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The politics of budgetary constraints

An ideational explanation for the variation
in national fiscal frameworks in the eurozone

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Abstract

Situated in the fields of comparative and international political economy, this dissertation is interested in national fiscal frameworks in the eurozone. These sets of fiscal rules and institutions aim at reducing the fiscal policy discretion of political decision-makers. While national fiscal frameworks face substantial convergence pressures in Europe, we can nevertheless observe significant and persistent variation in their stringency, design and timing. The research project thus sets out to explain this fiscal framework variation studying six country cases (Germany, France, Austria, Slovakia, Ireland and Portugal).

Building on a diverse case-selection strategy to maximise both the internal and external validity of the comparative research design, the empirical evidence includes interviews with 81 fiscal policy actors, as well as parliamentary debates, electoral manifestos, legal documents, reports, newspaper articles and descriptive statistics. Drawing on these varied materials, the dissertation tests several theories that could explain the variation in fiscal frameworks and their reforms between the early 1990s and the late 2010s. Among these potential explanations are domestic ideas, national economic interests, public opinion, financial markets, and coercion by powerful external actors.

In-depth process-tracing of fiscal framework reforms in Slovakia, Austria and France highlights the role of country-specific macroeconomic idea-sets in explaining the variation of national fiscal frameworks. Macroeconomic idea-sets differ with regard to the role they assign to the state in the economy and to which extent they favour the use of rules and/or expertise to guide fiscal policy-making. They are embedded in domestic political, economic and research institutions. The case studies show how Slovak neoliberalism, Austro-pragmatism and French post-dirigisme, respectively, led to the implementation of a constraining, intermediate, and lenient fiscal framework in terms of stringency.

Comparative analyses of all six country cases and the in-depth case studies help to evaluate the extent to which the four alternative theories can explain national fiscal framework variation. The findings suggest that financial markets (in Austria and Slovakia) as well as external coercion (in Ireland and Portugal) played a role in the timing and design of certain fiscal framework reforms. While correlational evidence also suggests an influence of economic interests on fiscal framework variation, the absence of process-tracing evidence puts this explanation into question. Both economic models and fiscal frameworks might be driven by the same macroeconomic idea-sets instead. Public opinion, finally, did not influence fiscal framework reforms in any significant manner.

Résumé

Située dans les champs de l'économie politique comparative et internationale, cette thèse s'intéresse aux cadres budgétaires nationaux dans la zone euro. Ces ensembles de règles et d'institutions budgétaires visent à réduire le pouvoir discrétionnaire des décideurs politiques en matière de politique budgétaire. Alors que les cadres budgétaires nationaux sont soumis à des pressions de convergence importantes en Europe, nous pouvons néanmoins observer des variations significatives et persistantes dans leur rigueur, leur conception et leur calendrier d'implémentation. Le projet de recherche vise donc à expliquer cette variation des cadres budgétaires à partir de six cas nationaux (Allemagne, France, Autriche, Slovaquie, Irlande et Portugal).

Basé sur une stratégie de sélection de cas diversifiée afin de maximiser la validité interne et externe de cette recherche comparative, les preuves empiriques comprennent des entretiens avec 81 acteurs de la politique budgétaire, ainsi que des débats parlementaires, des manifestes électoraux, des documents juridiques, des rapports, des articles de journaux et des statistiques descriptives. En s'appuyant sur ces matériaux variés, la thèse teste plusieurs théories qui pourraient expliquer la variation des cadres budgétaires et de leurs réformes entre le début des années 1990 et la fin des années 2010. Parmi ces différentes explications potentielles figurent les idées nationales, les intérêts économiques nationaux, l'opinion publique, les marchés financiers et la coercition exercée par de puissants acteurs extérieurs.

Le process-tracing approfondi de réformes des cadres budgétaires en Slovaquie, en Autriche et en France met en évidence le rôle des idées macroéconomiques propres à chaque pays pour expliquer la variation des cadres budgétaires nationaux. Les idées macroéconomiques diffèrent quant au rôle qu'elles attribuent à l'État dans l'économie et à la mesure dans laquelle elles favorisent l'utilisation de règles et/ou d'expertise pour guider l'élaboration de la politique budgétaire. Ils sont ancrés dans les institutions politiques, économiques et de recherche nationales. Les études de cas montrent comment le néolibéralisme slovaque, l'austro-pragmatisme et le post-dirigisme français, respectivement, ont conduit à la mise en œuvre d'un cadre budgétaire contraignant, intermédiaire et flexible en termes de rigueur.

