Paradigm formation and paradigm change in the EU’s Stability and Growth Pact

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1. Introduction

Ever since Peter Hall’s (1993) seminal work, the concept of ‘policy paradigm’ has become central to studies of fundamental or major policy change. The notion of policy paradigm rests on the assumption that policies are guided by sets of beliefs and assumptions, which determine the identification of relevant problems and feasible solutions (cf. Carson et al. 2009: 17; Hall 1993: 279; Skogstad and Schmidt 2011: 6). Since policy paradigms define both the desirable and the possible in policy-making, changes in paradigm will lead to fundamental changes in policies. The converse also holds true: fundamental policy change will only take place if the underlying policy paradigm changes (Hall 1993: 279-280).

In Hall’s study, this was illustrated by the shift from a Keynesian paradigm, which focused on full employment through government intervention in the economy, to a monetarist paradigm, which stressed price stability through monetary instruments. This change was ushered in by the fact that economic developments during the 1970s, which combined high inflation with unemployment, could no longer be explained by Keynesian theory, which had always emphasized the trade-off between inflation and unemployment (Hall 1993: 284-285, see also Hay 2001). This led policy-makers to search for new approaches, which seemed better able to make sense of current economic developments. Once they adopted that perspective, all taken-for-granted certainties of economic policy started to shift and so did economic policies themselves.

Work since Hall has focused on the conditions under which paradigm change takes place. In this literature, one stream builds on the notion that paradigm change is a relatively sudden and radical phenomenon, in which one paradigm is replaced fully by another one (Baumgartner and Jones 1993; Hall 1993; Hay 2001; Jones and Baumgartner 2005; Sabatier and Weible 2007). Another approach has maintained that paradigm change can also (or, in fact, is most likely to) take place much more gradually and incrementally, with some elements of existing paradigms being modified while other elements remain in place (Cashore and Howlett 2007; Coleman et al. 1996; Howlett 2009; Mahoney and Thelen 2010; Peters et al. 2005).

Preceding the debate on radical versus incremental paradigm change is the question to what extent policies are actually underpinned by a (more or less coherent) paradigm. Arguably, in many cases policies are formed much more pragmatically or may simply be the outcome of power struggles between actors, without much of a coherent paradigm to speak of. According to Hall (1993: 291), policy paradigms are particularly likely to be established in areas of technical policy-making that are administered by a stable policy community of experts. In other areas, policies will be guided by a looser ‘web of ideas’. Others have questioned on a more fundamental level whether policy paradigms are as structured and/or as consequential for policy-making as Hall claimed (Carstensen 2011; Cashore and Howlett 2007).

Arguably, the debates on the dynamics of paradigm change and the existence of policy paradigms in the first place are closely connected, as they are both determined by the conception of (the role of ideas in) policy-making. If policy-making is seen as strongly

1 See e.g. the special issue on policy paradigms in Governance, Vol. 26, No. 2, 2013.
determined by ideational perspectives, more or less coherent policy paradigms are likely to arise and change between one paradigm and another is likely to be radical. By contrast, if policy-making is seen as a process of combining different ideas and interests, policy paradigms will be little more than loose networks of partially unrelated ideas and change may occur in shades within this hybrid belief system.

Both the existence of policy paradigms and change in them are empirical questions, the answer to which may differ between policies and institutional contexts. The European Union (EU) presents an interesting political system in this regard. On the one hand, the EU is characterized by a large number of veto players with often strongly diverging interests, and power politics between member states, which makes it an unlikely candidate for paradigmatic policy-making. On the other hand, the existence of policy paradigms and change in them has been documented for a range of policies.

This paper analyses the existence of and change in policy paradigms in one area of EU policy-making: the Stability and Growth Pact (SGP), which underpins the Euro. This is an area that is close to the one which Hall identified as being guided by a strong policy paradigm at the domestic level. One may expect that these paradigms also carry over to the European level. At the same time, policy-making around the SGP is characterized by high stakes and widely diverging interests between member states, making it a prime example of high politics within the EU. This would lead one to expect hybrid and pragmatic compromises rather than policies made from a single, clear paradigm. The central question of this paper therefore is whether a policy paradigm has been established in this area despite its political and institutional context.

In the next section, we will discuss in greater detail the concept of policy paradigm and the conditions under which one is likely to be established and changed. Then, we will present the methods used to study policy paradigms and paradigm change around the SGP. Subsequently, we will introduce the background of the SGP and the empirical analysis of policy paradigms. Finally, we draw a number of conclusions.

2. Two perspectives on the role of policy paradigms

2.1 Policy paradigms and their implications

The concept of ‘policy paradigm’ denotes ‘a framework of ideas and standards that specifies not only the goals of policy and the kind of instruments that can be used to attain them, but also the very nature of the problems they are meant to be addressing’ (Hall 1993: 279). What this concept does is to highlight the importance and centrality of cognitive and ideational factors in policy-making. The central assumption behind the notion of policy paradigm is that policy-makers can only conceive of issues through a specific lens, which structures and gives meaning to reality. Within that paradigm, some facts become more salient and some forms of evidence more compelling than others. A paradigm is not a ‘neutral’ perspective on reality or a ‘random’ collection of facts, but a highly structured and selective one, which highlights some facts and possible lines of action to the detriment of others. Moreover, paradigms are mutually incompatible (‘incommensurable’), in the sense that facts and evidence that are relevant in one paradigm are irrelevant in another. For that reason, they cannot be combined:
it is either this paradigm or that one, not both. This closely follows Kuhn’s (1996 [1962]) use of the term ‘paradigm’ in the history of (natural) science, from which the term was borrowed.

