

**THE DISCURSIVE DOUBLE GAME OF EMU REFORM:
THE CLASH OF TITANS BETWEEN FRENCH WHITE KNIGHT AND GERMAN
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Introduction

In the aftermath of the EU's enlargement towards Central and Eastern Europe, many scholars and observers of European integration were proclaiming that the French-German "engine" of Europe had come to an end. The political legitimacy of French-German initiatives was contested by coalitions of smaller member states and the 'new Europe' was calling for new leadership dynamics. However, the experience of the Eurozone debt crisis provided dramatic evidence that no alternative to the Franco-German partnership has yet to emerge in the enlarged EU. In a time of existential crisis, Franco-German initiatives appear to have remained the basic dynamic of integration. However, unlike in the past, agreements on steps forward have proven to be particularly difficult. This is largely due to these countries' contrasting political economic policy ideas, cultures, and practices.

The Eurozone crisis itself was 'read' very differently by the two countries, which also prescribed different solutions on different timetables. As the crisis initially unfolded, French leaders continued to prescribe neo-Keynesian stimulus; described the problem as one of mutual responsibility resulting from imbalances between deficit countries (read Southern Europe) and surplus countries (read Germany); recommended deeper integration through greater *gouvernance économique* (economic governance) along with a range of policy innovations; and preached solidarity in response to the Greek debt crisis together with a quick bailout to stop escalating market concerns beginning in January 2010. By contrast, the German leadership delayed action, first pushing Greece to solve its own problems with a discourse about public profligacy and 'lazy Greeks;' and only when the crisis was ready to explode did it agree to a loan for Greece at punitive market rates on May 3, 2010, followed by a new loan guarantee mechanism—pushed by France and even a telephone call from US President Obama—on the weekend of May 9-10, as market contagion threatened other European countries (the infamously named 'PIGS'—Portugal, Ireland, Greece, and Spain—the additional 'I' for Italy comes a year later). On this historic occasion, a deal was brokered in which France got some of the political (economic) institutions and policy actions it most wanted, including a bailout for Greece and a loan guarantee mechanism—the European Financial Stability Facility (EFSF)—for countries under threat, in exchange for accepting German political economic policies and philosophies. These included enforcing *ordo-liberal* macroeconomic principles of austerity budgets across Europe, accepting the creation of a further treaty-based loan guarantee mechanism, the European Stability Mechanism (ESM), and agreeing to reinforce the

Stability and Growth Pact (SGP), giving it more teeth through fines and sanctions. Subsequent episodes in the saga of the Eurozone crisis reiterated this basic pattern.

Paradoxically, the compromise between the two powers has been evaluated very differently by their European counterparts as well as their own national publics. Sarkozy's role in the crisis was seen in much more positive light than that of Merkel. Whereas Sarkozy was viewed as something of a 'White Knight' riding to the rescue of Greece and Eurozone countries throughout Europe, Merkel was pictured as Europe's new 'Iron Lady' outside Germany, imposing hardship on Greece as well as other European countries. This is because at home, the Chancellor had to please a public highly resistant to financial solidarity at the expense of the German taxpayers that would come without severe austerity for the 'PIGS'. In contrast, the French public generally accepted Sarkozy's turn to austerity and the increasingly stringent 'pacts' that accompanied it. Eventually, the French and German discourse converged to a certain extent, as they agreed to more solidarity and institutional integration along with austerity, but emphasised different aspects in order to legitimise the 'deal' towards their respective public opinion.

So how do we explain these differential views of French and German leadership in the crisis, both outside and inside their countries? Part of the answer naturally requires setting these leaders in the context of long-standing national economic and political traditions, considering their particular perceptions of national economic interest at the time of the crisis as well as of political interest—related to electoral considerations. But another important component has to do with the very structure of decision-making, with multiple actors at multiple levels.

At the EU level, the main tension concerns the articulation between supranational and intergovernmental politics, and the ways in which the various actors have responded to events. The key supranational actors in the Eurozone governance architecture, the EU Commission, charged with oversight of Eurozone activity and member-state adherence to the Stability and Growth Pact, and the European Central Bank (ECB), charged to maintain the stability of the euro, have naturally sought to carry out their respective duties while not only ensuring against threats to their prerogatives but also taking advantage of windows of opportunity that would enable them to help solve the crisis. Both institutional actors, however, are limited by the fact that major decisions about any significant change in the governance of the Eurozone can only be decided by the member states—and in particular France and Germany. As the major member-state actors, however, France and Germany themselves have to take into account their previous 'history-making' grand bargains at the

EU level, including their ‘certain idea of Europe (Parsons 2003) that led to the creation of the common currency.’¹ At the same time, though, they also have to deal with the responses of national publics and their own electoral prospects.

The national level, in other words, is as important to any compromise solution as is the supranational. This suggests that Robert Putnam’s (1988) classic discussion of the two-level game in international relations has great relevance for our case. What we will show, however, is that rather than seeing this as a two level game, in which the two levels remain largely separate, the EU’s Eurozone negotiations are better viewed as a simultaneous double game. In this game, moreover, rather than using rational choice institutionalism to model the interest-based calculations of ‘rational’ state actors, we argue that a discursive institutionalist approach (Schmidt 2008) provides greater value-added to our understanding of how EU leaders perceived their interests as well as achieved compromises. Discursive institutionalism considers both the substantive content of ideas and the discursive interactions through which agents (re)construct and convey their ideas about interests and values in given institutional contexts on an on-going basis. These occur through a ‘coordinative discourse’ with other (supranational) policymakers in leaders’ efforts to reach agreement and in a ‘communicative discourse’ with the public—both their own national publics and the European public more generally.

To elucidate all of this, the paper analyses the ideational ‘frames’ of the two leaders while tracing their discursive interactions against changing background conditions since the European debt crisis was triggered by Greece in October 2009 until the last measures taken in 2012 before the French Presidential elections. The empirical analysis is based on a systematic corpus of press conferences and media interviews by Nicolas Sarkozy and Angela Merkel after European summits. It is complemented by a number of press interviews (including some given by their respective Finance Ministers) and important speeches in that same period of time.