Les analyses comparatives des six cas nationaux et les études de cas approfondies permettent d'évaluer dans quelle mesure les quatre théories alternatives peuvent expliquer la variation des cadres budgétaires nationaux. Les résultats suggèrent que les marchés financiers (en Autriche et en Slovaquie) ainsi que la coercition extérieure (en Irlande et au Portugal) ont joué un rôle dans le choix du moment de certaines réformes du cadre budgétaire. Si les données corrélationnelles suggèrent également une influence des intérêts économiques sur la variation du cadre budgétaire, l'absence des preuves empiriques fortes dans le process-tracing remet en question cette explication. Il est possible que les modèles économiques et les cadres budgétaires soient tous deux guidés par les mêmes ensembles d'idées macroéconomiques. Enfin, l'opinion publique n'a pas influencé les réformes du cadre budgétaire de manière significative.

1) Introduction:

Studying national fiscal frameworks in the eurozone

1.1) The key objectives of this dissertation

Situated in the fields of comparative and international political economy, this dissertation is interested in national fiscal frameworks in the eurozone. Fiscal frameworks are country-specific sets of numerical fiscal rules, independent fiscal councils, as well as monitoring, enforcement and sanction mechanisms to ensure rule compliance. Together, these aim at reducing the fiscal policy discretion of political decision-makers to achieve more 'sustainable' fiscal policies. Over the course of the last thirty years, many countries around the world have introduced fiscal frameworks, often also strengthening them over time. Particularly inside the eurozone, a complex and stringent set of supranational and national fiscal frameworks has been implemented since the early 1990s.

While fiscal frameworks are generally praised by economists as an effective means to reduce the 'deficit bias' among politicians, to avoid 'moral hazard' and to conduct more 'optimal' fiscal policies (e.g. Calmfors and Wren-Lewis 2011, Kopits and Symanski 1998, Debrun et al. 2013), scholars from other academic disciplines, such as political scientists, sociologists and historians haven taken a more critical stance (e.g. Pathak 2017, Blyth 2013). Many of the latter view the reduction of fiscal policy discretion as damaging to democratic decision-making processes and actually leading to 'sub-optimal' economic, political and social outcomes (e.g. McBride 2016, Glencross 2018). To these observers, fiscal frameworks institutionalise 'austerity', negatively affecting the allocative, redistributive and stabilisation functions of fiscal policy, and thus lead to slow and unequal economic growth. At the same time, fiscal rules and councils are seen as a form of technocratic rule, which hampers the ability of politicians to respond to citizens' demands. Subsequently they might play a role in the growth of populist movements among advanced democracies.

Fiscal frameworks have, nevertheless, become ubiquitous among eurozone member states over the course of the last decades. These countries are, at the same time, subject to a supranational set of rules and institutions while also being obliged to implement national ones. Starting with the agreement on the Maastricht Treaty in the early 1990s, numerous reforms both at the European Union (EU) and national level introduced and increasingly strengthening fiscal frameworks over time. Interestingly, however, national fiscal frameworks in the eurozone differ considerably in their stringency, design and timing. This is the more surprising given numerous convergence pressures, stemming from macroeconomic 'necessities' of a common currency, legal obligations from supra- and intergovernmental treaties, as well as the promotion of particular visions of fiscal frameworks by international institutions such as the European Commission, the IMF, and the OECD.

Based on these observations, the **key objectives of this dissertation** are the following:

First, this dissertation aims at solving the aforementioned puzzle, explaining the variation in the stringency, design and timing of fiscal frameworks across eurozone member states. In a nutshell, the dissertation finds a strong and consistent influence of the macroeconomic idea-sets held by national politicians, public officials and experts on concrete fiscal framework reforms, having a crucial role in translating internationally-developed ideas and concepts into particular domestic contexts (see Ban 2016). In a more tentative fashion, I argue that country-specific macroeconomic idea-sets do not only have an effect on the stringency, design and timing of fiscal frameworks but also on actual fiscal policy-making. This finding suggests that the link between fiscal frameworks and budgetary outcomes identified in many empirical studies is largely endogenous (see Heinemann et al. 2018).