The notion of policy paradigms stands in contrast with perspectives on policy-making that assume more or less comprehensive rationality on the part of policy-makers. Policy-makers cannot assess all relevant facts and weigh all potential objectives, because the paradigm they hold determines which facts and objectives they focus on. However, it also stands in contrast with incrementalist notions of bounded rationality. Although incrementalism also stresses the cognitive limitations on human information processing (Lindblom 1959; 1979), it does not assume that policy-makers work from a more or less coherent and stable set of assumptions. Policy-makers will only consider a limited set of options, which are close to existing policies, but this is driven by practical experience and an inability to predict the consequences of radical departures from the status quo. Although incrementalism, too, rejects the assumption of comprehensive rationality, it does not assume the existence of a specific set of (theoretical) assumptions on the part of policy-makers (that is, a policy paradigm).

The concept of policy paradigm therefore presents a specific perspective on policy-making in the face of cognitive limitations, which has two distinct implications for understanding policy processes. First, it implies a considerable degree of stability in policies. This stability is caused by the fact that (1) policies are largely determined by the underlying policy paradigm and (2) policy paradigms are stable. The stability of policy paradigms stems from the fact that they are not simply depictions of reality but structure reality. Facts or observations that do not conform to an established paradigm will therefore be ignored or reinterpreted so as to fit the paradigm. Moreover, since competing paradigms are incommensurable, policy-makers cannot simultaneously consider reality from different paradigms, but are tied to one paradigm. As a result, policy change will normally only take place within an established policy paradigm, affecting relatively minor details but not the core of the policy.

Second, the notion of policy paradigm implies that fundamental policy change, if it takes place, will be relatively sudden and radical. This implication flows from the fact that policy paradigms are coherent sets of assumptions. Because of this coherence, changes in one element of the paradigm are likely to lead to shifts in other elements, too. One cannot simply take an assumption from a paradigm and replace it with an assumption from a rivalling paradigm without creating inconsistencies. Since the notion of policy paradigm assumes that policy-makers will work on the basis of a specific, more or less integrated paradigm, which is incommensurable with other paradigms, they face the choice between either sticking to the old paradigm or shifting completely to a new one. This choice is not made in a piecemeal or incremental way but will tend to be radical: the old paradigm is held on to as long as possible but when it becomes untenable it will be replaced in its entirety by a new paradigm (Jones and Baumgartner 2005). This process of change is normally driven by the occurrence of ‘anomalies’, facts that contradict the existing paradigm and cannot easily be explained away.

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2 This perspective is shared by other theories of the policy process, including the advocacy coalition framework, which assumes more or less stable and integrated ‘core beliefs’ in an advocacy coalition’s belief system (Sabatier and Weible 2007), and punctuated equilibrium theory, which assumes that actors within a policy subsystem have a shared understanding of their issue area (Baumgartner and Jones 1993; True et al. 2007).
by it (Hall 1993: 280). For some time, these anomalies may exist alongside the paradigm, but when their cumulative importance becomes too large to ignore, actors may reconsider the validity of the old paradigm and start to search for a new one that is better able to cope with them.

The perspective on stability and change in the literature on policy paradigms is therefore closely related to the conceptualization of policy paradigm as a coherent and stable set of assumptions that guides policy-makers in formulating and deciding on policies. This stands in contrast with approaches that take a different perspective on ideational factors in policy-making. One alternative approach challenges the concept of human perception and decision-making underlying the concept of policy paradigm. As Carstensen (2011) has argued, against ‘paradigm man’ one can posit the ‘bricoleur’, who does not operate on the basis of a coherent set of assumptions but on the basis of loosely coupled networks of ideas. These ideas form a set of resources that actors may draw upon in constructing reality. They may be combined and recombined with each other and other ideas in different ways, depending on the situation, leading to all kinds of hybrids between ‘pure’ paradigms. Moreover, political actors may use ideas strategically, to appeal to others in the political system, and thereby devise pragmatic ad hoc constructs to justify pre-existing ideas and demands. In this perspective, belief systems are much less coherent and more malleable and thus do not strongly predetermine policies. The same set of beliefs may be compatible with multiple policies and the same policy may be compatible with multiple sets of beliefs. Because of this, change from one set of beliefs to another need not be radical, but may unfold in an incremental way, as elements within a belief system are reordered, added to or partially replaced by other elements (cf. Mahoney and Thelen 2010: 16-17; Skogstad and Schmidt 2011: 12-13)

2.2 Policy paradigms and the policy process

Policy paradigms do not operate just at the level of individual policy-makers. Rather, they are shared collectively by all or almost all involved in a certain issue area. Therefore, arguments about the role and importance of policy paradigms should focus not just on information processing and decision-making by individual policy-makers, but also look at the social processes that take place between policy-makers and the systems of policy-making within which they operate. The key point about the notion of policy paradigm is that policy-makers in a given political system at a given point in time share a certain number of (key) assumptions about policy-making. Even if multiple paradigms exist alongside each other (held by competing advocacy coalitions, to use Sabatier’s terminology), one paradigm will normally be dominant.