EXPLAINING THE DYNAMICS OF AGREEMENT IN EU MULTI-LEVEL POLITICS

A risky simultaneous double game

As European integration has increasingly blurred the demarcation lines between domestic and foreign policy, the articulation between domestic politics and intergovernmental negotiations has become increasingly important for any understanding of

governance and democracy in the EU. Paradoxically – partly because comparativists tend to concentrate on the former while international relations specialists deal with the latter – the processes of articulation remain under-researched and under-theorised with regard to EU integration. In the 1980s, R. Putnam (1988) put forward the famous metaphor of the two-level game. His argument was that, while negotiating international treaties, national leaders have to seek agreement at two different tables, which implies different sets of preferences at the national level on one hand, and at the international level on the other. These two arenas are presumed to mutually influence each other, since the overlap of the two preference sets determines the possibility of ratifying an agreement. The main implication is therefore that moves in international politics will mostly be brokered and ratified if they provide for domestic benefits.

Other scholars have extended this analysis to the role of domestic politics in EU integration. Andrew Moravcsik (1997) put forward a liberal intergovernmentalist account of international relations in which states define their preferences on the basis of domestic society (or some subset thereof). With regard to the ideational variant of liberalism in particular, he suggests that State preferences stand for a national identity composed of views about the legitimate social order, i.e preferences about the scope of the nation (citizenship and borders), commitment to particular political institutions, and ideas about the nature of redistribution (Moravcsik 1997). State behaviour understood as the management of international interdependence is then geared toward gains on the basis of these preferences. Building on this approach, German scholars have more recently claimed the “domestication”, i.e a new orientation towards domestic societal preferences and identities, of the EU policy of Germany (Harnisch 2006) and France (Schild 2009). Here again, the central argument suggests a subordination of foreign policy to domestic preferences. Both approaches are useful in the sense that they point to crucial aspects of the articulation between domestic and EU politics. While the two-level game metaphor stresses the interactions between the two arenas, ideational liberal intergovernmentalism stresses the importance of societal preferences and long-established identities. However, both theories also have a serious drawback: they assume the existence of two separate realms of fixed preferences that interact with each other. Those preferences tend to be reified and pictured as homogeneous (especially in the liberal approach) and the formation of preference sets seems to happen at different moments. Moreover, both imply that international agreements are mainly geared towards the satisfaction of domestic preferences, hence the two-stage nature of the process.

This is where the uniqueness of European politics must be taken into account. In the EU, we argue, the outcome of intergovernmental negotiations must be understood as a simultaneous double game, rather than a two-level game. The domestic and the EU spheres of preference formation do not interact with each other, they inter-penetrate each other. Preferences at national and EU level are therefore co-constitutive. Democratic legitimacy results less and less from the preservation or reproduction of established national preferences, and more and more from the ability to re-configure and re-negotiate those preferences in the context of exacerbated interdependence. The “game” therefore should be understood less as the overlapping of preference sets and win solutions than as a discursive game of real-time deliberation and contestation.

In today’s EU, political leaders and decision-makers do not only have to address their national constituencies; they also need to speak to other European audiences in order to convince them that the policy option they advocate is not the mere defence of a national preference but serves the collective ‘good’ of the EU as a whole. During the crisis of the Eurozone, not just national leaders acting in their EU capacity but also national finance ministers like the French Minister for economics, Christine Lagarde, and her German counterpart, Wolfgang Schäuble, have sought to reach their neighbour constituencies with interviews in the press. Interdependence among the member countries in the EU has gone so far that agreement is no longer an option: it has become a necessity. As a result, it is not just that the possibility of an agreement is at stake – as in the two-level game theory – but also the electoral fate of national leaders. If they prove to be unable to legitimise an agreement brokered at the EU level, national leaders will have to bear the political costs of popular resentment. The referenda for the ratification of EU treaties are the opposite of this. They represent a counter-example to the simultaneous double game since they do feature a rigid two-step process where treaties bargained in intergovernmental conferences are then submitted to popular consent. This was the case of the rejection of the Constitutional treaty. By contrast, in the simultaneous double game of policy change in the EU, national elites have the crucial role of bridging the gap between the management of interdependence and of national preferences and identities.

How member-states have come to hold, maintain, and change their EU-related identities, visions, and discourses depends in large measure on the interactive processes of discussion, debate, deliberation, and contestation among and between elites and citizens over time. National political elites, who simultaneously act as EU policymakers (henceforth termed European elites), have played a key role in articulating visions of the EU that have

had a major influence on public perceptions, especially during the early years of the ‘permissive consensus’ up until the 1990s (see, e.g., Schmidt 2006). Since then, these elites’ discourses often reflect as they respond to the greater contestation coming from an increasingly ‘constraining dissensus’ (Hooghe and Marks 2009), in which divisions over the EU as well as, more generally, between more open and closed views of Europe and citizenship have been growing (Kriesi, Grande et al. 2008). The media has also played a major role in ‘mediating’ between elites and citizens, and in particular in shaping public opinion on the EU through what and how they report and comment on the EU (Koopmans and Statham 2010; Risse 2010). Social movements also play an increasingly significant role in influencing public opinion and leaders, in particular on issues of great political salience, whether across member-states as in the case of the mobilization against the Bolkestein directive (Crespy 2012) or within member-states in referendum campaigns about EU treaties. European elites’ discourses have also, naturally, been strongly influenced by past elites’ ideas and commitments, whether because of the ‘rhetorical entrapment’ engendered by previously accepted policy obligations (Schimmelfennig 2001) or the ideational trap resulting from the institutionalised ideas of their predecessors (Parsons 2003).