Second, as a broader contribution to the existing literature, this dissertation's purpose is to study fiscal frameworks as a means to investigate the role of national macroeconomic idea-sets in institutional reforms and political decision-making. As the empirical study shows, these idea-sets are influential because they contain specific understandings of (1) the role of the state in the economy, and of (2) the role of rules and economic expertise in fiscal policy-making.

I argue that fiscal frameworks are a particularly suitable site to study the influence of economic idea-sets in political decision-making because of their complexity and high degree of technicity. On the one hand, fiscal frameworks generally do not have any clear-cut immediate effects on distributional conflicts. This makes it more likely for ideas to have a decisive impact than in other policy areas, where interests are more clearly defined and affected (see Moravcsik 1998, Moravcsik and Nicolaidis 1999, Schimmelfennig and Winzen 2019). On the other hand, particularly recent innovations in fiscal frameworks, such as so-called 'structural' deficit rules, have added further ambiguity to their meaning and impact in fiscal policy-making (see Eisl 2020). Subsequently, national policy-makers need to interpret and translate complex and highly-technical concepts and methodologies into country-specific contexts and decision-making processes. I contend that, in order to be able to do so, they largely draw on domestically available macroeconomic idea-sets.

Third, by studying fiscal frameworks and their relationship with macroeconomic idea-sets, this dissertation intends to address three shortcomings in the broader economics and political science literatures:

(1) Research in the tradition of public choice approaches has provided explanations for the need to introduce fiscal frameworks (see e.g. Buchanan and Wagner [1977] 2000, von Hagen and Poterba 1999, Kydland and Prescott 1977) but struggles to tell us why fiscal policy-makers would be willing to implement such institutions in the first place (Dryzek 1996). This constitutes a theoretical puzzle that I address in the empirical chapters of this dissertation by testing a number of plausible causal explanations to identify the underlying influence factors for framework adoption and strengthening.

(2) A more empirical economics literature has shown the effects of fiscal frameworks on budgetary outcomes but has failed to convincingly rule out concerns about endogeneity (see e.g. Poterba 1996, Debrun and Kumar 2007, Heinemann et al. 2018). Tentative evidence gathered in this dissertation suggests that both variables are indeed strongly affected by the same causal factor, which are country-specific macroeconomic idea-sets.
(3) Research in political science (as well as in sociology and history), finally, has focused strongly on the role of 'austerity', with fiscal frameworks as a central tool to enact it (e.g. Blyth 2013, Pathak 2017). Scholars have, however, treated the concept as a largely uniform ideology or policy, and have thus ignored significant differences between countries. The empirical analysis of this dissertation contributes to this literature by identifying substantial variation in 'austerity tools' and their (non-)applicability in different national contexts, which helps to nuance and adapt some of this literature's key arguments.

Fourth, beyond its contributions to the existing theoretical and empirical literature, this dissertation also aims to advance research in methodological terms. It studies six country cases based on a diverse case-selection strategy (see Gerring 2007, Gerring and Cojocaru 2016), drawing on extensive within-case and cross-case evidence, to test five different plausible explanations in detail. The aim of this research design is to provide a qualitative analysis which is both able to maximise the internal validity and external generalisability of the empirical results (see Slater and Ziblatt 2013). In my view this approach allows to bypass several problems of existing quantitative studies in this research area.

The current scholarship has difficulties to identify robust causal relationships (see Heinemann et al. 2018) and suffers from the low quality of available data sets on fiscal frameworks. At the same time, the largely deductive research strategy including six cases also enables us to avoid some of the traditional pitfalls of more inductive qualitative studies that build their argument from the empirical materials which often renders generalisations of findings problematic (see Beach and Pedersen 2016a, 2016b). While studying only six of the nineteen eurozone member states, I am confident that the identified causal relationships hold true across the population of cases due to the included variation in both the dependent and main independent variables across cases, which has been based on a deliberate diverse-case selection strategy.

1.2) The outline of the dissertation

This dissertation is organised as follows. Together with this introductory chapter, three additional chapters form part 1 of the dissertation, laying its theoretical and methodological foundations. In part 2 of this dissertation, chapters 5 to 13 delve into the empirical analysis. The final part 3 consists of the concluding chapter 14 as well as the annex.

1.2.1) The theoretical and methodological part of the dissertation

Chapter 2 – Identifying the puzzles motivating the dissertation

Chapter 2 focuses on the key dependent variables of this dissertation, national fiscal frameworks and their constituting elements. It also serves to identify three key puzzles that animate this dissertation. These puzzles are based on empirical, theoretical and methodological considerations.

