwe that key policy-makers in the European Union (EU) (most notably within the European Commission and its Directorate-General of Economic and Financial Affairs, the European Central Bank (ECB) and Germany, sometimes together called the Brussels-Frankfurt-Berlin consensus, cfr. De Grauwe 2006) believe that the austerity-cum-structural reform agenda is the most, and arguably only, sensible and sustainable solution to the crisis. This interpretation of the crisis holds that it has brought to light that some euro area economies are burdened with unsustainable government debt, which has a negative effect on growth (based on research by Reinhart and Rogoff 2010, since then questioned). They believe that fiscal consolidation will restore confidence (called the ‘confidence fairy tale’ by their critics) among investors and is thus key to restore growth. They also suspect that southern euro area economies, but all European economies by extension, are inhibited by rigid labour markets and unsustainable welfare state arrangements. Thus, austerity has to be accompanied by structural reforms to jump-start growth and ensure it in the future. On the other hand, the crisis has seen the reappearance of (neo)Keynesians who believe that a crisis, and private deleveraging as a consequence of this, needs to be offset by fiscal and monetary expansion to restore full employment, which will eventually ease debt reduction.

This disagreement between neoclassical and neo-Keynesian economists is focused mostly on the short-term crisis response (see *supra*). With regard to the mid- to long-term reform of EMU, the conflict is more between ordoliberalists, who believe that an EMU based on strict and enforceable rules (a stability union) is sustainable and that all instruments that install solidarity in the euro area (a transfer union) will lead to moral hazard, and others (euro-federalists) who believe that monetary union cannot survive without also being a fiscal and political union. This

difference has alternatively been described as ‘rules versus discretion’ (e.g. Wyplosz 2006: 229ff). Of course this distinction between neo-Keynesians versus neo-classicists (that focus on short-term crisis management policy prescriptions) and ordoliberalism versus federalists (that have different opinions about how the EMU should be governed in general, hence in the long term) is not entirely clear-cut. Ordoliberalism tends to side with neo-classicists that strict rules on budget balances should reign in politician’s deficit bias, while neo-Keynesians will concur with euro-federalists that a centralized European entity should avail of a significant budget to deploy for counter-cyclical spending purposes.

Many of these accounts have pointed to the dominance of a specific blend of ordoliberal and neoclassical economic policy ideas in Germany, the largest creditor Member State in the Eurozone crisis and thus, the key veto player in the context of EMU reform. Indeed, the German position during the crisis has regularly been described as consistent with the longstanding dominance of the economic orthodoxy of ordoliberalism in the country since the second world war and the economic policies of Ludwig Erhard (e.g. Newman 2010; Dullien and Guérot 2012). Ordoliberalism can be defined as an intellectual tradition whose central tenet is that:

“[...]governments should regulate markets in such a way that the market outcome approximates the theoretical outcome in a perfectly competitive market (in which none of the actors are able to influence the price of goods and services). Ordoliberalism differs from other schools of liberalism (including the neo-liberalism predominant in the Anglo-Saxon world) in that it places a greater emphasis on preventing cartels and monopolies. At the same time, like neo-liberalism, ordoliberalism opposes intervention into the normal course of the economy. For example, it rejects the use of expansionary fiscal and monetary policies to stabilize the business cycle in a recession and is, in that sense, anti-Keynesian (Dullien and Guérot 2012: 2).”

Ordoliberalism, with its emphasis on a rule-based, hands-off approach to fiscal policy and the importance of moral hazard, is said to have influenced the economic world-view of the German public (Schieder 2014), media (Dullien 2008), academics and policy-makers (Dullien & Guérot 2012; Byth 2013). These observations point to a specific explanation of the policy reaction to the Euro crisis: limited and imbalanced EMU reform can be traced back to an underlying divergence in economic policy ideas, particularly between Germany and other

Member States. This indicates the existence of clashing *epistemic communities*, based in different Eurozone Member States.

Haas (1992: 3) defines epistemic communities as follows:

“An epistemic community is a network of professionals from a variety of disciplines and backgrounds. They have (1) a shared set of normative and principled beliefs, which provide a value-based rationale for the social action of community members; (2) shared causal beliefs, which are derived from their analyses of practices leading or contributing to a central set of problems in their domain and which then serve as the basis of elucidating the multiple linkages between possible policy actions and desired outcomes; (3) shared notions of validity – that is, intersubjective, internally defined criteria for weighing and validating knowledge in the domain of expertise; and (4) a common policy enterprise – that is, a set of common practices associated with a set of problems to which their professional competence is directed, presumably out of the conviction that human welfare will be enhanced as a consequence.”

In this paper, our focus lies on the second and fourth characteristics. In effect, our survey investigates whether euro area academic experts share a mutual policy enterprise, grounded in a common set of economic policy ideas. We argue that in Germany, an epistemic community, consisting of members of the political, academic and media elite, share a specific set of economic policy ideas: beliefs on appropriate goals and instruments, as well as underlying causal beliefs on the functioning of economic policy. This epistemic community is concentrated in but not limited to Germany (Pühringer & Hirte 2013).

Academic experts can be considered to be crucial actors as they constitute one important faction of an epistemic community (e.g. Haas 1989; Verdun 1999) that influences political and public debate on the future of the euro area. With Denzau and North (1994), Blyth (2002) and Rodrik (2014), we find it likely that decision-makers inhabit a world marked by ‘Knightian uncertainty’. Because of incomplete information, decision-makers cannot know for certain which causal beliefs related to the functioning of the economy and interpretations of economic events are correct. This view is certainly more likely to be valid in the context of a highly complex economic catastrophe such as the Eurozone crisis, of which every possible causal narrative

contains a multitude of moving parts, actors and processes. In this context, it is doubtful that the public or political decision-makers have a clear and distinct idea of policy options maximizing either their own, their Member State's or the Eurozone's welfare. In a context such as this, Haas (1992: 13) emphasizes the importance of academic experts at the expense of interests groups and social movements:

“Without the help of experts, they [governments] risk making choices that not only ignore the interlinkages with other issues, but also highly discount the uncertain future”

Next to organized interests, academic experts can be considered the key creators and disseminators of knowledge relevant to policy makers (Haas, 1992).³ Against this background, academic experts will influence how decision-makers understand the short- and long-term consequences of policy proposals and whether these are consistent with their preferences. Thus, academic experts influence how political decision-makers *perceive* their interests (Haas, 1992; Blyth, 2002; Rodrik, 2014).

These experts may assume several roles in the policy process. They may cause policy-makers to pursue new strategies, create new policy instruments or bring about a change in the dominant policy paradigm through provoking a shift in causal beliefs (Hall, 1992). Furthermore, the information provided can serve to legitimize certain policy reforms and/or serve as an instrument to attack opponents. A multitude of accounts emphasize that the potential roles of expert information essentially depend on the policy-making context. Expert information confronts differences in the structure of decision-making institutions, as well as ideological heritage (Kogut & Macpherson 2011: 20). In any case, expert-based opinions can be assumed to be more influential when there is *unanimity* across a scientific community (Haas 1992, Sabatier 1999, Weible 2008, Kogut & Macpherson 2011, Farrell & Quiggin 2012).

³This is not to argue only experts are relevant with regards to the creation, dissemination and promotion of policy knowledge or economic ideas. Rather, Haas was pointing to a gap in the literature: there is more to the policy-making process than the clash of material interests in the context of institutional hurdles, more actors are relevant besides interest groups and political elites. See Dunlop (2000).