A discursive institutionalist analysis

To say that European elites may be constrained by past EU or national level discourses and actions, however, does not mean that they end up caught in the path-dependence of institutionalized ideas, as historical institutionalists might argue, locked into parroting the outcomes of the winning political coalition’s expressed interests, as rational choice institutionalists might suggest, or even condemned to reproducing national cultural and identity frames, as sociological institutionalists could seem to suppose. European elites, in particular when it comes to supranational policy articulation and action, still have a certain degree of freedom of manoeuvre in the construction of their ideas and the articulation of their discourse. Certainly, their freedom is greatest when they are the ones to construct the founding ideas of a given discourse, as was the case for General Charles de Gaulle, Konrad Adenauer, Altiero Spinelli, and others. But subsequent leaders also have a modicum of choice, even if this must follow to some extent the flow of past ideas and discourse—if only to build legitimacy and ensure resonance for the public.

The analytic framework used herein is ‘discursive institutionalism,’ which analyses the substantive content of ideas and the interactive processes of discourse in institutional context (Schmidt 2006; Schmidt 2008). In European Studies, this approach is closest to

identity and discourse analyses (Diez 2001, Risse 2010). The difference is that it is more explicit about the need to focus on the dynamics of change in ideas through the interactive processes of discourse, and more concerned about situating these in formal institutional context (in addition to the ideational one). With regard to the EU, that context is a multi-level system consisting of a ‘coordinative’ discourse of elite policy construction at the EU level and a ‘communicative’ discourse between elites and the public involving national level policy discussion, contestation, and legitimization. Complicating this is the fact that policymakers can use an ostensibly communicative discourse to their own general publics—in speeches or in interviews in national or the foreign press - to simultaneously signal their positions to fellow policymakers, ahead of coordinative negotiation meetings. By the same token, they may say one thing behind closed doors in the coordinative negotiations, something else to their national press as they emerge from their meetings, as a communication to their own constituencies. Legitimacy issues often arise when there is a significant lack of congruence between the coordinative discourse at EU level and the communicative discourse at the national level. This may come at the national level, as the press and opinion leaders may complain that national leaders have not been honest about the EU commitments they may have made, or at the EU level, as EU leaders may complain that a fellow leader has gone back on EU level promises in national speeches or actions.

National institutional settings also represent both opportunities and constraints for political leaders when trying to persuade at home. These institutional settings can be stylised as ‘simple’ polities in which decision-making tends to be channelled through a single authority, as in countries like France, which are unitary states with statist policymaking and majoritarian representation systems, or as ‘compound’ polities in which decision-making tends to be more dispersed, as in Germany, which are federal states with corporatist policymaking and proportional representation systems. In Germany, with its compound polity containing many veto players – in particular the *Bundestag* (lower house of Parliament) or the *Bundesverfassungsgericht* (the Constitutional Court) – the political system requires a ‘thick’ coordinative discourse among the wide range of national actors with a say in decision-making in order to reach agreement. In France, by contrast, with its simple polity in which top down decisions by a restricted governing elite are the rule, making for a ‘thin’ coordinative discourse, communicative discourses to the general public are much more elaborate—and necessary, since disagreements generally turn into mediatised public debates and often also spill out into the street, if unions and social movements mobilise and protest (Schmidt 2006).

Therefore, European leaders' positions cannot be explained without also considering institutions and electoral politics, and in particular the extent to which, in this simultaneous double game, considerations other than those involved in solving the Eurozone crisis, such as getting re-elected or maintaining one's majority, play an important role. To illustrate, the German leader's stance on the Greek bailout cannot be understood without also understanding the compound polity in which she operates, in which ministries such as that of Finance have considerable independence, in which the *Bundesbank* and the Constitutional Court in Karlsruhe are fully independent, and in which frequent regional elections can change the majority in the *Bundesrat* (second chamber).

In Germany, the heated discussions about the first emergency measures for rescuing Greece took place in the run-up to the regional election in the significant region of North Rhine-Westphalia (NRW). The government parties were going down in the polls and ended losing more than 10% of the votes compared to 2005. As result, the Chancellor's party, the CDU lost control of the *Land*, to the benefit of a red-green coalition. NRW was only the first in a series of election defeats. In March 2011, the CDU lost the rich Baden-Württemberg, which had been a CDU's stronghold for 58 years. In the Bremen election in May 2011, the CDU lost over 5% of the votes while the SPD and the Greens were victoriously re-elected with enhanced scores. Merkel's initial discourse, about 'lazy Greeks' who needed to put their own house in order, while she was protecting German savings, made it very difficult for her to legitimate her switch in discourse, to then insist on national TV that 'the future of Europe depended on it [the Euro]' and 'it was essential to maintain the stability of the Euro'. The discourse rang hollow, while the turnabout angered numbers of her supporters, including the influential *Frankfurter Allgemeine Zeitung*. Part of the explanation for her increasing insistence on more stringent institutional mechanisms, automatically applied, also has to do with the attempt to demonstrate to a disenchanting electorate that their savings would be safe, and that the Eurozone countries would become more and more like Germany. In contrast, Sarkozy has none of the problems of the institutional and electoral problems of his German counterpart, given that France is a 'simple' polity with tremendous concentration of power and authority in the president, which has only increased under his presidency as a result of constitutional reform.

Drawing from various conceptualizations in different strands of the literature focusing on the role of ideas and discourse, the chapter explores three dimensions of public discourse about the Eurocrisis, focused on economics, institutions, and identity. In all three dimensions, we consider the cognitive and normative frames contained in EU leaders' discourse, which

may be conceived of in a number of different ways at different levels of generalization (Hall 1993; Sabatier 1998; Schmidt 2008; Mehta 2010). Putting these together, we identify three levels, including: 1) policy ideas related to policy measures and solutions, both economic (for instance the EFSF) and institutional (the budgetary ‘golden rule’); 2) programmatic ideas related to larger policy paradigms (for instance, convergence or regulation) related to broader economic philosophies (Keynesianism or ordo-liberalism); and 3) norms, values and identities (for instance, stability or solidarity). In the latter category, drawing from the framing literature (Hunt, Benford *et al.* 1994), we also consider how political leaders conceive of Europe, the position of their country in Europe as well as the role of various institutions. Here, attention will be paid to frames delineating boundaries between us (the French? The Europeans?) and them (the so-called PIGS? The speculators?)

The following sections present a diachronic and comparative analysis of French and German discourses over the two sequences and at the level of institutional and policy solutions, economic paradigms and philosophies, and norms and identities.