The first part of Chapter 2 develops the empirical puzzle that is central to this dissertation. Starting with an overview of the broader evolution of (national) fiscal framework design and implementation over the course of the last three decades, it highlights several powerful convergence pressures on fiscal frameworks in the eurozone. The chapter, however, finds that – despite these pressures – significant variation in the stringency, design and timing of national fiscal framework remains. It shows that such variation remains even when taking into account the inadequacy of existing indices measuring various aspects of national fiscal frameworks. The dissertation thus sets out to explain this surprising empirical finding.

The second part of Chapter 2 then engages with three different strands of research on fiscal frameworks: (1) the public choice literature, which argues that fiscal frameworks are capable to address a number of politico-economic problems that lead to a 'public deficit bias' in fiscal policy-making, (2) the literature focusing on the effects of implemented fiscal frameworks on fiscal policy outcomes, and (3) the limited existing literature interested in explaining the variation in fiscal framework stringency, design and timing. The analysis identifies a theoretical and a methodological puzzle. The public choice literature has difficulties to explain, why self-interested rational policy-makers would constrain themselves while the empirical research has difficulties to ascertain causal relationships between fiscal frameworks and various dependent variables.

Chapter 2 concludes with a section that lays out several criteria for a theoretical, methodological and empirical approach that would allow to address the various puzzles and shortcomings of the existing research on fiscal frameworks.

Chapter 3 – Drawing up five plausible explanations for the empirical puzzle

Chapter 3 then draws on the broader social science scholarship to construct five different plausible explanations for the main empirical puzzle of the dissertation, the variation in national fiscal framework stringency, design and timing. The mobilised literature includes research in international and comparative political economy, the 'new institutionalisms', ideational scholarship, policy transfer and translation studies, and public policy research.

The second section of Chapter 3 puts forward an ideational argument as the main explanation for the variation in national fiscal frameworks in the eurozone. This ideational approach is inspired by Cornel Ban's translational approach to macroeconomic ideas, which I extend for the use in this dissertation. It argues that internationally developed ideas get modified by and hybridised with dominant national macroeconomic idea-sets, leading to country-specific differences.

The third section 3 then introduces four alternative theoretical approaches that could explain the variation in national fiscal frameworks, including the role of the role of economic models and interest groups, public opinion, financial markets, and coercive actions of powerful external actors. For each of the five explanations, the chapter discusses their theoretical foundations as well as the main empirical expectations.

Chapter 4 – Developing a methodological approach to address the puzzles

Chapter 4 subsequently lays out the methodological approach of the dissertation, a comparative case study research design that employs both cross-case and within-case analysis. This set-up serves to address the theoretical, methodological and empirical puzzles, most notably by opening up the 'black box' around national fiscal frameworks through the analysis of causal mechanisms.

The chapter shortly discusses the ontological and epistemological foundations of the used research design and the role of causal mechanisms as analytical constructs to filter out probabilistic causal regularities of the complexity of reality, making it empirically manageable. It then delves deeper into the chosen methodology. comparisons and in-depth process tracing are used to adequately identify the factors influencing the variation of national fiscal frameworks in six country cases. These cases are chosen based on a 'diverse case-selection strategy' which helps to maximise the external and internal validity of the results. To this end, empirical materials are selected following a logic of triangulation and evaluated based on an informal Bayesian approach. Chapter 4 finally discusses and operationalises the varied materials used in the empirical part of the dissertation.

1.2.2) The empirical part of the dissertation

Chapter 5 – Determining the variation in national fiscal frameworks

Chapter 5 serves as an introduction to the empirical part. It discusses the structure of the nine empirical chapters, in which the comparative chapters 6 to 9 each engage with one of the four alternative explanations, while chapters 10 to 12 focus on the ideational approach in three individual country case studies, with chapter 13 summarising the overall findings of the empirical chapters. Chapter 5 also analyses in detail the stringency, design and timing of national fiscal framework reforms in the six studied countries, constructing the main dependent variable.

Chapters 6 to 9 – Evaluating the alternative explanations for fiscal framework variation

Drawing a on wide variety of materials, chapters 6 to 9 evaluate the influence of economic interests (Chapter 6), public opinion (Chapter 7), financial markets (Chapter 8) and coercive external actors (Chapter 9) on national fiscal framework variation. These chapters use mainly comparative analysis, which is generally more suitable to rule out rather than confirm specific theories. Whenever useful to evaluate the relationship between the potential influence factors and the variation in national fiscal frameworks, the comparative chapters thus also make use of within-case evidence.