Therefore, it is reasonable to assume that 1) a greater degree of consensus among academic experts about needed reforms to the EMU policy framework will increase the chance of far-reaching reform and 2) inversely, significant disagreement among academic experts from different Member States will lead to conflicts between Member States on the apt policy orientation of EMU and thus, on EMU reform. Thus, instead of mapping politicians' (or public opinions') positions in this discussion, this paper takes aim at the positions of euro area academics on EMU reform, particularly the difference between German academics and others.

The paper proceeds as follows: in the following section, the rationale behind our survey and the make-up of the population is discussed. Next, our results will be presented, as well as the most salient patterns emerging from our data. Subsequently, we discuss the fit of our results to the wider literature on German economics and trace plausible interpretations for those results. We argue that German academics, particularly economists, are likely to have significantly influenced the policy preferences of their policy elite. Finally, we reflect on what this tells us about the future of the euro area.

The survey and population

Besides criticizing the features and effects of hitherto rescue operations, many observers have called to move beyond crisis management and consider more fundamental institutional fixes to put EMU on a sustainable footing.⁴ Also, European policy-makers have started to realize the need for more radical reform of the EMU's architecture. Both European Council President Van Rompuy and the European Commission have tabled ambitious and relatively detailed roadmaps for the completion of EMU, but the Member States have only reluctantly acted on them.

The new President of the European Commission has named establishing 'a deeper and fairer economic and monetary union', based on the aforementioned four presidents' report (Van

⁴ Examples include Leonard (2011) advocating 'a quasi-finance ministry to set and enforce fiscal rules; the ability to raise its own resources; common banking supervision, regulation and deposit insurance; common representation in international institutions; and a mechanism for ensuring the democratic legitimacy of these processes' and Tilford (2011) arguing for 'partial mutualisation of sovereign borrowing costs, via the adoption of a common bond ... the adoption of a eurozone-wide backstop for the banking sector ... growth-orientated macroeconomic policy: the European Central Bank needs a broader mandate, member states' fiscal policy must be co-ordinated, and trade balances must be narrowed symmetrically ... finally, the participating economies must agree to deepen the EU's single market'.

Rompuy, 2012) and the Commission's report as one of his priorities (Juncker 2014: 6-7). This commitment was reiterated and concretized at a recent European Council (Juncker et al. 2015: 8-9).⁵

At the time of writing, only a very limited, and according to many observers inadequate, banking union has been agreed upon (Beck, 2013; Véron & Wolff, 2013). Other proposals that have been put under such headings as 'economic union', 'fiscal union', 'social union' and 'political union' have not been the subject of any real discussion.

We have selected twelve reform proposals from two aforementioned documents, the essential official proposals on EMU reform: the 'Van Rompuy' or 'Four Presidents' report 'Towards a Genuine Economic and Monetary Union' and the European Commission's 'A blueprint for a deep and genuine economic and monetary union: Launching a European debate'. as well as from a number of other publications on EMU reform by several of the most well-known EU think tanks (such as CEPS and Bruegel).⁶ We have formulated these proposals, in line with official communications, as follows, and each time accompanied them with a brief, neutrally formulated definition of the proposal:

1. The EMU should have a Single Resolution Mechanism (SRM) (which will be in charge of the restructuring and resolution of banks within the Member States participating in the banking union)

⁵ The document has been prepared by Juncker, Dijsselbloem, Tusk and Draghi and points to the 2012 Van Rompuy and European Commission blueprints as the essential documents setting out a roadmap to a stronger economic governance. The document closes with a succinct observation: "The euro area has not recovered from the crisis in the same way as the U.S., which might point to the fact that an incomplete monetary union adjusts much slower than one with a more complete institutional setup in place."

⁶ We are conscious of the fact that this is not the definitive list of policy options to address the Eurozone crisis. The proposals in this paper are indeed mainly part of the literature that asks the question what it would take to make the Eurozone into an optimal currency area. They are proposals specifically aimed at constructing additional EMU institutions or changing their functioning. Short-term proposals that focus on issues such as the coordination of wage growth, raising inflation in the core, the coordination of stimulus packages or medium to long-term proposals such as new and clear bankruptcy rules for Eurozone states, have been ignored in this survey (see supra). To enhance the political feasibility of the proposals included hereafter, we have focused on institutional proposals and proposals emanating from EU institutions.

2. The EMU should have a single deposit insurance scheme (which will operate at the banking union level and will reimburse from a common fund a limited amount of deposits to depositors in participating Member States in the case of bank failures)
3. The EMU should have contractual arrangements accompanied by financial support (Such a contract would bind a member state in adopting structural reforms, while some EU financial support may be granted to the contracting Member State. They would be mutually agreed between the Commission and Member States and would involve all euro area Member States)
4. The EMU should have a full-time Eurogroup president (A full-time Eurogroup president would be a chairman for the main forum of the single currency (composed of the euro area's ministers of finance) named for a fixed period and work full-time without other responsibilities)
5. The EMU should have a euro committee in the EP with greater powers (A euro committee should be set up in the European Parliament, which should be granted co-decision-making power in matters of economic governance (such as in the application of the European Semester))
6. The EMU should have an automatic stabilization mechanism at the euro area level (Under an automatic stabilization mechanism, Member States would pay into the scheme when their business cycle position is better than the euro area average and would receive funds when their business cycle position is weaker than average)
7. The EMU should have a single external representation of the euro area (A single external representation of the euro area would consist of creating a single-member position on multilateral institutions such as the IMF and the G-20)
8. The EMU should change the mandate of the ECB (The EMU should put growth and employment along with price stability as the ECB's primary objectives)
9. The EU should have a directly-elected Commission President (A directly-elected President would be elected by the European voters in a two-ballot contest (along the lines of the French model) or via an electoral college (along the lines of the American model))

10. The EU should have issuance of common debt (The common issuance of sovereign debt would mean a pooling of sovereign issuance among the euro area Member States and the sharing of associated revenue flows and debt-servicing costs)
11. The EMU should have enforceable social and employment indicators integrated in the European Semester (The European Semester is the yearly cycle of economic policy coordination of the EU. Each year the European Commission undertakes a detailed analysis of EU Member States' programmes of economic and structural reforms and provides them with recommendations for the next 12-18 months)
12. The EMU should have a proper fiscal capacity for the euro area governed by an EMU treasury (A proper fiscal capacity means the EMU would have a relevant budget based on own tax resources with a Treasury in command)

To analyse the opinion of academics on these EMU reform proposals, we have identified more than 900 academics working in one of the 18 euro area Member States, in a Faculty of Economics, Political Science or Law. Thereby the survey population was explicitly limited to academic experts on euro area policy. Belonging to the population could be indicated by having EMU listed among research interests, having published peer-reviewed papers on topics and/or teaching activities related to EMU. A control question, gauging if respondents considered their research relevant to EMU policy, was included in the survey. Most respondents consider their research as somewhat (a third) to closely (a fourth) related to EMU, with respondents considering their work a little or very closely related to the topic of the survey both representing one fifth of the respondents. Only 5% of respondents (11) indicated that their research had little to do with EMU. As there was no correlation between respondents' response to the control question and their policy preferences, their answers remain in our data-set.

We have intentionally chosen to exclusively survey academics at public universities, rather than academics active within policy-making institutions, think tanks, consulting firms or non-profits, as these face divergent incentives or conflicts of interest (Weible, 2008: 616). Moreover, Member States possess different knowledge regimes (Campbell & Pedersen 2014), which renders other potential criteria of inclusion exceedingly complex. Our online survey that

ran in December 2013 and January 2014 has been fully completed by 252 respondents, resulting in a response rate of 27.8%.