POLICY AND INSTITUTIONAL SOLUTIONS: ACTIVATING SOLIDARITY, CONSTITUTIONALIZING AUSTERITY

In the course of 2010, France and Germany eventually agree to set up two financial instruments: the EFSF with the first Greek bailout in May, and then in the fall, the ESM. With both, German leaders kept insisting, both in the coordinative discourse with their European partners and in the communicative discourse to the German public, that they would not agree to such funds, until they did. At a press conference in the fall (on September 16, 2010), for example, both Merkel and her Finance Minister, Wolfgang Schäuble, maintained that they would not agree to any extension of the EFSF to a permanent fund. By December of that same year, they agreed to the EMS at the EU level.

What is clear is that Germany mainly followed France with regard to policy solutions—albeit reluctantly, and with much delay. This comes out clearly from a systematic analysis of the press conferences and press interviews of Merkel and Sarkozy for the year. Graph 1 demonstrates that whereas French leaders advocated establishing not only the two funds but also such solutions as Eurobonds or enhanced budgetary oversight, Angela Merkel was stuck on already existing, but inefficient, policy solutions such as respecting the rules enshrined in the Stability and Growth Pact or even investing in research contained in the Lisbon strategy. At the same time, all the think-tanks were abuzz with discussions of how to

create a European Monetary Fund or to make Eurobonds work, while major economists, opinion makers, and even government officials, including Schäuble himself, published op-eds in major newspapers on various mechanisms for financial solidarity. But none of this had an impact on Germany's position. We observe a similar pattern with regard to institutional solutions. Although Germany finally embraced France's long-standing demand for 'gouvernance économique,' that is, for an economic government that would oversee the Eurozone, it did so on condition that this meant strengthening the sanctioning mechanisms for the countries that would not be able to abide by the budgetary rules. The French went along with this with some reluctance, in particular because these were increasingly focused on automatic financial sanctions (see the French President's Press conference on March 25, 2010). Moreover, Merkel repeatedly evoked the idea that the existing treaties forbade bailouts in the Eurozone. And finally, once the bailout and loan guarantee had been agreed, Angela Merkel missed few opportunities to remind her European partners of her country's decision to anchor a budgetary 'Golden Rule' (*Schuldenbremse*, literally debt brake) in the German Constitution (PC 10.05.2010, *Le Monde* 19.05.2010).

Graph 1 about here

In the sequence of institutional consolidation in 2011, the respective French and German discourses on policy solutions did not change much. The German Chancellor, while fully endorsing the ESFS and the EMS, developed a complex set of arguments to explain how they might function together. She also continued to refer to the stability and growth pact and the need to invest in research in order to boost competitiveness. On the French side, Nicolas Sarkozy moved on to the advocacy of fiscal integration, in particular with regard to tax competition, an idea that was followed more or less by Angela Merkel.

By contrast, discourse on the institutional policy solutions changed markedly in 2011. The issue of automatic sanctions was more salient in the French discourse because Nicolas Sarkozy had to justify his consent to automatic sanctioning mechanisms as well as the role of the EU Commission in the monitoring of the excessive deficit procedure. In addition, he very often mentioned the role of the new economic government of the Eurozone in order to stress that the long-standing French demand was satisfied in the course of Franco-German negotiations. This theme remained marginal for the German Chancellor.

Graph 2 about here

The newest, most salient theme in this sequence of the crisis was the ‘golden rule’ for budgetary discipline. Both France and Germany converged on this theme, as well as on the idea of enshrining it in a new intergovernmental treaty. While this mechanism was inspired by Germany, Nicolas Sarkozy had already advocated introducing it in the French Constitution since early 2010. Polls showed that the French President had been quite successful in communicating the new orientation towards austerity to the French electorate. In August 2011, a poll confirmed that a majority of the French approved the introduction of the “golden rule” into the French Constitution².

ECONOMIC PHILOSOPHIES AND PARADIGMS: CONVERGENCE TOWARDS GERMAN *ORDNUNGSPOLITIK*

Ordo-liberalism is a German invention. It was forged in the 1950s under the leadership of Ludwig Erhard, with the philosophical ideas underlying the paradigm informing not just the *Bundesbank* but also, later, the ECB, which absorbed its ideology. The paradigm itself was developed by a discourse coalition led in the early post-war period by Alfred Müller-Armack, the entrepreneurial actor who articulated the arguments that convinced policy actors, political actors, and then the public of the necessity and appropriateness of this idea (Lehmbruch 2001). It has remained a pervasive and distinctive form of neo-liberalism conceived as an alternative to Keynesianism that has also, to a certain extent, underpinned the German concept of social market economy (Ptak 2004). The German ‘social market economy’ which emerged after much political struggle during the 1950s was a compromise accepted by conservatives and social democrats alike that consecrated a state that would govern the economy according to ordo-liberal economic principles while at the same time ‘enabling’ corporatist management and labour coordination of wages and work conditions (Streeck 1997).

Post-war Germany, as a result, adopted a political economic philosophy and program that was the direct opposite of that of France’s post-war *dirigisme*, in which an interventionist state was much more actively engaged in both macroeconomic steering and microeconomic industrial policy. France’s *dirigiste* political economic philosophy also began in the 1930s,

as the brainchild of technocratic elites of the right and even, in some cases, of the far right who were influential during the last days of the Third Republic and the Vichy regime as well as the Liberation era (Nord 2010). This pattern of state ‘voluntarism’ has persisted, despite the fact that since the 1980s, post-war Keynesianism and state *dirigisme* gave way to neo-liberal reform in which the state engineered the ‘*dirigiste*’ end of *dirigisme* through liberalization, privatization, and deregulation (Schmidt 1996; 2012).

Nonetheless, the deep-seated idea of the legitimacy of strong state interventionism helps explain why a Conservative French President—who had embraced neo-liberalism for the previous two years of his mandate—would be ready to jump back in with a more state-led, Keynesian approach to the 2008 crisis. A very different set of deep-seated ideas about the value of the ordo-liberal ‘Culture of Stability,’ which had continued largely unchanged since the early post-war period, helps explain why a Conservative German Chancellor would resist any such state action in response to the 2008 crisis. And this also helps explain Chancellor Merkel’s resistance to President Sarkozy’s push for more active and immediate response to the Greek crisis as of 2010.