The dominance of a paradigm is reinforced by a number of social and political factors. Socially, policy-makers are subject to pressures to conform to a majority opinion. Once a policy paradigm is firmly established, dissident voices will encounter strong resistance, will be ignored or ridiculed, or may even be excluded from the leading policy community. These social pressures form a strong incentive to conform to the dominant paradigm (cf. Tetlock 1991).
Politically, it is often difficult to change the status quo, for two reasons. To begin with, actors that support an existing policy often have a vested interest in that policy. They depend on the continuation of the policy for their status, position and income. This makes changes in the policy unattractive. Because a dominant policy paradigms serves to legitimate existing policies, challenges to the policy paradigm are also unattractive. In addition, political institutions often make it difficult to change the status quo (Jones et al. 2003). This require the consent of multiple actors, which operate as ‘veto players’ within the policy-making process (Tsebelis 2000).

Following this line of reasoning, change in the dominant paradigm is unlikely to take place within an established policy community. It will only take place if the set of policy-makers that support an existing paradigm is replaced by a new set of policy-makers, as either a new generation of actors enters the issue area or policy-making authority is transferred from one set of actors to another. This is the dynamic behind Baumgartner and Jones’ (1993) punctuated equilibrium theory, in which radical policy change takes place when a dominant policy community is replaced by another one as a result of the intervention of higher-level political actors. It is also the mechanism behind major policy change in the advocacy coalition framework, in which a dominant advocacy coalition is replaced by another one because of changes in contextual factors around the issue area (Sabatier and Weible 2007).

An alternative view on policy-making stresses the negotiated and fluid character of policy-making, which is characterized by compromises between actors with competing interests and world views rather than the wholesale replacement of policy subsystems or advocacy coalitions by their rivals (Mahoney and Thelen 2010: 7-10). If negotiation and compromise are taken as the central elements of policy-making processes, policies are less likely to be based on one integrated paradigm. Even if individual actors or groups of actors involved in policy-making operate on the basis of specific paradigms, the policies coming out of the policy-making process will not reflect one of these paradigms but a combination of them. Moreover, shifts in policies need not involve the replacement of one paradigm by another but are more likely to reflect shifting power balances between different actors involved in decision-making.

We are therefore confronted with two perspectives on the role of paradigms in policy-making. According to one perspective, policy paradigms largely determine the policy approach that is chosen. This leads to stability and sudden, radical change when one paradigm is replaced by another. According to the other perspective, policy-making is underpinned by a much looser and more negotiated set of ideas. As a result, policies are more fluid and may change incrementally as ideas and links between ideas shift over time.

The validity of each of these perspectives is likely to depend on the context within which policies are made. As policy processes and their contexts vary, the importance and coherence of policy paradigms may also vary. Three sets of factors, which tie in with the social and political factors discussed above, are likely to be relevant here:

- A dominant policy paradigm is more likely to be established if policies are made in a closed policy community. In such a closed policy community, the social pressures to conform to a dominant paradigm will be stronger, and alternative views will enter the debate less easily. By contrast, if policies are discussed in more open networks of
actors or that come more frequently under scrutiny by high-level policy-makers, a stable and coherent policy paradigm is less likely to form.

- A single policy paradigm is less likely to prevail if the actors in the policy process have strongly opposing views on or interests regarding the policy at stake and attach greater importance to the policy. In that case, they are likely to fight more vigorously for their cause. By contrast, if actors share a clear interest, they are more likely to converge upon and defend one set of policies with its associated policy paradigm.
- If the policy process includes more veto players, it is less likely that one single policy paradigm will prevail (cf. Skogstad 2011b: 247). In that case, multiple actors need to share the same policy paradigm for that paradigm to be established. If the policy process includes only a limited number of veto players (or just one veto player), this is more likely to happen.

2.3 Policy paradigms in the EU

The role of policy paradigms within the EU is unclear. On the one hand, a number of authors have identified paradigms in EU policy-making (Carson et al. 2009; Garzon 2006; Princen 2010; Skogstad 2011a). The existence of policy paradigms in the EU may be facilitated by the large role of technocratic policy-making in several policy areas, coupled with the strong functional differentiation between policy areas and the institutions making policies on them.

On the other hand, EU policy-making in many areas shows a number of characteristics that make the establishment of a dominant policy paradigm less likely. To begin with, EU decision-making is characterized by a large number of veto players. Not only is the number of formal institutions large, but the thresholds for reaching decisions within those institutions are usually high, particularly within the Council of Ministers and the European Council. In addition, in many areas EU member states take different approaches, built on different understandings of the issue at stake (that is, different national policy paradigms). In those cases, EU policies are not a choice between potential paradigms but a compromise between existing ones.

This is particularly true for issues of ‘high politics’, in which the stakes are high and bargaining between member state governments plays a central role. In these cases, decisions are not likely to reflect one clear policy paradigm, but will rather be compromises, based on compromises and the power balance between (member state) policy-makers. Interest-based bargaining has therefore been central to explanations of EU high politics (cf. Moravcsik 1998; Thomson 2011).

The EU presents an interesting case for studying policy paradigms, because it offers a range of different political and institutional contexts: from ‘low politics’ policy-making in relatively closed circles of experts to the ‘high politics’ of interest-based negotiations between member state governments (Peterson 1995). To the extent that policy-making in the EU is more low-politics, the establishment of an EU policy paradigm is more, and to the extent that high politics plays a role, it is less likely.
3. The Stability and Growth Pact

Among EU policies, the Stability and Growth Pact is an interesting case for studying paradigm formation and change. The SGP was adopted in 1997 as part of the process leading up to the introduction of the Euro as a common currency in the Eurozone. It contains two basic elements: (1) a set of budgetary rules that states in the Eurozone have to comply with and (2) a governance mechanism for enforcing these rules.