Each of these chapters starts out with an introductory section which reintroduces the main arguments and hypotheses discussed in the dissertation's theory chapter, as well as the materials used to identify the empirical evidence which could help to support or contradict elements or the whole of the respective causal mechanisms. Where necessary, the individual chapters also discuss methodological aspects, such as for the analysis of the influence of interest groups (Chapter 6) and the evaluation of opinion survey/polls (Chapter 7).

In general, chapters 6 to 9 aim to address three related questions that can guide the assessment of the various theoretical explanations. The first question is interested in the identification of data on the main independent variables and how the variation in these variables corresponds to the variation in national fiscal frameworks. The second guiding question calls for the identification of temporal sequences between the independent and dependent variables, while the third one is interested in the motivations of fiscal policy-actors which can help to identify causal links between the variables of interest. The main sections of each of the four comparative chapters are consecrated to the analysis of the available empirical evidence, with a final section summarising the findings for each of the tested alternative theoretical explanations.

Chapters 10 to 12 – Three in-depth case studies to analyse the role of macroeconomic idea-sets

The subsequent chapters 10 to 12 develop three detailed country case studies (Slovakia, Austria, France). These chapters serve several purposes. First, they provide an in-depth process tracing of the main national fiscal framework reforms. Second, they serve to evaluate the proposed ideational explanation. To do so, each chapter identifies the dominant macroeconomic idea-set in place, its key features, its evolution over time, and how it is embedded in the respective country's policy-making, economic and research institutions.

Chapter 10 to 12 focus on within-case evidence to whether the variation in fiscal framework stringency, design and timing fits with the proposed ideational explanation. The process-tracing approach also allows to evaluate the alternative explanations by identifying the causal mechanisms at work in each of the three case studies. In each of the chapters, the empirical analysis is divided into key periods of national fiscal framework reforms between the 1990s and the late 2010s.

Chapter 13 – Bringing the empirical findings together

Chapter 13 concludes the empirical part of the dissertation, bringing together and jointly evaluating the empirical evidence analysed in the various empirical chapters. The three country case studies suggest that an ideational explanation is best-suited to explain the variation, particularly in the stringency and design, of national fiscal frameworks. The integrated analysis also finds that financial markets and external coercion have played a role in individual reform episodes, but have rather influenced the timing, and to a limited extent the design, of certain national fiscal framework reforms.

1.2.3) The concluding part of the dissertation

Chapter 14 – Conclusion and outlook

The final chapter 14 concludes the dissertation. It aims to place the findings of the dissertation in the broader academic and political context, discussing their implications for the literature, actual fiscal policy-making, and the future of fiscal frameworks. This is particularly relevant in the context of the ongoing reform debate on the European fiscal framework.

Chapter 14 returns to the three identified puzzles and discusses to which extent the chosen methodological approach and the mobilised empirical evidence have allowed to address them. This allows to identify some shortcomings of the dissertation and how future research could address them. The conclusion also lays out future avenues for research, aiming to pave the way for a broader research agenda on fiscal frameworks which goes beyond the currently predominant public choice and econometrics literatures.

Annex

The annex provides the list of presented tables and figures, the glossary of used terms and acronyms, additional information on some of the key materials used in this dissertation, and a ten-page summary of the project in French. Annex A offers an overview of the various legal documents and additional materials used to operationalise the European and national fiscal frameworks regarding their stringency, design and timing. Annex B delves into the existing data on national fiscal frameworks, discusses the various problems of the popular European Commission indices to adequately measure fiscal framework stringency and highlights the subsequent challenges of the usage in empirical research.

Annex C then focuses on problems in measuring budgetary outcomes, many of them linked to the concepts underlying structural deficit rules, and points out the difficulties these problems imply for research on the relationship between fiscal framework stringency and budgetary outcomes and on the assessment of fiscal rule (non-)compliance. Annex D is dedicated to a discussion of interviews in the framework of this dissertation. This includes their role in the overall research design, the selection process of potential interviewees, the applied interview strategy and analysis, as well as the list of conducted interviews. And Annexes E and F finally provide additional information for the methodology chapter, discussing in more detail the ontological and epistemological foundations of the applied methodology as well as the concept of causal mechanisms.