Table 1: Respondents by nationality and academic major

	Economic s	Law	Politics	Other	Total
Austria	4	0	2	0	6
Belgium	11	3	5	0	19
Cyprus	1	0	2	0	3
Estonia	1	1	0	0	2
Finland	0	0	5	0	5
France	29	3	2	0	34
Germany	14	1	26	0	41
Greece	10	2	6	0	18
Italy	22	9	7	1	39
Ireland	1	0	1	0	2
Latvia	0	0	0	1	1
Luxembourg	0	0	1	0	1
Malta	3	1	1	0	5
Netherlands	8	2	3	1	14
Portugal	7	0	2	0	9
Slovakia	1	0	2	1	4
Slovenia	10	6	1	0	17
Spain	1	4	10	2	17
Other	3	0	8	0	11
Total	126	32	84	6	248

Source: survey data, representation by the authors

Of these, German (16,3% of respondents), Italian (15,5%) and French (13,5%) respondents are most represented, followed by Belgian (7,5%), Greek (7,3%), as well as Slovenian (6,7%), and Spanish (6,7%) academics. Both German and Spanish academics are

significantly underrepresented. Belgian, Greek and Slovenian academics are overrepresented. As we have reasons to suspect German academics to have more negative opinions toward proposals increasing moral hazard and/or increasing the scope of discretionary policy, this would tend to bias the aggregate results in the favour of approval.

When we differentiate between the periphery (Cyprus, France, Greece, Italy, Ireland, Malta, Portugal, Slovenia and Spain) and the core (Austria, Belgium, Estonia, Finland, Germany, Latvia, Luxemburg, the Netherlands and Slovakia),⁷ the periphery is represented by 58,1% of respondents, the core by 37,5%. If a cleavage between periphery and core Member States shows up in the results, this divide would bias aggregate opinion in the favor of periphery Member States.

With regards to the respondents' academic field, economists represent half, followed by political scientists with a third and law scholars with one eighth. Different academic majors are overrepresented in the respondents group of different Member States. In the periphery, Italy and Greece stay fairly close to the average representation of economists (56,4% and 55,6%). In France and Portugal, however, fully 85,3% and 77,8% of academics work in an economics department. Political scientists are overrepresented in Spain with 58,8%. On the core side of the great Eurozone divide, Austrian and Dutch economists (66,6% and 57,1%) are overrepresented, as well as German political scientists with 63,4%, whereas in Finland only political scientists replied. Because of this over- and underrepresentation of specific majors within certain countries, the external validity of the opinion of most specific subsets of academic experts is doubtful. In

⁷ Categorization into core and periphery Member States is a contentious issue, as are the labels themselves. Here, these labels are not used to imply a geographical division, nor a strict juxtaposition of creditor and debtor Member States. The labels are employed here to reflect the relative 'hawkish' or 'dovish' position of respective governments. We have grouped Estonia, Latvia and Slovakia to belong to the 'core' because of the 'hawkish' position of their governments during the euro crisis that lean towards the position of those governments traditionally conceived as the core (the so-called FANGs: Finland, Austria, the Netherlands and Germany). In this paper, France and Slovenia are classified as periphery Member States. In 2012/2013, Slovenia was considered likely to be the next Member State in the crosshairs of the financial markets, after Portugal, Ireland, Italy, Greece and Spain. France has certainly been a 'core' country in the context of the creation of EMU. Franco-German compromises have been the driving forces behind much of the shaping of its institutions, before and after the advent of the Eurozone crises (Schild, 2013). However, since the French presidential elections won by Hollande in 2012, compromises were characterized by a 'proxy logic in which France and Germany [...] strike bilateral compromises acceptable to other member states that feel their own interests are represented by either France or Germany' (Schild, 2013: 1). France and Germany have often stood on opposite sides of the divide described above.

this paper, we will focus on the most salient cleavage: the polarization between German respondents and all others. In this context, we will zoom in on German economists. Additionally, we offer a brief discussion of aggregate opinion and the core-periphery divide.

Results

In what follows, we present our most salient results. Two significant divides emerge from the data: between Germany and all others and between the core and periphery. Although the academic background of respondents or the closeness of their research to the issue of Economic and Monetary Union did not result in significant differences in their opinion on EMU reform in aggregate, when analysed per Member State, academic background does influence opinion, most significantly in Germany.

The last row in the following table shows an average approval rate for the twelve proposals for each of the nationalities. Approval for reform of EMU is lowest in Germany and Finland,⁸ two countries whose policy-makers are most resistant towards adjusting the EMU institutional structure through increased fiscal integration and a more symmetric burden-sharing. In Belgium and the Netherlands, support is above 60%. Malta, Austria and Portugal show support rates for EMU reform of between 70 and 80%. Five countries have an average of more than 80% support: France, Spain, Cyprus, Italy and Slovenia. One country has an average of more than 90% support on average: Greece. It is remarkably clear that the reform proposals for EMU are supported the most by academics from the Southern European countries. In all of the so-called GIPS (Greece, Italy, Portugal, Spain), approval of the reform proposals is very high, as well as in Slovenia.

⁸ As Finland only has 5 respondents, one has to be cautious about the external validity of the Finnish results.

Table 1 Support for reform proposals by nationality

	AT	BE	CY	FI	FR	DE	EL	IT	MT	NL	PT	SI	ES
1. Single Resolution Mechanism	100	94	100	80	91	88	88	85	80	79	78	88	100
2. Single Deposit Insurance Scheme	83	79	100	40	85	59	100	92	75	100	89	88	94
6. Automatic stabilization mechanism	83	79	100	60	91	61	100	85	60	69	78	94	87
12. Fiscal capacity	83	84	100	60	97	49	94	92	80	79	67	88	88
10. Issuance of common debt	67	74	100	40	94	46	100	90	80	71	78	94	88
5. Euro committee in the EP	100	67	100	40	91	65	88	81	40	67	56	65	88
7. Single external representation	83	53	67	40	85	54	89	85	100	57	78	77	94
3. Contractual arrangements	83	56	67	60	75	68	83	70	100	43	67	88	88
7. Social and employment indicators	67	53	67	60	88	45	94	80	40	21	67	94	88
4. Full-time Eurogroup president	50	53	100	20	76	59	78	68	100	46	56	88	77
9. Directly elected Commission president	33	58	100	60	76	51	94	87	60	39	67	56	88
8. Change mandate of ECB	33	63	33	60	88	32	100	77	60	71	78	75	71
Average	72	68	86	52	86	56	92	83	73	62	71	83	88