Potentially, the SGP is a good candidate for the establishment of a strong policy paradigm, for two reasons. First, the SGP largely covers the same issues that Hall focused on in his study of macro-economic policy in the UK. The norms of the SGP are based on assumptions about relationships between important macro-economic variables, such as public debt, government deficits, economic growth, and monetary stability. In this field, the literature has identified clear and strong policy paradigms at the domestic level. One may assume that these paradigms also affect thinking at the EU-level. In fact, according to McNamara (1998: 3-6), the rise of a shared, strong monetarist policy paradigm among European governments was an important driver behind the introduction of the Euro.

Second, during its existence the SGP has encountered a number of crises that had the potential to undermine its foundations. The first occurred in 2003, when for the first time a number of member states in the Eurozone had excessive deficits for which fines could be imposed. As France and Germany were among those member states, they exerted strong pressure to avoid fines, arguing that greater attention should be paid to economic circumstances and the overall financial position of a member state (rather than just its budget deficit). The second crisis was the sovereign debt crisis, which is still unfolding as we write. In the wake of the 2007/2008 credit crunch, a number of Eurozone states were confronted with rising interest rates as a result of their weak financial situations. As the economic and financial systems within the Eurozone had become closely intertwined, this prompted other states in the Eurozone to create a financial support mechanism for states that faced problems in (re)financing their debt. The occurrence of the crisis and the huge efforts that had be made to ‘save the Euro’ put in doubt the very foundations on which the SGP had been grounded. These crises offer fertile ground for exploring the impact of external changes and anomalies on the thinking behind the SGP.

Having said that, the SGP also presents a hard case for the establishment of a policy paradigm. The main reason for this is that policy- and decision-making on the SGP has mostly been a matter of high politics, with strong involvement of the heads of government of the member states. In this process, financial and monetary policy elites were often sidelined by actors taking a geopolitical perspective on the necessity and design of the common currency. Moreover, the stakes in this debate have always been high, economically as well as politically, while the national perspectives on the Euro have diverged widely.

In the run-up to the establishment of the Euro, these perspectives came together in two opposing positions (one can perhaps say: ‘paradigms’) on the proper form of the monetary and economic integration (Dyson 1999; Van Esch 2007; Van Esch 2012): Ordoliberalism and Keynesianism. The Ordo-liberal paradigm, which was advocated by the German financial elite and government, is characterised first and foremost by a belief in the primacy of price stability (‘sound money’), which is the guiding principle by which all other policy-measures
are assessed. Crucially, in the eyes of the ordoliberal there is no trade-off between price stability on the one hand, and employment and economic growth on the other. To ensure price stability, European economic and monetary unification must meet two requirements: 1) member states must adopt stringent budgetary and fiscal policies and denounce monetary financing; 2) sound and credible monetary policy making is ensured through the independence of the European central bank and expert decision-making (Dullien and Guerot 2012). Ordoliberal thought was often complemented by a so-called ‘economist’ position argued that a monetary union could only work if it was preceded by a high degree of economic integration and convergence. In the absence of such integration, monetary union would be destabilized by differences in economic growth, inflation and, generally, ‘competitiveness’ between countries. In contrast, in the Keynesian ideal-type, price-stability is not regarded as the central economic goal and a trade-off is believed to exist between economic growth and employment on the one hand, and price-stability on the other. In addition, economic stimulation – as opposed to stringent budgetary policy – is thought to lead to economic benefits through stimulating economic activity and economic demand. Finally, Keynesianism is less concerned with the stringency and uniformity of rules since flexibility is needed to adjust economic policy to the economic conditions at hand. Keynesian thinking, which is typically displayed by French politicians, is associated with the so-called ‘monetarist’ perspective argued that monetary integration could move forward prior to completion of the economic union. It assumed that economic convergence would grow out of the existence of a common currency.

In the decades before the introduction of the Euro, this controversy was repeatedly played out among the main actors at the European political stage. In the Maastricht Treaty of 1992, which included the decision to introduce the Euro, the monetarist perspective had eventually gained the upper hand. Although the Treaty included economic criteria, for member states to join the Euro, these criteria allowed for a lot of interpretative space and enforcement mechanisms were weak. The SGP was an attempt by the German financial-economic elite to remedy these weaknesses by imposing a stricter set of rules. This resulted in the Stability and Growth Pact, which was meant to specify further the criteria and procedures for excessive deficits and economic convergence (Segers and Van Esch 2007).

The clash between these different perspectives and the high political level at which decisions were taken is likely to have led to power-based bargains and compromises without a clear underlying policy paradigm. Moreover, it would lead one to expect incremental and ‘unorthodox’ adjustments to the SGP in response to the two crises that it faced, rather than a radical change in approach.

The SGP therefore offers an interesting case for studying paradigm establishment and change. If, despite the political and institutional context in which it unfolded, the SGP is underpinned by a clear policy paradigm, it attests to the strength of paradigmatic thinking in this policy area. If, by contrast, the SGP is based on a loose combination of ideas from different paradigms, it reveals some of the limitations to the establishment of policy paradigms.
4. Methodology

4.1 Causal maps

Causal mapping is one of the best developed and systematic methods for studying actor’s beliefs and has been successfully applied in political science, social psychology and organizational studies (Axelrod 1976; Bougon et al. 1977; Curseu et al. 2010; Eden & Ackermann 1998; Van Esch 2007; 2012; Young & Schafer 1998). It enables the systematic qualitative and quantitative comparison of ideas and beliefs embedded in public assertions and documents. As we will show below, causal mapping also provides a valuable method to study the presence of paradigmatic thinking in policy-making as well as paradigm shift.