2) In real-world and literature:

Three puzzles on national fiscal frameworks

2.1) Introduction and chapter overview

This chapter serves several purposes that provide the foundations for the subsequent chapters of this dissertation. In a nutshell, it starts out by defining (national) fiscal frameworks, the research's main object of study. Based on the existing theoretical and empirical literature as well as preliminary empirical evidence, it then identifies three distinct puzzles – an empirical, a theoretical, and a methodological one. The chapter concludes with a discussion of the limited existing literature explaining variation in national fiscal frameworks, building a bridge to the different theoretical approaches tested in this dissertation.

To give a more detailed overview of this chapter, Section 2.2 discusses key elements that constitute fiscal frameworks: numerical fiscal rules, independent fiscal councils, as well as accompanying monitoring, enforcement and sanction mechanisms. It also provides an overview of the broader evolutions of national fiscal framework implementation and design over the course of the last three decades, with a particular focus on the eurozone. This allows for a better contextualization of the literature and the observable patterns of frameworks over time.

Section 2.3 then shortly discusses the commonalities in the trajectories of fiscal framework reforms in Europe over the course of the last decades. It highlights the existence of several powerful convergence pressures that are particularly prevalent for eurozone member states: (1) macroeconomic 'necessities' linked to euro membership, (2) legal obligations stemming from the European level, and the (3) promotion of national fiscal frameworks by international and supranational organisations.

Directly following up on this, Section 2.4 shows that – quite surprisingly – considerable differences remain, or have even increased, in national fiscal framework stringency, design and timing across eurozone member states. This constitutes a major empirical puzzle, as we should plausibly expect framework convergence over time, given structural and external pressures on eurozone countries. The exact nature of the differences between countries depends on how the different dimensions of fiscal frameworks are operationalised and measured. The section thus also engages with currently existing indices, highlighting their inadequacy, particularly in measuring fiscal framework stringency. To deal with these problems, it provides a more integrative analysis of national fiscal frameworks, leading to a different ranking of fiscal framework stringency. The empirical analysis of this dissertation subsequently draws on the approach discussed in this section.

Moving from existing data to the broader literature on national fiscal frameworks (using them either as a dependent or an independent variable), the following sections of this chapter discuss three strands of research that have been interested in fiscal frameworks. Mainly situated in the academic discipline of economics, these literatures come with a theoretical as well as a methodological puzzle.

Section 2.5 of this chapter begins by engaging with the largely theoretical literature of public choice scholars (2.5.1). Aiming to explain an identified 'deficit bias' among advanced Western democracies, this strand of research provides a number of politico-economic explanations, such as political rent seeking, collective action problems linked to the 'common pool' nature of public budgets, and issues with time-inconsistency in fiscal policy-making. A large majority of these approaches assumes political actors to behave in rational and self-interested ways. To overcome these identified challenges, public choice scholars generally propose fiscal frameworks, which are supposed to constrain the 'natural' behaviour of politicians. This poses, however, a major theoretical puzzle, as "public choice prescriptions can be implemented only by people who violate public choice assumptions in their own behaviour by not acting in either instrumentally rational or egoistic terms" (Dryzek 1996: 106). Public choice explanations also have difficulties to account for the variation in fiscal frameworks across countries.

Section 2.5 subsequently discusses a more recent and predominantly empirical economics literature on fiscal frameworks (2.5.2). Its main research interest is to study the effect of fiscal frameworks on fiscal policy-making, once in place. Drawing overwhelmingly on econometric models, scholars in this line of work generally find that countries which possess a more constraining set of fiscal rules, powerful independent fiscal councils, and more forceful monitoring, enforcement and sanction mechanisms, comparatively have lower public deficits and debt. This literature, however, has difficulties to properly address concerns about endogeneity. Both the variation in fiscal frameworks and budgetary outcomes could be affected by a common third variable. As the existing empirical research largely ignores the factors that could explain the differences in stringency, design and timing of national fiscal frameworks, it subsequently cannot rule out that such factors might also account for fiscal policy outcomes, as highlighted in a powerful fashion by Heinemann et al. (2018). This constitutes a considerable methodological puzzle.

The final part of section 2.5 then introduces the limited existing literature explaining variation in national fiscal framework stringency, design, and timing (2.5.3). While not unearthing any additional puzzles, the section nevertheless highlights a number of shortcomings that should be addressed through additional empirical research.