Thus, graph 3 suggests that part of the reason for the seemingly interminable discussions over the exact conditions for the Greek bail out can be further explained by the fact that Sarkozy and Merkel focused on different underlying policy paradigms and philosophies for the ESFS and the EMS. Whereas the French leaders’ discourse continued to highlight the importance of the economic convergence of member-states, in keeping with the original ideas behind the European Monetary Union, German leaders used the key words of the ordo-liberal frame, austerity and competitiveness, while adding conditionality as the way in which to ensure that member-states with excessive debts commit themselves to austerity budgets to reduce public deficits, under the supervision of the EU authorities. The *leitmotiv* of the German political establishment’s discourse was control over public finance, as signalled by the use of a wide range of terms, all expressing this idea in the German language – *Haushaltsdisziplin*, *Haushaltssolidierung*, *Defizitkontrolle*, *Sparkurs*, etc³. These terms, moreover, are all closely associated with the concept of competitiveness, which was over-used in every speech of the German Chancellor, as in the following quote:

“As a matter of fact, and this has been acknowledged everywhere, the competitiveness of the various Euro-countries is different, and we are helping ourselves to become the most competitive regions in the world if we pay attention to

the strengthening and the improvement of our overall competitiveness. We need to be careful that it does not lead to excessive divergences within the Eurozone, but rather that we grow together thanks to better competitiveness” (PC 04.02.2011).

Moreover, although the Pact adopted in March 2010 was named the ‘Pact for the Euro,’ the Germans often referred to it as the ‘Pact for Competitiveness’ (PC 04.02.2011, PC 11.03.2011). And subsequent to the May agreement, Merkel implicitly linked the push for zero deficit to increased competitiveness, while she strongly associated the ‘solidity’ of public finances with austerity measures across Europe (*Le Monde* 19.05.2010).

Graph 3 about here

Notably, with the May agreement on the Greek bailout and the EFSF, the French President embraced to a large extent the ordo-liberal framing of the crisis. That said, Sarkozy nonetheless endeavoured to maintain a discursive balance between the invocation of austerity, on one hand, and of growth and employment, on the other. By contrast, the German discourse had no place at all for the main French alternative frame, that of a necessary policy convergence within the Eurozone.

This constituted a clever discursive strategy by French political leaders. On the one hand, they strongly converged towards the competitiveness program and framing. In February 2011, Christine Lagarde, who was the French Minister for Finance at that time, gave an interview to the *Spiegel* seeking to persuade the German political establishment and public of the French commitment to increasing competitiveness and stability. On the other hand, besides competitiveness, Nicolas Sarkozy avoided evoking the austerity frame nationally, emphasizing instead the idea of policy convergence within the Eurozone, which was in tune with the French vision of a core Europe. He also talked more about growth, employment and the regulation of finance as complementary references to Keynesian policy. In contrast, Angela Merkel used competitiveness, along with austerity, as her main discursive frames, with convergence, growth and employment and conditionality as secondary frames. Regulation was absent from her discourse in this period of time.

By the end of the period under study, however, President Sarkozy was more willing to see convergence rather than competitiveness as the main goal of the Pact for the Euro. The framing discrepancy was acknowledged by the French President:

‘We have also changed the name, it is ‘Pact for the Euro in favour of competitiveness and convergence’. This allowed us to put an end to the debate between those who were for convergence and those who were for competitiveness’ (PC 11.03.2011)

Meanwhile, the competitiveness frame also permeated the French discourse to a significant extent (cf. Christine Lagarde in *Spiegel* 14.02.2011). The main French achievement in terms of convergence was the setting up of the so-called economic government of the EU, a gathering of the Eurozone leaders. While the Germans were stressing convergence in terms of wages (with the end of indexation on inflation⁴), Sarkozy emphasised a move that France had advocated for a long time, namely integration in fiscal policy with first steps towards harmonization.

NORMS AND IDENTITIES: SOLIDARITY VS STABILITY

While the cognitive arguments in the German and French leaders’ discourse were reasonably well-developed, the normative arguments were strikingly thin, with scant reference to values, especially as far as Germany was concerned. Whereas French leaders repeatedly talked of solidarity, the best German leaders could come up with was ‘stability,’ as Graph 4 demonstrates. Stability itself is a traditional frame inherited from the monetarist spirit of the Maastricht Treaty, for which the core task of the ECB is to ensure price stability (low inflation) while the rules for EMU are enshrined in the Pact of Stability and Growth. For the Germany, in other words, stability of the currency has been elevated to a moral value, as a result of history and collective memory.

Graph 4 about here

The German Chancellor’s value-based discourse on stability stands in contrast to the French President’s emphasis on solidarity, in particular towards Greece and, more generally, within the Eurozone, as the main justification for setting up the EFSF and the EMS. Sarkozy also appealed to the grand narrative of EU integration: ‘The Euro is Europe, Europe means peace on the continent’ (PC 08.05.2010). In stressing the principle of

solidarity, the French banking interests that were to benefit most from a bailout for Greece⁵ were discursively absent from the construction of the French position, which helped make it more legitimate. This was also, one might add, true for the German discourse, in which citizens' interests were at the forefront of the discourse, as the German government insisted time and again that it was most concerned about engaging the German taxpayers' responsibility in the financial rescue of Greece. Indeed, the idea of solidarity remains marginal in the German discourse and, when mentioned, it is always associated with responsibility and stability. On the one hand, as the largest and economically most significant member of the Eurozone, German leaders made clear that they felt responsible for the survival of the common currency. On the other hand, they were equally clear about the fact that the PIGS also had to commit themselves to policies that would allow for stabilizing the common currency. In Angela Merkel's words, 'stability and solidarity are two sides of the same coin' (PC 26.03.10).