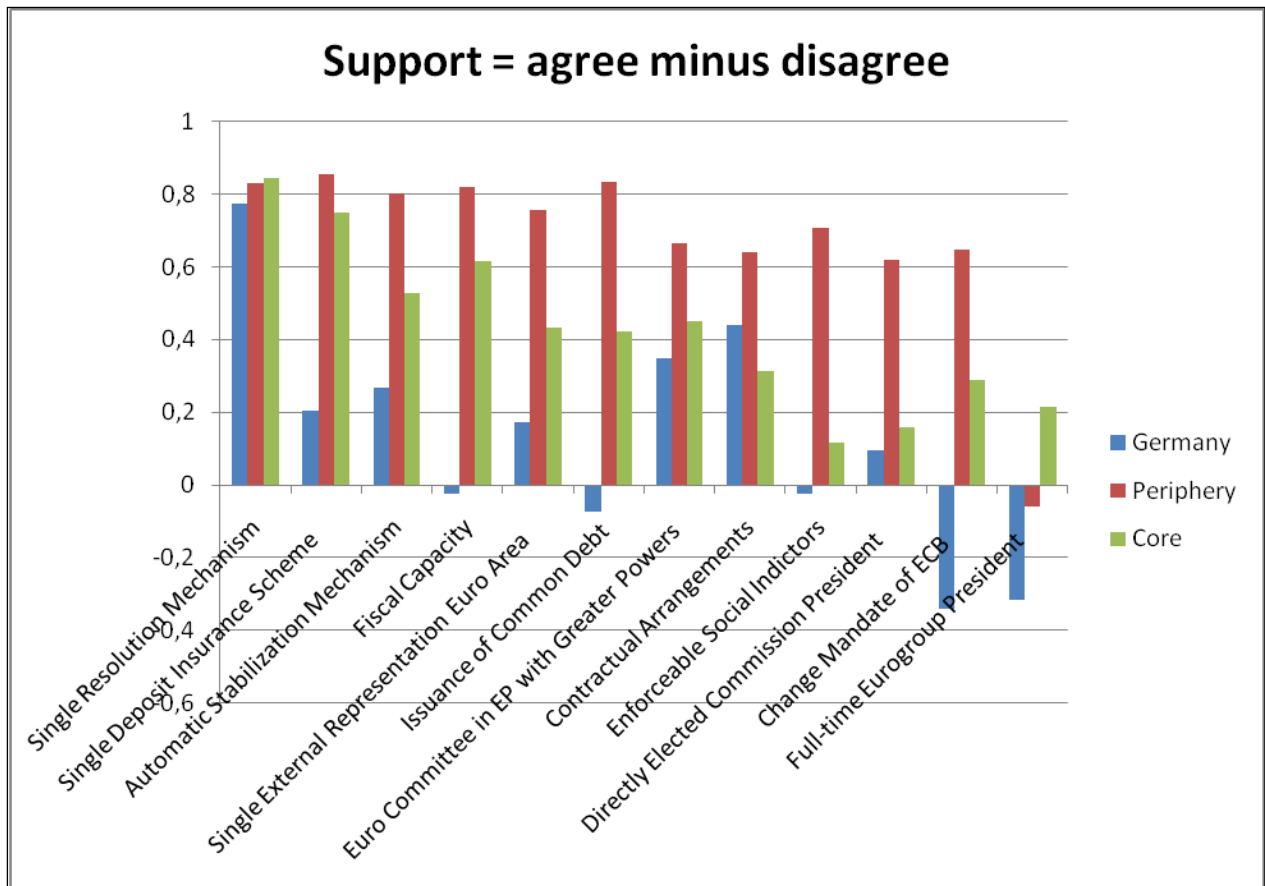
yellow = banking union; red = fiscal union; green = political union; blue = other. *Source: survey data, representation by the authors*

German deviance is illustrated when we differentiate between Germany, the periphery (Cyprus, France, Greece, Italy, Ireland, Malta, Portugal, Slovenia and Spain) and the core excluding Germany (Austria, Belgium, Estonia, Finland, Latvia, Luxemburg, the Netherlands and Slovakia). It shows the clear outlier position of German academics, as well as notable differences between academics from the periphery and the core, even if we leave Germany out of this group. What is clear is that academics from all Member States agree strongly on the need for a SRM for banks,⁹ which is the only reform proposal where German support is not significantly lower compared to other Member States. After the SRM, German support is highest for contractual arrangements, whereas this proposal finishes third-to-last in aggregate.

Fittingly, this is a proposal that originates from within the German government and clearly fits within the ‘stability union’ view of an EMU governed by enforceable rules (see supra). On a number of proposals, most notably within fiscal union (fiscal capacity and issuance of common debt) and on changing the ECB mandate, German academics appear relatively isolated. Another surprising finding is that there is relatively little support among German academics for political integration (in descending order of opposition: full-time Eurogroup President, directly-elected Commission President, single external representation of the euro area, and euro committee with greater powers in the European Parliament), notwithstanding the position of the German government that more political integration in the euro area is needed before fiscal integration is legitimately feasible (which might of course be a tactical position to delay fiscal integration). It is also remarkable that periphery countries oppose a full-time Eurogroup President, which might be ascribed to the fact that this figure (first Jean-Claude Juncker, then Jeroen Dijsselbloem) has become one of the ‘faces’ of the austerity approach to the crisis.

⁹ We were not able to ask them about the modalities of this reform; the same disclaimer applies to the other proposals.

Figure 1 Support for reform proposals among academics from Germany, the periphery and the core



Source: survey data, representation by the authors

In spite of strong German opposition, all reform proposals are supported by at least two thirds of respondents. In order to further illustrate the extent of German deviance, we present aggregate opinion in the following table, by descending intensity of support.¹⁰ We can see that the synthesized and weighted results strongly overlap. Only for the issuance of common debt a proposal drops significantly in the ranking when using the weighted number. This can mainly be traced back to strong opposition by German academics.

¹⁰All three response categories expressing disagreement (strongly disagree, disagree and slightly disagree) have been coded as ‘disagree’ and those that opted for one of the three categories indicating approval (slightly agree, agree, strongly agree) as ‘agree’. The final column is a weighted number (strongly disagree = -3, disagree = -2, slightly disagree = -1, slightly agree = +1, agree = +2, strongly agree = +3). Hence, if for a certain proposal 40% of respondents have chosen ‘strongly agree’, 30% ‘agree’, 20% ‘slightly agree’ and 10% have chosen ‘disagree’, the weighted result would be: $(40 \cdot 3) + (30 \cdot 2) + (20 \cdot 1) + (10 \cdot -2) = 180$, out of a maximum weighted score of 300.

Table 3 Average support for EMU reform proposals

	Disagree (%)	Agree (%)	Weighted
1. Single Resolution Mechanism	6,8	85,7	187,2
2. Single Deposit Insurance Scheme	11,2	81,7	166
6. Automatic Stabilization Mechanism	15,9	79,8	150,8
12. Fiscal Capacity	17,5	80,5	149,8
7. Single External Representation Euro Area	15,9	75	144,8
5. Euro Committee in EP with Greater Powers	17,1	72,6	132,5
10. Issuance of Common Debt	20,5	77,5	126,3
11. Enforceable Social Indicators	24,6	68,7	111,6
4. Full-time Eurogroup President	21,4	67	111
3. Contractual Arrangements	19,1	70,7	102,4
9. Directly Elected Commission President	23,8	67,1	99,6
8. Change Mandate of ECB	27	67	97,5

Source: survey data, representation by the authors

Where is this German opposition coming from? Striking disagreements rear their head when we delve deeper into the composition of German opinion by academic major. In the following table, we render their opinions on all included proposals, ranked according to the proposals most favored by German academics.