Section 2.6, finally, sums up the different identified puzzles and shortcomings related to the research on national fiscal frameworks. Based on this, it lays out a number of criteria for a theoretical, methodological and empirical approach that allows to address all of these issues and which can help to contribute to the advancement of the broader literature on fiscal frameworks. The following chapters of this dissertation aim to put these reflections into research practice.

2.2) The object of interest: Fiscal frameworks in the eurozone

2.2.1) Definition of fiscal frameworks

Before delving deeper into the analytical part of this dissertation, some definitional clarifications are in order. As understood in this research, **fiscal frameworks** are composed of a number of specific rules, institutions and procedures which aim to reduce fiscal policy discretion of political decision-makers in a complementary fashion. Their main components are numerical fiscal rules and independent fiscal councils, which are supported by mechanisms that specify how rule compliance is monitored and enforced.

Fiscal frameworks can contain several different fiscal rules, institutions and mechanisms. In addition, these different elements do not need to be based on a coherent concept or common legal basis to be defined as a fiscal framework. A fiscal framework can consist of various, partial and even contradictory fiscal policy constraints, which have, however, to possess at least some legal foundations and go beyond procedural rules and political fiscal policy norms.

Fiscal rules

The most important element of fiscal frameworks are fiscal rules as they provide concrete limits or targets for fiscal policy-making, constraining policy actors in their conduct of public budgeting. According to Bova et al. (2015: 8, drawing on Schaechter et al. 2012: 5), a fiscal rule is "a long-lasting constraint on fiscal policy through numerical limits on budgetary aggregates. This implies that boundaries are set for fiscal policy which cannot be frequently changed." The relative permanence as a defining characteristic of fiscal rules is also echoed by Debrun et al. (2013: 6). They point out that fiscal rules "seek to impose a direct and durable constraint on policy choices, imposing limits on variables that are generally close to policy instruments (i.e. under good control of policymakers)."

Broadly speaking, we can distinguish between four different types of fiscal rules: deficit rules, debt rules, expenditure rules, and revenue rules (Schaechter et al. 2012). As their names indicate, they target different budgetary aggregates and, in the case of debt rules, even a stock rather than a flow variable. I deem it necessary to at least shortly describe these distinct types of rules, as the majority of them comes into play in various forms in the empirical analysis of this dissertation.

Deficit rules

Deficit rules set numerical limits to yearly deficit rates of public budgets and can be defined either in nominal, cyclically-adjusted, or structural terms. While nominal public deficit ratios to gross domestic product (GDP) are rather simple and intuitive (e.g. the 3% (to GDP) deficit limit of the Maastricht criteria), these rules become quickly more complex and technical when they target a cyclically-adjusted or structural budget balance (Kumar et al. 2009: 5). For both, economists try to 'subtract' the economic cycle from the underlying data to avoid pro-cyclical fiscal policy-making

based on fiscal rule requirements. The necessary fiscal adjustments are then determined in relationship to the so-called 'output gap', which is estimated based on the difference between actual and potential output (Heimberger 2014). Structural deficit rules go beyond cyclically-adjusted ones in that they also exclude so-called 'one-off measures', which are budgetary items that affect public deficits – at least supposedly – only temporarily (e.g. revenues from mobile airwaves auctions).

All of this makes structural deficit rules "more difficult to communicate and monitor" (Schaechter et al. 2012: 7) but potentially gives more space to the macroeconomic stabilisation role of public budgets. However, also structural deficit rules have been strongly accused of procyclicality in recent years (see e.g. Heimberger and Kapeller 2017, Efstathiou 2019). Important subtypes of deficit rules are the so-called 'golden rule', which "targets the overall balance net of capital expenditure", and 'pay-as-you-go' rules, which demand that any measures that negatively affect the revenue side of the budget must offset by equivalent expenditure measures and *vice versa* (Schaechter et al. 2012: 7).

Debt rules

Debt rules focus on stocks rather than flows and "set an explicit limit or target for public debt in percent of GDP" (Schaechter et al. 2012: 7). The public debt-to-GDP ratio typically refers to the general government gross debt at the end of a given year[1]. This includes the public debt incurred by the central government, state and local governments as well as social security funds and extra-budgetary units and accounts (see Dippelsman et al. 2012: 5-6, IMF 2013). A well-known debt rule at the supranational level is the 60% public debt-to-GDP limit of the Maastricht criteria.