The normative discourse and the appeal to values became even thinner in 2011 compared to 2010. While Nicolas Sarkozy still referred to solidarity, albeit less often, the most salient frame in this respect was the idea of stability, which had long been most salient in the German discourse. The stability of the common currency had by now become the main normative guiding principle. Interestingly, Angela Merkel also referred to the German concept of *Wohlstand* as a secondary frame, i.e. the underlying idea of the German post-war economic miracle, making clear that what was really at stake with the Eurocrisis for the Germans was a threat to their standards of living and well-being. While this frame might have been quite efficient in the communicative discourse directed at the German domestic constituency, it naturally could not work as a legitimizing discourse at the European level.

The most salient normative dimension here involves the different assignation of responsibility. This can be scrutinised through identity frames, i.e. the discursive references to actors depicted as protagonists ('us') or antagonists ('them') in the crisis, as shown in Graph 5. In the first months of 2010, the French President mainly put the blame on 'the markets' while pointing to speculators as common enemies for the Eurozone: 'it is logical that a member country of the Euro that is being attacked by speculators, as it is the case of Greece today, should be able to rely on the solidarity of other members of the Eurozone. Otherwise, why did we decide to have a common currency?' (PC 03.03.10). He pressured the German Chancellor while instrumentally appealing to her European commitment: 'I believe

in the European solidarity of Germany, I believe in Mrs Merkel's European commitment' (CP 07.03.2010). This is where Nicolas Sarkozy most clearly manages to profile himself as the 'White Knight' rescuing Greece.

Graph 5 about here

In contrast, Angela Merkel played the 'Iron Lady,' first stressing the lax budgetary policies of the PIGS as she insisted in a joint press conference early on in the crisis that: 'Greece won't be left alone, but there are rules and these rules must be adhered to,' (*Washington Post* February 12, 2010). In March, she directly countered Sarkozy's insistence that speculators were the problem, saying: "I would suggest that we should not assume that the situation was only caused by mean speculators (...) If the budget situation in Greece had not been what it was, the speculators would have not had such a chance. This is actually something that should not have taken place after the Treaty of Maastricht" (PC 26.03.10). The underlying idea among the German establishment and public was that the Greeks should be punished for cheating and then lying about the state of the country's public finances. This position echoed the German public's hostile stand on what was then seen as the "Greek crisis". In February-March 2010, numerous opinion polls showed that about two thirds of German citizens opposed the idea of the federal government committing itself to financial help⁶.

In the same vein, the French and the German leaders disagreed with regard to the main protagonists in the crisis. For Nicolas Sarkozy, the PIGS countries were to be seen as allies, while integration was to be re-directed towards further convergence of a core Europe embodied by the Eurozone countries and led by intergovernmental institutions such as the Council of Ministers and the European Council and its permanent President.

Graph 6 about here

For the German Chancellor, in contrast, the banks were to be seen as allies rather than enemies. In the first sequence of the crisis, Angela Merkel also resisted the vision of a core Europe and insisted on moving forward with the 27 member states of the EU as a whole; she consistently referred to the leading role of the supranational institutions; the ECB, the EU Commission and the Court of Justice. Furthermore, while Nicolas Sarkozy was objecting to

involvement of the IMF in the beginning, Angela Merkel insisted that a substantial part of the financial burden would be shared with the involvement of the IMF.

The norm of stability was consistent with a framing of collective identities that focused on the Eurozone, in particular with regard to the view of antagonists and protagonists in the crisis. First, the UK appeared as the main antagonist because of its veto and then refusal to adopt the Euro Plus Pact and the intergovernmental treaty; this was equally highlighted in both the French and German discourses. More interestingly, the gap between the French and the German framing of protagonists had closed to a significant extent in 2011 when compared to 2010. Nicolas Sarkozy still emphasised the French-German axis as a main protagonist more often than Angela Merkel, but the latter mentioned the Eurozone – as opposed to the EU 27 – and intergovernmental institutions more often than she had in the previous year. This accounts for a relative convergence towards the new intergovernmental governance mechanisms advocated by France in the Eurozone. In turn, the Commission and the ECB became much more salient in the French discourse than the intergovernmental institutions. Similarly, the discursive patterns converged with regard to the role of the IMF and the banks as allies for the Eurozone countries in the crisis.

CONCLUSION

In the complex set of discursive interactions that defined the Franco-German partnership in 2010 and 2011 during the Eurozone crisis, there was a lot of give and take on both sides. However, if we were to be pushed to make a final assessment of the exercise, we would conclude that Germany, for all the criticism of Chancellor Merkel as the ‘Iron Lady’ unwilling to take action in solidarity with Eurozone members under pressure from the markets, won out over Sarkozy, as the ‘White Knight’ ready to ride out in defence of the weaker member-states. This comes out clearly in the final table (see Table 1), when we consider how much of the German discourse on policy ideas and solutions, programmatic ideas and paradigms, and principles and values was taken up by the French leadership.

The fact that this discourse has supported austerity policies across Europe and, indeed, has locked European leaders into maintaining such policies for fear of a loss of credibility with the markets and of electoral support from their domestic constituencies, has had serious economic consequences. Eurozone economies have slowed, while the PIGS have been sliding into recession. It is true that growth has now become a new buzzword.