In order to create a causal map, all causal and utility relationships alluded to are derived from a text. Utility statements are statements to the effect that something is ‘good’, ‘in someone’s interest’, ‘in the general benefit’ and are used to determine the whether a concept is valued positively or negatively. To make comparison possible, subsequently a standardisation of concepts is conducted by grouping words with similar meanings into overarching, merged concepts (Laukkannen 2008). Finally, the causal and utility relationships are transformed into a graphic map in which the standardised concepts are depicted as points and the relations between these concepts as arrows. To facilitate this process, causal mapping software Worldview and Gephi are used. Figure 1 shows an example of a causal map (cf. Van Esch forthcoming; Young 1996; Young & Schafer 1998).

Figure 1. Example of a causal map with three causal and two utility relationships

In causal mapping, the relative strength of policy beliefs is determined by establishing the relative saliency (S) – the frequency with which they are mentioned – and centrality of concepts (C) – the number of dyads they are part of. For instance, in figure 1 the centrality of the concept ‘blurring of fiscal and monetary policies’ is 5. Saliency is not visualised in a causal map, but can be calculated on the basis of the coded texts. In addition, the level of goal orientation (GO) of concepts may be determined (Van Esch forthcoming; cf. Bougon et al 1977; Hart 1976; 1977). The measure is built on the premise that the more relations feed into a concept, the more it is seen as a goal rather than an instrument. The measure thus supplies

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3 In political and social psychology and organisational science, this technique is also known as cognitive mapping.
an inductive method of distinguishing between beliefs at different levels of abstraction like instrumental versus principled beliefs.  

In order to determine whether a policy-document is rooted in paradigmatic thinking, a number of analyses are performed. Each of these analyses focuses on the economic paradigm behind the SGP, in which we contrast Keynesian and Ordoliberal approaches. To begin with, we determine the extent to which a document scores more Ordoliberal or Keynesian by calculating the aggregated saliency of the concepts associated with the Ordoliberal and Keynesian paradigms and calculate the percentage of the total causal map they entail (Van Esch 2012; forthcoming). This analysis is done at the level of concepts and does not reveal the inherent causal and normative logic embedded in the causal map. In addition, therefore, a qualitative analysis of the causal map is performed to determine the extent to which the logic embedded in the map can be characterized as typically Ordoliberal or Keynesian. In addition to revealing whether thinking behind the SGP is indeed paradigmatic, comparison of these measures at different points in time may reveal changes in paradigm.

4.2 Selection of documents

Our ambition is to analyse the existence of and change in policy paradigms behind the SGP. To this end, we have made causal maps of the policy theories underlying the SGP at three crucial moments in the SGP’s development:

- The establishment of the SGP
- The 2003 compliance crisis and subsequent reform of the SGP
- The current sovereign debt crisis and related reform

As this paper is work in progress, we have so far only been able to analyse the first two moments. Developments in the current crisis will be included in the next version of this paper.

A central methodological problem is where to find the policy theory behind ‘the policy’. Final decisions and formal legislation do not lend themselves for this, since they normally do not contain an extensive argument behind the adopted policies but simply state what those policies entail. Participants in decision-making processes do explain why certain measures have been adopted, but they often come up with mutually inconsistent accounts that serve specific political objectives.

Among available materials, European Commission documents arguably come closest to stating the overall theory behind EU policies. Of course, the Commission may itself take a specific position in a policy debate and manoeuvre strategically in order to obtain a desired

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4 The GO measures ranks from -1 to 1 and is established by a calculation of the number of arrows emerging from a concept (out-degree) and the arrows feeding into a concept (in-degree). The precise formula used is: (indegree-outdegree)/centrality).

5 In addition, documents on the SGP may contain statements that are unrelated to either Keynesian or Ordoliberal thought. Although these statements form part of the overall thinking behind the SGP, they will not be included in our analysis, for two reasons. First, the formation of and change in economic paradigms forms the core of the literature on domestic policy paradigms (Hall 1993; Hay 2001). Second, it has been argued that the establishment of a shared economic paradigm was a strong driver of EMU (McNamara 1998). Hence, the focus on economic paradigms behind the SGP offers the most fruitful avenue for a comparison with the literature on domestic paradigms.
outcome. In the end, however, if the Commission is to be successful, it has to find some kind of ‘greatest common denominator’ among the ideas and interests of those making the final decisions. We may therefore expect Commission documents to approximate this ‘greatest common denominator’, which reflects the overall assumptions and ideas behind a policy.

For that reason, we have analysed Commission documents for each of the three episodes mentioned above:

- The explanatory memorandum with the Commission proposal for a Council Regulation on ‘the strengthening of the surveillance and coordination of budgetary positions’ (which was to become one of the Regulations adopted as part of the SGP in 1997) (European Commission 1996).
- The Commission Communication on ‘reinforcing economic policy coordination’, which was part of the lead-up to the so-called ‘six pack’ of measures adopted to strengthen the SGP in 2010 (European Commission 2010).

These documents are representative for the thinking around the SGP in each of these periods, and are therefore a good indication of the policy theory underlying the SGP throughout its existence.

5. Mapping policy paradigms around the SGP

The central theme of all examined Commission documents is that of budgetary discipline and public debt. In general terms each document gives an outline of a set of measures proposed to stimulate the member states to stick to the targets for budgetary deficits and public debt outlined in the Maastricht Treaty. The documents do, however, differ in terms of how closely they may be associated with the Ordoliberal and Keynesian economic paradigm.