Table 4 Support for reform proposals among German academics, by academic major¹¹

	Economics	Weighted	Politics	Weighted
	%		%	
1. Single Resolution Mechanism	79	150,2	96	168,3
3. Contractual arrangements	70	50,1	75	134,7
7. Single External representation Euro Area	58	28,6	58	54,0
9. Directly Elected Commission president	50	-28,4	56	23,1
4. Full-time Eurogroup president	42	-35,5	72	99,9
5. Euro committee in EP with Greater Powers	36	-50,0	84	157,7
2. Single Deposit Insurance Scheme	36	-93,2	74	100,3
6. Automatic Stabilization Mechanism	36	-107,3	83	119,1
7. Enforceable Social Indicators	25	-100,1	58	30,8
12. Fiscal Capacity	21	-143,2	61	73,2
10. Issuance of Common Debt	21	-178,7	58	26,9
8. Change Mandate of ECB	7	-235,7	42	-7,8
Average	40	-61,3	68	67,6

Source: survey data, representation by the authors

As noted above, Germany seems the primary bulwark of opposition against the proposal suggesting that the ECB needs an expanded mandate. When analyzing German opinion by academic major, it is apparent that German opposition can be traced back primarily to economists. A decisive 92,8% of German economists disagrees with the statement that the ECB

¹¹ German law majors were not included in this graph, because of the low number of law major respondents.

mandate should be expanded to include growth and employment. Virtually all German support for this proposal is to be found in the ranks of political scientists. Whilst a small majority of them (53,9 %) opposes tinkering with the ECB mandate, 42,3 % approves. Even still, this is the least popular proposal of both German economists *and* political scientists.

By contrast, the SRM is remarkably popular, receiving four fifths of economists' support and 96% of political scientists. The second and third most popular proposals for political scientists are the introduction of a powerful Euro Committee and the creation of an automatic stabilization mechanism, both with support of over 80%. This forms a sharp contrast to the economists, among whom the respective proposals gather a mere 36%.

Even still, these proposals are not among the least favoured proposals among economists. Generally, proposals aimed at 'political union' received mixed support by economists. German economists are especially squeamish on proposals that aim for 'fiscal union' and 'social union'. In general, support for ideas associated with neo-Keynesian thought, such as those emphasizing fiscal integration, receive little support among German economists. Among these proposals, rule-based proposals, such as the implementation of an *automatic* fiscal stabilizer, gather more support than discretionary measures. The only proposal targeting 'social union' that enjoys majority support suggests introducing contractual arrangements, which would increase reform pressure on periphery Member States and only increase fiscal liabilities up to a certain and predictable point. On average, support amongst economists for the proposals at hand reaches only 40 percent. For politics majors, the corresponding number is a cool 68%.

Weighing results increases the divergence of both groups. There is agreement on the SRM, with both majors expressing strong support for the institution. Some differences become rather more marked. For example, a gap of five percent on contractual arrangements suddenly turns to 84,6 points, primarily caused by the preference intensity of those economists opposing such arrangements, presumably rejecting more fiscal exposure. What can we conclude from these differences? First, opinion amongst politics majors is more favourable, albeit still more negative than aggregate academic opinion throughout the Eurozone. Second, dependent on their academic major, German academics have divergent opinions. The only proposals that gather comfortable majority support (>60%) within both groups are the SRM and the introduction of contractual arrangements.

This German exceptionalism is further illustrated when comparing the opinions of German and other economists. In what follows, we compare the opinion of German economists with those of French economists. It can be considered exceptionally relevant to gauge the difference between the opinions of economic experts advising both countries: the two biggest economies in the Eurozone and constituents of the Franco-German axis, whose compromises have driven much of European monetary integration over the past three decades (see supra).

Table 5 Support for reform proposals among German and French economists

	Germany	Weighted	France	Weighted
1. Single Resolution Mechanism	79	150,2	100	206,8
3. Contractual arrangements	69	50,1	80	106,9
7. Single External representation Euro Area	58	28,6	89	190
9. Directly Elected Commission president	50	-28,4	85	165,6
4. Full-time Eurogroup president	42	-35,5	85	165,5
5. Euro committee in EP with Greater Powers	38	-42,9	84	179,3
2. Single Deposit Insurance Scheme	36	-93,2	92	172,5
6. Automatic Stabilization Mechanism	36	-107,3	96	210,5
7. Enforceable Social Indicators	25	-100,1	93	206,9
12. Fiscal Capacity	21	-143,2	100	234,5
10. Issuance of Common Debt	21	-178,7	93	196,6
8. Change Mandate of ECB	7	-235,7	90	210,3
Average	40	-61,3	91	187,1

Source: survey data, representation by the authors

The polarization between French and German economists is stunning. Their opinions diverge by a few orders of magnitude compared to the differences of opinion between academic majors within Germany. All propositions are accepted by a significant majority of French economists, whose *least* favourite proposal is the usage of contractual arrangement with 80%, a scheme for which German economists have shown great appreciation. This amount of support dwarves German economists' most favourite proposal, the implementation of a SRM. The cleavage becomes ever wider when taking account of preference intensity. Factoring in the intensity of the opinions of German economists, support for all but three proposals veers into negative territory. Mainly because of the firmness of opposition against those proposals addressing social and fiscal union, average weighted support drops to -61,3. Due to their strong support for the same category of propositions, French backing rises to 187,1. The proposals, on which French and German economists differ most fundamentally, are those in the context of fiscal and social union. The top 4 of proposals favoured by French economists all aim for fiscal and social union. The opposite is true for German economists. Specifically, whereas changing the ECB mandate was German economists' least favourite proposal, their French counterparts vehemently disagree. Changing the ECB mandate is the second priority on their list.

Interpreting patterns in the data

In the following, we will turn to a discussion of the most striking finding in our data: German exceptionalism, which can be traced back to the outlier preferences of economists. Is the outlier pattern consistent with other findings on the policy preferences of German economists and their influence on policy-making? How can this outlier position be explained? In this section, we will focus on general observations that can be made about the German economics *profession* as such, rather than the statements of a few economists with a high public profile. After this we will introduce a number of causal narratives consistent with the patterns emerging from our data. In order to gauge the likelihood of these explanations, we will focus on the political system and knowledge regime of Germany, the key actor in the reform of European economic governance and the outlier in our data. Our analysis will proceed by matter of comparison with France, which can be considered the representative of a contrasting political-economic model (Pisani-Ferry 2006; Schild 2013) and the second pendant of the “deliberative intergovernmentalist” mode of governance that has driven monetary integration during the past decades (Pütter 2012).

German exceptionalism

This study shows us that no (new) international consensus has been formed among Euro area academics following the crisis, as had been the case after the economic crisis of the late 1970s - early 1980s that gave rise to the hegemony of a new neo-liberal, or Washington, consensus (cfr. Blyth 2002). The data displays the remarkable outlier position of German economists, whose opinions were in stark contrast to all others, particularly academics hailing from periphery member states. Our analysis of the divergence between the opinions of French and German economists, the constituents of the illustrious axis driving much of economic and monetary integration, revealed strikingly different opinions on what reforms are appropriate and necessary.

As we have noted earlier, it is not claimed that these results are exhaustively representative of the wider expert community in Germany and France. If these results were fully representative, there would be no currents of neoclassical/supply-side economics or Euroscepticism present in French expert communities or no demand-side views on the Eurozone problems in Germany. This is not the case. Moreover, we expect the French results to be biased towards Keynesian ideas due to the absence of private universities in our survey, where these are more likely not to be dominant (Fourcade, 2009). What we do posit is that these findings empirically substantiate the literatures on the outlier position of Germany and the differing attitudes of German and French economists in the context of the construction of EMU economic governance and the influence of economic ideas on EMU reform in the wake of the crisis (e.g. Dullien & Guerot 2012; Dullien 2013; Young & Semmler 2011; Verdun 2012; Blyth 2013; Farrell & Quiggin 2012). With the aforementioned authors, we posit that it is a different but compatible tradition of economic thought to neoliberalism, ordoliberalism, that informs the German position and which might explain the outlier position of German economists in this survey (see *supra*).