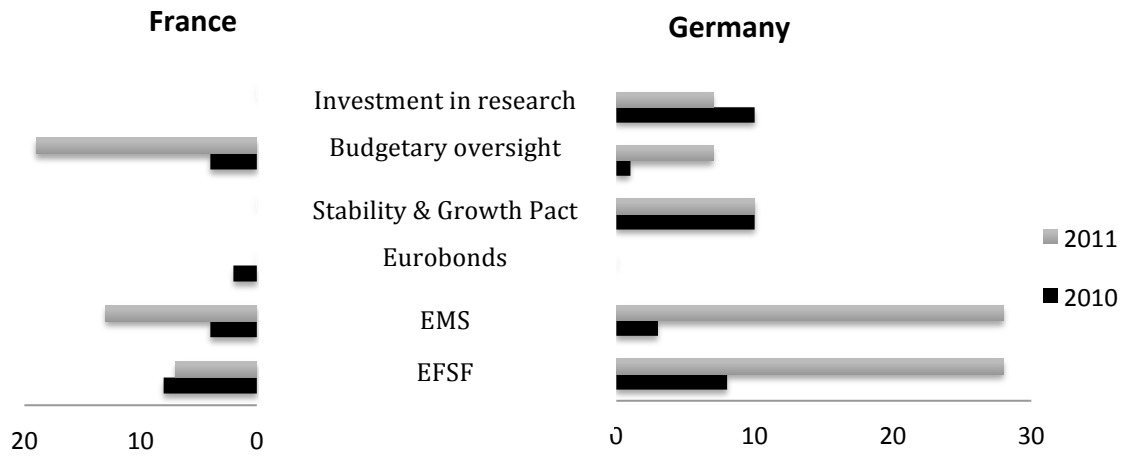
But with austerity budgets linked to rapid deficit reduction still the main game in town, one wonders how European leaders expect to promote growth, and where the money will come from, given the continued resistance by Chancellor Merkel to real financial solidarity, through Eurobonds, using the ECB as a lender of last resort, or even increasing the firepower of the loan guarantee mechanisms. It is clear that change has begun with the appointment of Italian Prime Minister Monti in November 2011 and the election of French President Hollande in 2012. But it may very well be that only a further change in leaders and parties, with a move from conservative to social democrats in major national political posts, will allow for a change in discourse and action. But this would mean that the social democrats would also have to develop new ideas and discourse capable of changing the minds of the markets, by now fixed on stability *and* growth—an impossible combination.

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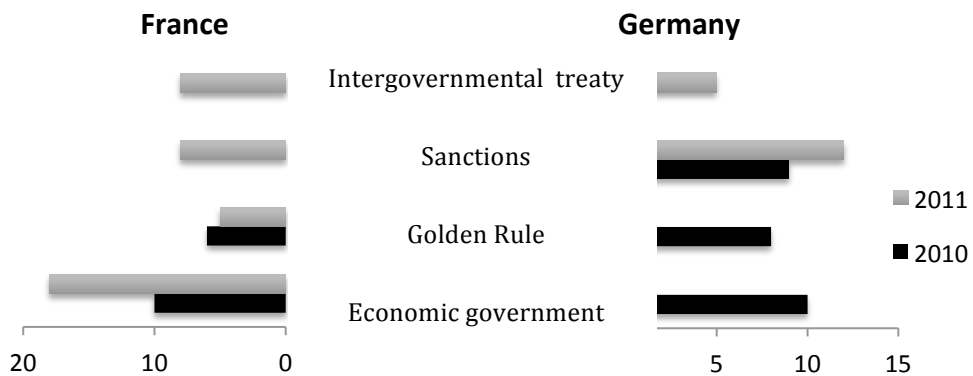
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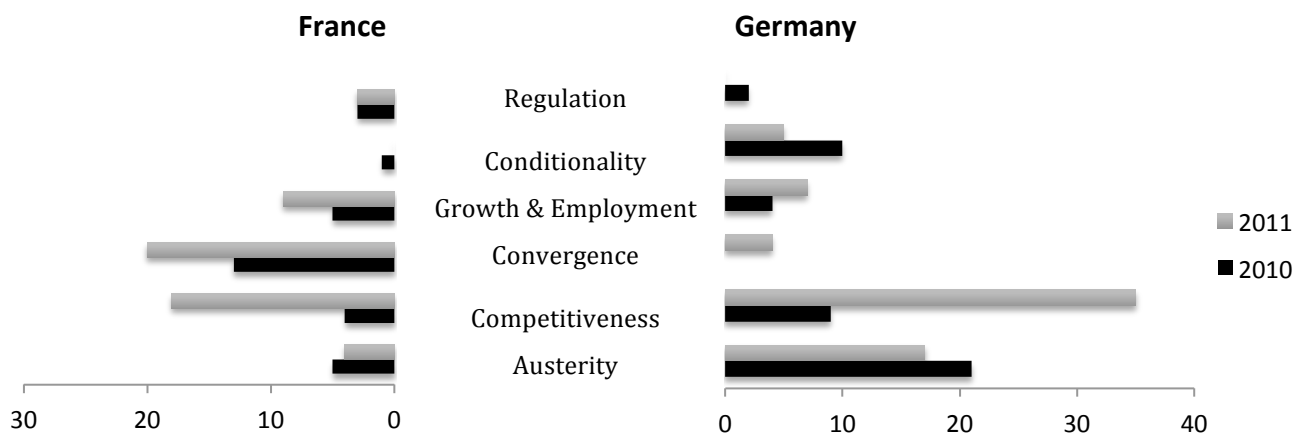
Graph 1 : Economic policy solutions



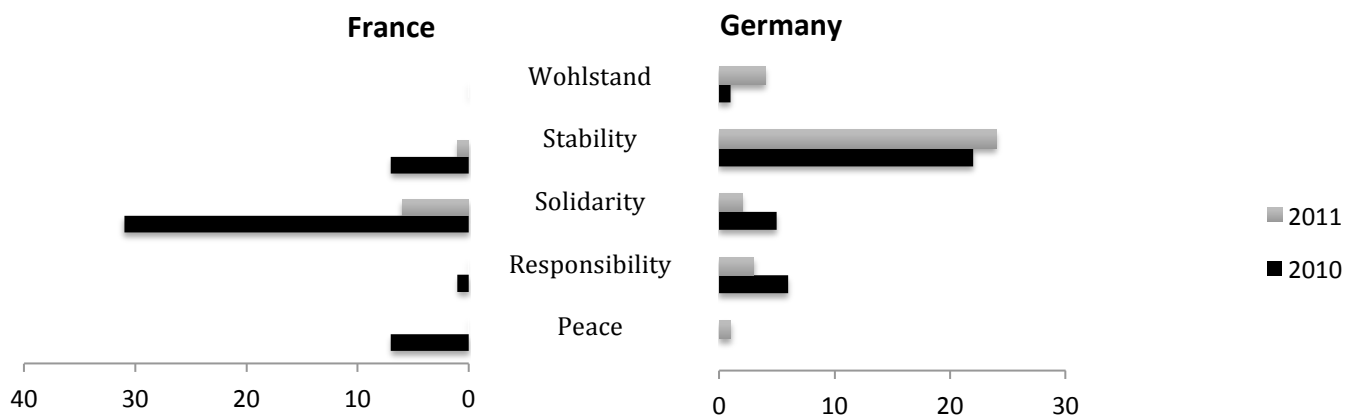
Graph 2 : Institutional policy solutions