5.1 The 1996 document

The map of the 1996 memorandum, which was issued shortly before the introduction of the SGP, shows a distinct resemblance to a strict Ordoliberal position in terms of the stringent adherence to budgetary discipline that is advocated. The quantitative analysis shows that in terms of concepts, the causal map is strongly Ordoliberal in character (see figure 2). In terms of aggregate saliency, Ordoliberal concepts make up 47.9 percent versus 17.0 percent for Keynesian concepts. This high Ordoliberal score can be attributed in large part to the fact that the Commission uses far more Ordoliberal than Keynesian concepts in her document (17 versus 6 concepts). In terms of average saliency, the Ordoliberal concepts score slightly lower than the Keynesian concepts (2.67 over 2.65).
A more ambivalent picture emerges from the qualitative analysis of the inherent logic of the map. On the one hand, the map shows that the Commission voices some distinctly Ordoliberal concerns and uses Ordoliberal argumentation. First, the commission is very concerned with budgetary debt and deficit: ‘budgetary deficit’ is the most salient concept in the map (S=11) and like all other concepts referring to poor public finances it is deemed highly undesirable by the Commission. Moreover, in accordance with the Ordoliberal paradigm, budgetary deficits are perceived as a distinct threat to price stability. In accordance with this, the Commission advocates establishing clear and strong rules and regulations tempering governmental debt and deficits such as sanctions, dissuasive rules and the acceleration of Excessive Deficit Procedure (EDP). In the mind of the Commission, the introduction of sanctions within the budgetary framework of EMU also serves the credibility of the SGP. In addition to this set of repressive measures, the Commission also proposes an entire set of ‘soft’ powers to stimulate sound public finances like establishing an early warning system, multilateral surveillance and the obligation for states to publish their stability plans. Every one of these more or less stringent instruments is evaluated positively in the document.

On the other hand, several elements within the map are not consistent with the Ordoliberal paradigm. First, the concept of price stability is of only minor importance in the Commission’s mind (S=2) and not nearly as salient as one would expect within the Ordoliberal paradigm. Moreover, in contrast to the ideal-type argumentation, price stability is not identified as the ultimate goal of the map, but as a means to other ends (GO=0). It is seen to promote a reduction in interest rates, which would stimulate crowding-in which in turn would promote economic growth and employment. In addition, government debt and deficits are expected to raise governmental interest burdens, thereby inhibiting government investments and thus hampering employment and economic growth. This is illustrated in Figure 3, which highlights the causal relationships around the concept of price stability in the 1996 document.
Both lines of reasoning are at odds with the Ordoliberal ideal-type. In fact, the argumentation provided in the memorandum is a textbook example of the Keynesian plea to stimulate investment and consumption through a more lenient monetary policy in order to stimulate the Keynesian ultimate goals of growth and employment. In the eyes of a true Ordoliberal, low interest-rates could lead to increased lending and liquidity and ultimately endanger price stability. Finally, in comparison to the Ordoliberal ideal type, the Commission relies heavily on less stringent, more political instruments, political will and commitment and the soft instruments outlined above. Moreover, at this moment in time, the Commission is still univocally positive about allowing the Council some discretion in her decision-making and to differentiate measures amongst countries. So while the document is highly Ordoliberal in terms of concept saliency and shows distinct Ordoliberal argumentation, in terms of the underlying logic, it is partly at odds with the Ordoliberal paradigm.

5.2 The 2004 document

In several ways the picture emanating from the map of the 2004 Communication is similar to the 1996 memorandum. First, the quantitative analysis shows that in comparison to 1996 references to both ideal-typical Ordoliberal and Keynesian concepts have declined (making up 31.1% and 6.8% of the entire map, respectively). However, since the saliency of Keynesian concepts has declined more than that of Ordoliberal concepts, the map is now 4.6 times more Ordoliberal than Keynesian (compared to 2.8 times in 1996). Although the average saliency of the Keynesian concepts is now considerably higher (5.5 over 3.17) than in 1996 (see figure 4), it still warrants the conclusion that the 2004 Communication is a

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6 This pattern is also visible at the aggregate level: In this document, Ordoliberal concepts have a significantly lower Goal-orientation that Keynesian concepts both in absolute terms (GO= -6 versus GO= 0.83) and on average (GO= -5.37 versus GO= -1.52).
less Keynesian, but more Ordoliberal document than the 1996 memorandum in terms of concept saliency.

![Average Salience of Paradigmatic Concepts](image)

Figure 4: Average Salience of Paradigmatic Concepts

The qualitative analysis again portrays a more ambivalent picture. On the one hand, the entire document is geared towards ensuring a more effective and credible SGP and increased compliance with SGP (8 of the 21 pure goal concepts refer to such concerns). Moreover, while in this Communication references to the central Ordoliberal goal of price stability are again few and far between (S=1), it does feature as an ultimate goal in the 2004 map. Finally, in terms of instruments many of the measures proposed in 1996 reappear in the 2004 communication: for instance, establishing sound medium term budgetary objectives, fiscal and economic surveillance and clear procedures and rules. However, in comparison, it generally speaks out for more ‘clarification’ rather than ‘reinforcement’ of the rules and procedures and stresses the need for more stringent timing of procedures. This suggests that budgetary discipline has evolved from (largely) an instrument to a goal in itself.