Within ordoliberalism, monetary and fiscal stability are seen as essential framework conditions for a functioning capitalist economy (Newman 2010: 156). Thus, policy instrumentalism and the rule of law is to be preferred above government discretion and radical reforms to EMU. Add to this the centrality of moral hazard in ordoliberal thinking, namely the fear that solidarity mechanisms will take away the incentives for sound economic policy-making

given by effective capitalism. This ordoliberal position is often articulated and defended in Germany against outside (mostly Anglo-Saxon) criticism on their Eurozone crisis approach by public intellectual economists such as Hans-Werner Sinn or Otmar Issing. In our survey, the strongest testament to the commitment of German economists to this ideational paradigm is the tough stance with regards to an EU fiscal capacity, the issuance of common debt and, especially, a broader ECB mandate. For German economists, this mandate, uploaded from the Bundesbank (Verdun 1999), is still beyond discussion. They stand firmly opposed to the majority opinion and even diverge significantly from those member states (Cyprus and Austria)¹² joining them in opposing a change to the ECB mandate.

Yet, this does not imply that the dominant mode of economic thought in Germany, nor its roots, can be identified as exclusively ordoliberal. For one, Bibow (2004) identifies the mismatch between central bank independence (CBI) and several tenets of pre-war ordoliberal thought. The Bundesbank's independence came about through path dependence: the regional central banks and the Bundesbank, established *before* the federal government, gained public trust and were able to prevent political control. Its institutional position did not solely come about through the influence of the dominant economic ideas of the time. CBI only became a consensus position among German economists *after* its establishment. Furthermore, a recent survey has shown that German economists do not majoritarily identify as ordoliberals. Indeed, a solid 42% of German economists self-identify¹³ as neoclassical, with 37% identifying with public choice, 24% as ordoliberals, 7% as supply-side economists, 5% as monetarists and a mere 12% with Keynesian economic thought (Frey et al. 2007). It is likely that the proportion of those identifying as neoclassical economists will have risen since, as the majority of economists under 35 felt committed to neoclassicism, while Ordoliberalism and Keynesianism were overrepresented amidst economists over 55. Dullien & Guérot's assessment (2012: 2-3) rings true: most economists may have been influenced by ordoliberal economic thought, but identify with neoclassicism.

¹² Although these disapprove only by a margin of one respondent – Cyprus and Austria's numbers are the result of returns by a low number of respondents.

¹³ It was possible for respondents to check multiple boxes, i.e. self-identification was not exclusive to one category.

Asked about the merits of counter-cyclical fiscal policy, respondents exhibited opinions which are not entirely consistent with the radical wing of neoclassicism, which sees no legitimate role for counter-cyclical fiscal policy: 55% agreed, with reservations, that fiscal policy can be useful. Interestingly, academic economists are overrepresented in the camp rejecting this statement.¹⁴ Regrettably, we possess no detailed knowledge of these reservations and the question does not survey opinions on the merits of discretionary fiscal policy. Moreover, the results are consistent with the observation that contractual arrangements are the only ‘social union’ proposal supported by a majority of German economists, as these would combine financial support with structural reforms, commonly understood as labour market flexibilization. The latter enjoy robust support in the survey: 76% support decentralization of collective bargaining, 63% support weaker dismissal protection. A majority disagrees with the assertion that unemployment is a cyclical problem. Seven out of ten supports constraining the economic power of labour unions.

However, neoclassicism and ordoliberalism are no exclusive modes of economic thought. As we argued before, the tenets of neoclassical economics are mostly compatible with those of ordoliberal thought (Dullien & Guérot 2012). Both deny the need for counter-cyclical fiscal policy, emphasize moral hazard and the need for balanced budgets and price stability. Whilst ordoliberalism stresses the need for a strong state to create and enforce competitive markets, neoclassicism underscores unfettered free markets and fiscal restraint. The opposition to adjustments to the policy framework that would increase fiscal liabilities, such as the Single Deposit Guarantee Scheme, implement automatic counter-cyclical policy and hand sovereigns or the European level increased scope for discretionary fiscal policy, is consistent with both neoclassical and ordoliberal ideational commitments. Frey’s survey testifies to this assessment: 80% of respondents agreed that *neo-classical theory* is central to finding solutions to economic policy problems. Only 17% rejected this statement, whereas only 47% supported this statement in 1981. Thus, it is extremely likely that an overwhelming majority of ordoliberal economists approved.

This stands in stark contrast to the French conception for a *gouvernement économique*, a politicized discretionary macroeconomic governance, centralized at the European level. This

¹⁴ The population was composed of all members of the *Verein für Socialpolitik*. Economists at public universities, economic policy institutes, in government institutions, as well as in the private sector were included in the survey.

could contribute to the coordination of economic policies, an appropriate fiscal capacity for the Eurozone, as well as the possibility to ‘speak with one voice’ vis-à-vis its partners (Jabko 2014; Pisani-Ferry 2006). Additional pillars of the French conception of EMU are a growth-oriented European industrial policy, as well as strengthened financial regulation (Jamet 2011). Whatever its roots, there is an obvious and deep rift between the French and German conceptions of what monetary union entails. Although one may posit with Jabko (2011) that the slight overlap between French and German preferences has led to the mix of increased fiscal surveillance, macro-economic monitoring and permanent bail-out funds, the lack of far-reaching and coherent reform to EMU economic governance, as well as the results of this survey, confirm the continuing existence of this tension.

There are copious reasons to suspect that the outlier position of German economics influences German media and thus, the perceptions of decision-makers. As a matter of course, German economics journalism has been found to be overwhelmingly stacked in the favour of mainstream opinion – and this for quite some time. From ’99 to ’04, the most cited German economists in the 40 leading print media, Hans-Werner Sinn and Bert Rürup, two neoclassical economists, were found to be cited more often than the eight following economists (Dullien 2008). This ideational monopoly continues to this day. The three most cited economists in the media, Sinn, Jörg Krämer and Michael Hüther, with a similarly neoclassical profile, gather more mentions in German print media than the following seven combined (Haucap & Thomas 2014: 4). The same disproportionate influence of non-Keynesian economists can be observed when one looks at the economists cited by officials in ministries as influential: Hans-Werner Sinn, the most influential economist, gathers more mentions than all three Keynesians¹⁵ in the list, of which two are German: Bofinger, Krugman and Flassbeck. Truger’s (2004) observation that the “new New-Keynesian mainstream” had not arrived in German academics, media, or politics, is still relevant.

The plot thickens when considering the public advocacy of German and French economists in the context of the Euro-crisis. In 2011 four economists published the *manifeste d’économistes atterrés* (Askenazy et al.), a manifesto broadly espousing Keynesian and federalist

¹⁵ Applying the denominator ‘Keynesian’ with reference to these authors, as well as ‘neoclassical’ to the economists drawn from Dullien (2008) and Haucap & Mödl (2014), is based on the authors’ own observations. They are not categorized as such in the cited studies.

viewpoints: against austerity, the reliance on disciplinary market forces and ‘the destruction of the European Social Model’. More than 800 economists signed the manifesto (Raim, 2011). Meanwhile, in Germany, economist public advocacy was oriented towards a rather different goal. The main controversy revolved around the legality of the bail-out packages, the creation of the permanent European Stability Mechanism (ESM), a banking union and the legality of the unorthodox actions of the ECB. The main cleavage was between those attacking the administration’s policy in the financial and euro crises *from the right* and those defending it. Public advocacy by those economists advocating for an altogether different economic policy, i.e. outside of stability culture, was a trivial phenomenon (Pühringer & Hirte, 2013: 16-18). The cluster of public appeals that gathered most signatures (225), was the *Plenum der Ökonomen*, initiated by Bernd Lücke, founder of the Eurosceptic *Alternative für Deutschland* (AfD).