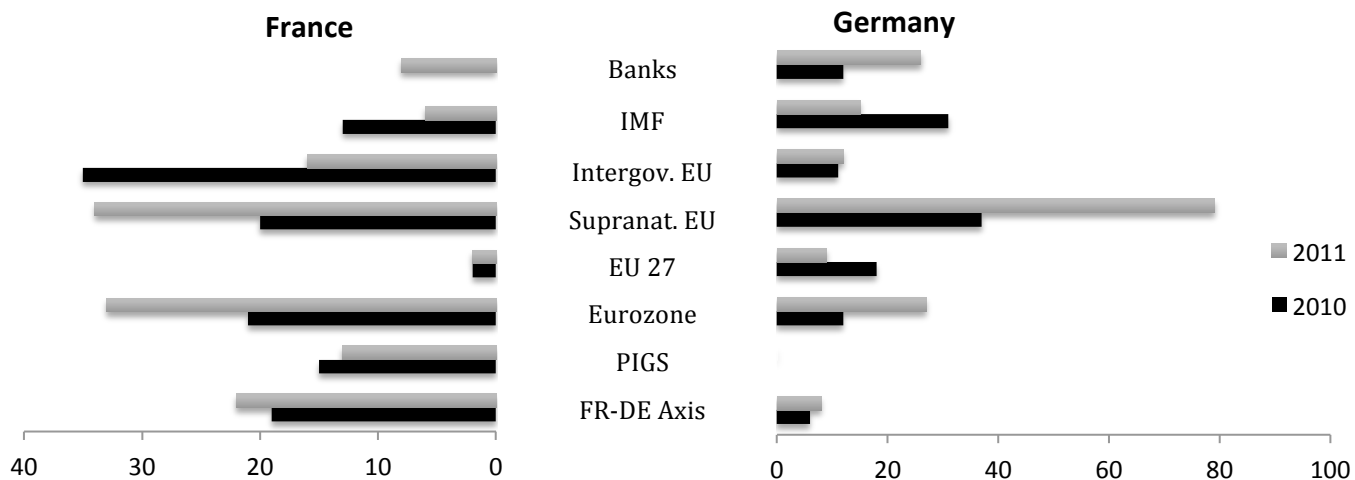
Graph 3 : Paradigms



Graph 4 : Norms and values



Graph 5 : Protagonists



Graph 6 : Antagonists

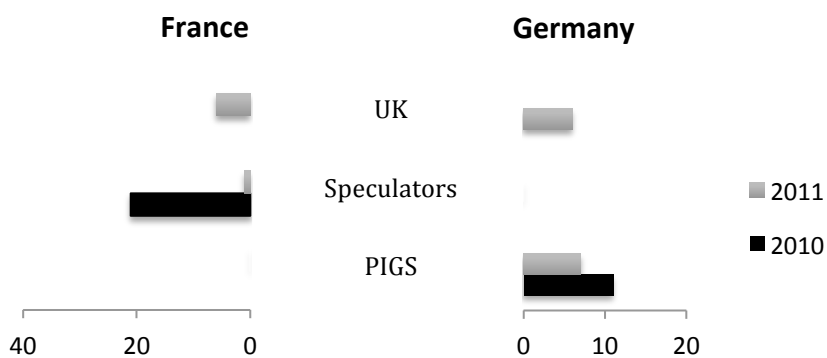









Table 1 Discursive differences between France and Germany

	FRANCE	GERMANY
Policy ideas: Economic policy solutions	Greek bail out EFSF + EMS Fiscal harmonization EBC last resort (debt monetization) Fiscal harmonization	  Sanctions IMF involvement Private sector involvement Investment in research
Policy Ideas: Institutional policy solutions	<i>Gouvernement économique</i>	  Golden rule
Programmatic Ideas: Programs and paradigms	Convergence Growth & employment Regulation	 Competitiveness Conditionality Growth & employment
Philosophical Ideas: Principles, norms, values	Solidarity Peace	Stability Responsibility <i>Wohlstand</i>
Antagonists	The markets/speculators UK	PIGS UK
Protagonists	The Eurozone The French-German axis Intergovernmental institutions PIGS	  Supranational institutions IMF The banks

ENDNOTES

¹ Naturally, other EU leaders present around the table are also important, to propose, mediate, promote compromise, or to oppose. But they ordinarily line up behind one or the other major player, with the Northern Europeans largely behind Germany as the crisis unfolded, the Southern Europeans behind France. And if Germany and France cannot agree, then there is no agreement.

² "Sondage: plus d'un français sur deux approuve la Règle d'or", 25.08.2011, www.lepoint.fr (20.03.2012)

³ Just as the French term « rigueur » is avoided to refer to austerity measures because of its political negative connotation, *Konsolidierung* is preferred to *Sparkurs* in the German discourse.

⁴ Here, one should note that the end of wage indexation on inflation had already been implemented for a few years in France.

⁵ French banks are massively involved in Greece through the acquisitions of Greek proximity banks, up to €79 bn versus €43 bn for German banks. More generally, French banks are very involved in Southern European markets, including in Spain and Portugal. Cf Elie Cohen, « Grèce : nuages noirs sur les banques françaises », *Telos*, 02.05.2010, http://www.telos-eu.com/fr/article/grece_nuages_noirs_sur_les_banques_francaises (12.05.2011)

⁶ <http://de.statista.com/statistik/daten/studie/77453/umfrage/finanzielle-hilfen-der-bundesregierung-fuer-griechenland/>, February 2010. "Bürger stützen harten Kurs gegen Griechenland", www.stern.de, 30.03.2010.