On the other hand, again some clear Keynesian lines of argumentation pop up in the Communication. First, the goal of the realisation of the Lisbon Strategy features very prominently in the causal map (S=6). This strategy with its emphasis on governmental stimulation and economic growth is a distinct Keynesian concept and constitutes a hub of Keynesian logic embedded in the map (see figure 5). Not only are the SGP and the further integration of economic instruments causally linked to promoting this strategy, but competitiveness, innovation, structural reforms and private investment and consumption also feature as determinants of the success of the Lisbon strategy. Such demand-side logic and gearing the SGP and European economic governance towards economic growth is closely related to the Keynesian paradigm and reminiscent to some of the Keynesian logic in the 1996 document. In addition, the goal of economic growth has remained a consistent element in the Commission’s thinking throughout the years (S=2).
Finally, the approach to promoting fiscal discipline has become even more flexible. Differentiation of policies amongst countries has become the most prominent instrument (S=10) and a whole new set of soft-power instruments is introduced that a true Ordoliberal would be highly sceptical about: peer pressure and review (S=8, S=1), transparency (S=8), accountability (S=4), and providing information (S=3). This reflects the political realities of the day, defined by the French and German resistance against the imposition of sanctions after their breach of the SGP criteria. Finally, an interesting new line of argument is introduced in the 2004 communication that is not easily identified as either Ordoliberal or Keynesian and may contain the seeds for a different paradigmatic discussion all together: the issue of the legitimacy of the SGP and the need to involve national actors like national parliaments, the benefits of public support, accountability and transparency. In the 2004 communication, however, the Commission still identifies these elements as means, rather than ends in themselves. In sum, this portrays a picture of a policy document that is less concerned with pure economics and more with governance aspects, a document also that is highly Ordoliberal in terms of goals but ambiguous in the proposed means to that end.

5.3 The 2010 document

Despite the outbreak of the Euro-crisis late 2009, the map of the 2010 Commission Communication is again similar to both the 1996 memorandum and the 2004 Communication, but more univocally Ordoliberal. First, the quantitative analysis shows that the overall decline of Keynesian concepts over the years has continued as they now make up only 3.33 % of total map saliency (see figure 2). This is due almost entirely to a drop in the average saliency of Keynesian concepts (see figure 3) in comparison to the 2004 document. Since at the same time references to ideal-typical Ordoliberal and their average saliency have slightly increased, the 2010 map is now 11 times more Ordoliberal than Keynesian (compared to 2,8 times in 1996 and 4,6 in 2004). In terms of concept saliency, the 2010 document is thus the most Ordoliberal one studied in this paper.

More than the previous documents that were concerned predominantly with proposing new policies, the 2010 Communication is a sense-making document, trying to identify the nature and causes of the crises that the EU faced since 2008. With regard to the Euro-crisis
the Commission identifies three major causes that give a nice forebode of its proposals to deal with the crisis: the absence of reliable statistics, the lack of fiscal discipline (both S=4) and especially the existence of pan-EU macro-economic imbalances (S=15). In addition, European integration in various forms is identified as the major prevention for the outbreak of crises.

In terms of the proposals that emerge from this diagnosis, and in accordance with the quantitative analysis, the 2010 communication is more univocally Ordoliberal than the earlier documents. This is predominantly due to the clearer and less ambiguously fiscal reasoning underlying the document. Concepts referring to the need for fiscal discipline like 'sound public finances' (S=18), 'compliance with SGP norms' (S=10) and 'additional preventive mechanisms' (S=8) belong to the most salient concepts in the map and are all valued positively in their own right. Excessive deficits (S=2) and debt (two concepts with aggregate S=7) are deemed to disrupt economic growth (S=4), Euro-zone resilience (S=3) and the current account balance (S=4) (see figure 6). Moreover, in direct contrast with the reasoning in the 1996 document, in 2010 the Commission has adopted the Ordoliberal line of reasoning that low interest rates form a considerable risk for sound public finances: as low interest rates foster unproductive use of capital, public debt may increase (see figure 6). In addition, the Commission goes on to argue that fiscal stringency actually fosters economic growth thereby denouncing the Keynesian belief that austerity is detrimental to growth. Finally, Keynesian fiscal measures, some of which were previously supported by the Commission, are largely absent from the map, less salient or considered to bring along high costs (bail-outs of banks). Only the fiscal support packages (S=3) introduced to help member-states in trouble meet with the Commission's approval and are considered to have stimulated the stability of the Eurozone (S=3). However, the Commission feels such support should be conditional to be effective. All in all, in line with the Commission's diagnosis of the Euro-crisis as a sovereign debt crisis, her fiscal beliefs became more univocally Ordoliberal.

Figure 6: Ordoliberal strand in the causal map of the 2010 document
Moreover, in comparison to 2004, the instruments proposed by the Commission to stimulate fiscal discipline have become more stringent. Some hard power instruments to punish non-compliance with the SGP included in the 1996 make their come-back in the proposals to introduce additional corrective mechanisms (S=4), acceleration of the Excessive Deficit Procedures (S=3), sanctions (S=2) and enforcement (S=1). Soft instruments like peer reviews (S=1) all but disappear from the proposals, as do any calls for flexibilisation of rules. In addition, in line with the identification of macro-economic imbalances as the dominant cause of the Euro-crisis, there is an enormous increase in references to the need for more European economic surveillance in comparison to the earlier documents. The Commission identifies no fewer than five different forms of economic surveillance with a combined saliency of 19 that are all evaluated positively and geared towards reducing differences in fiscal discipline, competitiveness and member states’ economic fundamentals in general. Differentiation of policies across countries is no longer considered an option. Again this bodes for a more Ordoliberal perspective.