Another public controversy in 2009 involving economists, the *Ökonomenstreit*, put traditionally-minded economic policy professors against the new generation of economists embedded in the international economics community. The issue was the loss of university professorships of economic policy, an academic tradition in Germany, and their replacement by general chairs of economics with a broader focus. This conflict put mostly non-ranked, disproportionately ordoliberal, economists who decried the loss of political relevance of economics against neoclassical academics, of which a much larger proportion was internationally ranked. The latter posited that the traditional distinction between politically relevant and purely academic research was obsolete.¹⁶ This conflict, once more, points to the changing of the guard in German economics, tipping the scales towards neoclassical economists, focusing on publications in top American journals (Rothschild 2010; Pühringer & Hirte 2013: 14).

Certainly, a few caveats require acknowledgement. Economic policy advice is increasingly performed by think tanks, lobbyists, economic policy institutes and private consultancies (Pies et al. 2005). A majority of advisory contracts doled out by German ministries either goes to economic policy institutes or private consultancies (Haucap & Mödl 2013: 16). Furthermore, it has been suggested that policy advice is dominated by lawyers (Frey 2006, Reiermann 2014). This puts the significance of our results with regards to the influence of those

¹⁶ 83 economists signed a petition to demand the preservation of professorships of practical economic policy, of which only four were ranked. Of the 188 economists denouncing this demand, 47 were ranked.

polled on German policy-making into perspective. Then again, many of the academics connected to these institutes are also connected to a university, as are the economists in expert councils (see *supra*). The same holds true when one analyzes networks of influential economists in the manner of Pühringer & Hirte (2013: 23): all networks revolve around public universities, which points to a connection between economic ‘schools’ and public advocacy.

However, these caveats do not render the main conclusion from the discussion above invalid: the literature on the policy preferences of German economists is broadly consistent with the findings in our survey. Furthermore, we can consider it likely that the outlier position of German economists will significantly influence the orientation of economic policy-making, in this case in the completion of EMU. In the following, we turn to a discussion of the political relevance of our findings. For this, the central question is the direction of the causal chain: do academics influence the policy preferences of their government or vice versa?

Do academics follow or influence their national position?

The survey conducted for this paper does not allow us to establish definite causal explanations for academics’ and or politicians’ positions on EMU reform,¹⁷ but we can trace which narratives are consistent with our results. A main finding of this study is that the rift, on national lines, between the positions of academics on reform proposals to EMU seems to be close to the divide between the policy preferences of the governing coalitions of EMU member states.¹⁸ Academics from periphery member states are more positive on the proposals in our survey compared to core member state academics, with German academics occupying an outlier position.

Thus, we can establish that the data are not consistent with a narrative in which there is no relationship between national academics’ and national politicians’ EMU reform opinions. A rather unlikely explanation for this correlation would be that academics blindly reflect the position of the governing coalition of their country. It is doubtful that, as a rule, knowledgeable, independent academics would simply mimic their governments’ standpoints in an anonymous survey, especially as these academics are less subject to the institutional rigidities of experts

¹⁷ This does not mean a more rigorous examination of the data may not help us gauge the significance of the patterns in our data. See *supra*, footnote 2.

¹⁸ As described by the likes of Dyson (2012).

active in policy-making institutions (Campbell & Pedersen 2014). It is possible that some academics, embedded in Eurozone Member State societies, have come to adopt an opinion based on (perceived) national interests. For example, periphery member states, doing relatively worse economically, would enjoy the net benefits of a ‘social union’, more fiscal solidarity, or an expanded ECB mandate. Contrarily, the liabilities of core member states are larger, and will tend to increase as a result of proposed reforms (Dyson 2012). However, this argument by itself cannot account for the dissidence of German economists, as German liabilities relative to GDP, in the context of the creation of the various bail-out packages and bail-out funds, are smaller than those of many other core *and* periphery member states (Schieder 2014: 26). An element of ideational commitment, different causal beliefs or perception seems necessary to explain the observed variation. For example, it is likely that economists will be influenced to some degree by the *prevailing position* on EMU reform in their country, as expressed through dominant media narratives or opinion polls.

Another, in our view more plausible, interpretation is that influence runs the other way around. Academics influence their governments’ position, as well as general public opinion in their country through participation in public debates, direct economic advice to and involvement with decision-makers and other political actors such as think tanks, interest groups and political parties (Dunlop 2000). This pattern of influence would be consistent with an ‘epistemic community’ perspective (see *supra*) that stresses the role of academic experts as the preeminent creators and disseminators of policy knowledge. In this view, academics’ opinions do not primarily depend on national interests, they *provide* the ideas that serve as a ‘motivating source of national interests’ (Haas 1990: 349). Other constituent members of such a community are politicians and government officials, together with other elites in think tanks, business and civil society.

An epistemic community is not an exclusive guild with clear and impenetrable boundaries. They may be fluent and overlapping (Haas 1990). Epistemic communities may be transnational or limited to national boundaries. Here, the data seems to be primarily consistent with the existence of *national* epistemic communities regarding EMU reform. Clear national differences between academics, broadly corresponding to their governments’ revealed preferences, persist. Moreover, there is no one-on-one correspondence between the opinions of

academics with different academic majors on a country-by-country basis, which, in any case, will possess different amounts of political capital.

We consider it to be extremely likely that the latter explanation is more salient than the former. Next to other uses of academic experts' expertise, such as providing fodder for politicians seeking legitimation of their pre-given preferences, it is quite probable that academics, economists in particular, have influenced the economic policy preferences of their governing coalition to a significant degree. Blyth (2002) and Farrell & Quiggin (2012) emphasize the inherently political role of economic experts in economic crises. Both the construction and the downfall of the Keynesian consensus is unthinkable without the agency of economic experts, who take part in the struggle over how economic crises are defined and thus, what solutions are possible and appropriate. There is ample empirical confirmation of this relationship.

Even if we assume that there are no significant direct, short-term channels of influence between academics and politicians, the opinions of economists will rub off on those advisors, representatives of interest groups, bureaucrats, decision-makers and party political operatives who have pursued university studies in economics. A wide array of studies on policy learning have ascertained that economics graduates' opinion greatly differs according to the ideational orientation of the academics teaching at their *alma mater*. Professional training does not only teach technical knowledge. It directly influences graduates' preferences by imparting a set of normative and causal beliefs (Finnemore & Sikkink 1998). Moreover, there is ample proof that graduate studies in economics not only affect graduates' opinions, but also their *acts* when attaining positions of influence (Chwieroth 2007; Kogut & Macpherson 2011). For instance, when graduates of neoclassical economics departments of American universities reach influential positions at the IMF, they were more likely to effect more and more intensive capital account liberalization in countries when bargaining over structural adjustment programmes (Chwieroth, 2007). The presence of University of Chicago-trained economics PhD's relative to other US-trained PhD's, as well as American-trained PhD's in general, was found to be associated with more and more intensive privatization efforts across a swath of developing countries (Kogut & MacPherson 2011). Furthermore, mainstream economic doctrine is also likely to have a discernible effect on public discourse on economic questions. As business and economics journalists mostly turn to national figures of authority in economics to comment on current affairs

and economic policy and refrain from challenging local economic orthodoxy, dominant opinion is likely to be reinforced by economic journalism (Dullien 2008).

We consider this relationship to be highly probable in the present context of an EMU economic governance in severe crisis, which is defined by a high degree of complexity and causal uncertainty (Blyth 2007: 762). As actors struggle to define the problem and its apt solutions, the policy reactions of Member State governing coalitions are underdetermined by material interests. Crisis-defining ideas and concomitant policy proposals put forward by local actors are pivotal. This renders the role of academic experts increasingly central. The policy preferences of German academic experts have been stable, pre- and post-crisis, although policy has undergone dramatic change. The theoretical apparatus German economists employ has thus been sufficiently stable to affect similar policy preferences. The German outlier position observed in our survey, as well as in Frey (2007), is long-standing and has previously been empirically observed more than three decades ago. Among polled economists in 6 European countries, German economists were most likely to assume orthodox neoclassical policy positions, such as opposing minimum wages and support curtailing the power of labour unions (Frey 1983). Thus, causal uncertainty, mitigated by academic experts with long-standing preferences, increases the likelihood that our proposed causal arrow is critical.

Likewise, the characteristics of the German knowledge regime contribute to the plausibility of this hypothesis. For example, in Germany, prominent academic economists sit in advisory councils to the Ministries of Finance and Economics. Next to reports on specific issues, the *Sachverständigenrat* or German Economic Expert Council¹⁹ evaluates German and EU economic policy on a yearly basis. The amount of coverage this report receives and its political saliency is unmatched (Campbell & Pedersen 2014). This is reinforced by the governments' obligation to publicly react to the the report.

Only one member of the Council, Peter Bofinger, self-identifies as Keynesian and consistently writes minority opinions on issues related to fiscal and monetary policy. The political-economic preferences revealed in the majority opinions are consistent with our

¹⁹ The *Wirtschaftsweisen* are proposed by the government and designated by the president. Traditionally, one candidate is put forward by the employer organization, one by the unions.

observations on the outlier position of German economists. After a brief flirtation with Keynesian ideas in the early '70's, the Council made a significant contribution to the dominance of monetarist thought in Germany. Consistently, it has pleaded for a monetary policy solely aimed at price stability. At the same time, it has argued against the dangers of 'fine-tuning', of short-term anti-cyclical fiscal and monetary policy (Issing in SVR 2003: 64-65). Furthermore, it has pleaded successfully for the implementation of a debt brake in the German constitution (SVR 2007) and has persistently come out in opposition to the implementation of a minimum wage in Germany, let alone in Europe (For example: SVR 2014: nr. 192). In response to the Eurozone crisis, the majority unerringly pleads for enhanced fiscal consolidation (For example: SVR 2013: nr. 88) and structural reforms aimed at internal devaluation in periphery Member States. It rejects fiscal transfers and the issuance of common debt, primarily out of a concern for moral hazard.²⁰ Moreover, German current account surpluses were never so much as mentioned in relation to the Eurozone crisis. This has changed in 2014. In a report titled 'More trust in market processes', the Council concludes that deficits can indeed lead to instability, but that no satisfactory economic reasoning exists to constrain current account surpluses. It goes as far as stating that the concept of current account imbalances is *politically defined* and lacks a foundation in economic theory (SVR 2014: nr. 405).

The only study coming close with regards to political clout is the *Gemeinschaftsdiagnose*, commissioned by the Ministry of Economics. Teams of economists from different universities and research institutes compete for the right to create a bi-annual report on the state of the economy. Moreover, a slew of independent economic policy institutes (whose researchers are most often affiliated with universities) constantly comment on and analyse economic policy. No comparable channels of influence exist for political scientists. In short, for the likes of Germany, there are ample deductive reasons to expect the causal arrow to point from German academics, specifically economists, to politicians' policy preferences. The same is true, mostly to a lesser degree, for other Eurozone member States, which do not possess such an elaborate and institutionalized system of economic policy advice (Campbell & Pedersen 2014).

²⁰ It did propose a *temporary* debt redemption fund in 2011, aimed at the existing debt stock, coupled with constitutional debt brakes and mechanisms that would automatically earmark revenues for debt repayment (SVR 2011: 106). It has remained opposed to permanent fiscal transfers.

Finally, a causal narrative not inconsistent with both our findings and the latter argument, but emphasizing more structural factors determining the dominance of economic ideas, is presented by Hall (2014), who argues that the economic ideas predominant in the member states are functional to the economic models these Member States have developed. For example, the economic ideas that contributed to the development of export-led growth in Germany, become even more dominant in the wake of economic success. Labour interests become more and more dependent on export-led growth to attain full employment and wage rises. Business interests will tend to become dominated by the export sector. Governing coalitions will increasingly count on export growth to secure satisfactory growth levels. Consequently, the economic ideas underlying this economic model gain more credibility and political currency through time. Similarly, Rodrik (2014) argues that emulation is arguably the strongest mechanism explaining policy diffusion. More than any abstract logic, actors are influenced by the *perceived success* of an economic policy model, and adapt their policy preferences accordingly. Arguably, this is not solely relevant for international policy diffusion, but also for the currency of economic policy ideas within countries.

Conclusion and implications for the future of EMU

This paper has summarized and discussed the main conclusions of a survey among euro area academics on their position on several proposals on EMU reform. Firstly, although there is general approval in aggregate, German academics (and Finnish, but we should be cautious with only 5 respondents), more specifically economists, stand out with much lower support, and a clear majority among them opposes several proposals related to social and fiscal union. This is our most arresting finding, which fits the literature on the outlier role of German economists. Secondly, compared to core Member States, academics from the GIPS countries and Slovenia are more in favour of most of the reform proposals,²¹ especially those working towards banking and fiscal union.

While this study cannot establish causality, it is clear that academics seem to hold onto positions to EMU reform that broadly coincide with their governments' official position and are

²¹ Due to the low number of Irish respondents, no conclusions can be drawn about the proclivities of Irish academic experts.

widely perceived to be in their countries' (perceived) economic interests. We can conclude that no consensus on EMU reform amongst academics has been formed in the euro area after the crisis. Rather, a dissensus has persisted, which runs along national lines and the core-periphery divide. German economists seem to be extremely wary of significant reform to EMU. The data are consistent with causal narratives emphasizing the importance of economic ideas, inspired by ordoliberalism and neoclassical thought.

Further research focusing on the role of academics and economists in particular should zoom in closer on the interrelation between the policy positioning and education of German economists. In the US and UK, significant divisions between top universities have been discovered when investigating citation networks (Önder & Terviö 2013). The position of German and other Eurozone economists in these citation networks could clarify the relative 'salt' present in German economics. More research into the ways through which academics influence German economic policy, and the political bent of this advice, is equally necessary.

What does the German outlier position mean for Eurozone policy and economic policy in general? Five years into the crisis, the stability-oriented, anti-Keynesian consensus among German economists is at its zenith. Change in the German position towards economic governance in EMU is not likely to come about under the influence of German economists. However, it is clear that dominant academic, public and political preferences in Germany are not closed to change. Perceived policy failure has brought some actors in Germany to change their views to some degree. No longer ago than at the beginning of this decade, it would have been rather unimaginable to have the *Sachverständigenrat* plead for a debt redemption fund (cfr. SVR 2011) or the Bundesbank for stronger wage growth in Germany to ensure more symmetric rebalancing (Mussler 2014). It remains to be seen if and when economic depression and political upheaval in the periphery and, ever more, in the core, will counter the perceived 'sweet smell of success' that stability-oriented policy in Germany has created.

It will be one of Juncker's greater challenges to convince German politicians, academics and the public in general that completing EMU is reconcilable with their views and preferences, and that their interests lie in the optimal functioning of the euro area.

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