Only one aspect of the map raises doubts about the Ordoliberal orthodoxy in the 2010 document: the total absence of the monetary part of this paradigm: nowhere in the document does the Commission even mention the core Ordoliberal goal of price stability. Moreover, no mention is made of the issue of independence of the European Central Bank, its role in the solution of the crisis or the related issue of confidence. This may be an implicit but strong indication that the Commission abides strictly to the separation of power between the political-fiscal and technocratic-monetary dimension of EMU as advocated by Ordoliberals. On the other hand, it may be an indication of adherence to only half of the paradigm.

All in all, this leads to the conclusion that the Commission’s policy proposals of 1996, 2004 and especially 2010 are highly Ordoliberal in terms of concept saliency. However, the two earlier documents are less univocal in their underlying rationale and both contain distinct Ordoliberal and Keynesian arguments. The 2010 document, however, shows a remarkable lack of Keynesian arguments. Overall, it may thus be concluded that the Keynesian dimension diminishes over time and the Commission proposal become more univocally Ordoliberal. Since Ordoliberalism has been the dominant paradigm in the Commission’s proposals from the start and the changes that have occurred are all well within paradigmatic boundaries, clearly no paradigm shift has taken place. Rather, evidence suggests that these within-paradigm changes have caused the Commission to experience a paradigm reinforcement.

6. Conclusions

In this paper, we have explored the existence of and change in policy paradigms behind the EU’s Stability and Growth Pact, covering documents from 1996, 2004 and 2010. The analysis shows a mix of Keynesian and Ordoliberal ideas, with a gradual shift towards the latter. Initially, the thinking in the documents represents a mix between the two paradigms, albeit with a strong emphasis on Ordoliberalism. The 2010 document shows a much clearer focus on Ordoliberalism. The process we observe is therefore not so much one of paradigm change but of a gradual strengthening of one paradigm within a mix of paradigms.
Whether this process of strengthening is durable remains an open question. Since 2010, the emphasis in debates around the SGP seems to have shifted towards the detrimental effects of budget cuts on economic growth and calls to stimulate the economy through deficit spending. This would be a move back towards Keynesian ideas, reinstating the more hybrid mix that can be seen in the 1996 and 2004 documents.

All in all, then, the thinking behind the SGP seems to be characterized by hybrids between the two paradigms rather than the use of one unambiguous paradigm. This may be a result of the compromises that had to be struck between very different traditions of economic governance in the different member states of the Eurozone. Whereas some member states, such as Germany and the Netherlands, have promoted a strict Ordoliberal approach, other states, such as France and Italy, have leaned more towards a Keynesian approach. The concerns of both strands of thought are included in the belief system that underlies the documents.

Comparing the documents, two types of change can be identified. First, the 2004 and 2010 documents include concepts that are absent from the other documents. These concepts reflect the particular circumstances in which the documents were written. For instance, one of the most prominent concepts in the 2004 document is the ‘economic rationale’ of rules, which was another way of saying that the SGP’s deficit and debt rules should not be applied too strictly, and does not appear in the 1996 and 2004 documents. Likewise, ‘peer pressure’ is an often-used concept in this document but does not appear in either the 1996 or 2010 document. The 2010 document scores highly on a number of concepts that directly reflect the financial crisis. The document often refers to ‘macro-economic imbalances’, which relates to the idea that structural ‘imbalances’ in an Euro country’s economy may threaten economic stability in the Euro zone. Closely related to this, the 2010 document puts great stress on ‘preventive mechanisms’ to tackle economic problems before they lead to a crisis. Both of these concepts do not appear in the 1996 and 2004 documents.

As a second type of change, the documents vary in terms of the emphasis placed on specific concepts and lines of argument, even if those concepts and lines of argument can also be found in the other documents. For instance, the concept of ‘differentiation between countries’ (another way of saying that the SGP rules should not be uniformly enforced in all Euro countries) already appeared in the 1996 document, but only once, whereas it is the most prominent concept in the 2004 document. The importance of ‘sound public finances’ is professed in all three documents but becomes the single most prominent concept in 2010. This type of change is more a matter of shifting emphases than entirely new ways of thinking, which results in gradual shifts.

On the basis of this analysis, two important points can be made about the role of policy paradigms. To begin with, the thinking behind the SGP shows that viable mixes between policy paradigms can exist, in different forms and with different emphases. This does not lead to inconsistencies, as each of the three documents presents an internally coherent argument. This casts doubt on a central tenet of the paradigm concept, that is, that paradigms are incommensurable. Apparently, even in the well-established case of macro-economic policy-making, all kinds of shades between idealtypical policy paradigms are feasible without undermining the internal consistency of the argument. This is likely to be the case in many policy areas. This has important implications for processes of policy change,
since the idea that paradigm change occurs rapidly is closely linked to the incommensurability of paradigms, which forces political actors to choose between competing paradigms. If paradigms are not incommensurable, gradual change is at least a plausible option and probably a more likely one.

Furthermore, the existence of a policy paradigm appears to be a matter of degree: the 2010 document reflects much more closely one established policy paradigm (Ordoliberalism) than the other two documents. Hence, belief systems behind policies may be more or less paradigmatic, and the level of ‘paradigmaticness’ (to use a term that cries out for a less awkward substitute) may vary over time. For theories of policy paradigms and paradigm change, this raises important conceptual and theoretical issues. If paradigm change is seen as a distinct process, which involves qualitatively different dynamics than other types of policy change, it should be possible to make a clear distinction between paradigms and non-paradigmatic elements of a policy. Our findings raise doubt about the possibility of doing just that.
References