Debt rules are generally appreciated for their simplicity. This makes them relatively easy to communicate and generally understandable for a wider public (fulfilling one of the key criteria of Kopits & Symanski's 1998 guidelines for 'good' fiscal rules). There are, however, also a number of caveats to the applicability of debt rules, particularly in a short-term perspective. First, they "typically provide the lowest degree of cyclical flexibility (…) with regard to output shocks", which could foster procyclical fiscal behaviour (Kumar et al. 2009: 5).

Second, it might take a long time to comply with a debt rule even with continuous and strong fiscal consolidation efforts. This is especially the case if the existing debt stock significantly exceeds the concrete rule limit. As long-time horizons potentially have a detrimental effect on policy-makers' attention to such rules, debt rules can be adapted to break down the overall consolidation effort into yearly debt reduction requirements (see Schaechter et al. 2012: 12). This, however, reduces the overall simplicity of debt rules.

Third, a similar problem also applies when public debt levels are well-below the ceiling prescribed by a debt rule. Schaechter et al. (2012: 7) argue plausibly that in such a situation, a debt rule basically

[1] Other options to define debt rules exist, which are potentially be more 'accurate' than general government gross debt levels, such as the net debt ratio (public liabilities minus public assets) or debt limits that take into account and differentiate between different types of public debt (see Tomz and Wright 2013, Piketty 2014). Such adaptations of the generally applied debt rule have, however, rarely been considered in actual fiscal framework reforms.

does not have any discretion-constraining effect on fiscal policy-making. This could actually lead to a ‘magnet’ effect towards the rule limits, as recent studies (Eyraud et al. 2018, Gaspar and Amaglobeli 2019) indicate, also supporting procyclical behaviour.

Finally, amongst all the different types of fiscal rules, fiscal policy-makers have the least direct influence over the level of public indebtedness, which can make it difficult even for willing policy actors to ensure rule compliance. Especially if large parts of debt are held in foreign currency, changes in international interest rates and the exchange rate can strongly affect the public debt-to-GDP ratio, largely outside of government control (see Schaechter et al. 2012: 7).

Expenditure rules and revenue rules

Expenditure rules and revenue rules each target one side of the budget balance. According to Schaechter et al. (2012: 8-9), expenditure rules “set limits on total, primary, or current spending. Such limits are typically set in absolute terms or growth rates, and occasionally in percent of GDP with a time horizon ranging often between three to five years.” Mirroring the role of expenditure rules, revenue rules “set ceilings or floors on revenues” (Schaechter et al. 2012: 9).

As these types of rules target only one side of the budget balance, a single rule is generally not sufficient to ensure fiscal consolidation by itself. One of the most prominent varieties of expenditure rules are so-called expenditure ceilings which directly limit the amount of yearly nominal public spending. Such expenditure rules are comparatively easy to quantify. They are generally also well-communicable to political decision-makers and the wider public. To avoid procyclical tendencies, there have been recent advances in expenditure rules to take the economic cycle into account. This can be either done by serving as an operationalisation of structural deficit rules (Eyraud et al. 2018), or by distinguishing between different categories of public expenditures, giving more space for anticyclical expenditure growth for specific expenditure categories, such as, for example, labour market spending, while others are fixed across the economic cycle (see Steger 2010).

Procedural fiscal rules

Beyond numerical fiscal rules, also procedural fiscal rules exist (often they are called budget/ary institutions, see Wehner 2006 for a summary of the field). Such rules do not provide direct constraints on fiscal policy outputs, but instead affect the ‘throughput’ process in fiscal policy-making (Schmidt 2013). Procedural fiscal rules try to establish ‘good’ practices, and to raise predictability and transparency in the negotiation process of public budgets (Schaechter et al. 2012: 5, Footnote). Several studies have shown that such procedural fiscal rules might exert an influence on budgetary balances and public debt levels (Alesina et al. 1999, Dabla-Norris et al. 2010, Gollwitzer 2010). As they, however, do not constrain fiscal policy discretion *per se*, but rather affect the openness and power balance in the budget negotiations, they are not considered as parts of fiscal frameworks in this dissertation. In the studied empirical cases, they are nevertheless part of the broader analysis to understand evolutions in fiscal policy-making, fiscal institutions and their interrelationships.

Fiscal councils

Beyond fiscal rules, fiscal frameworks generally also include independent fiscal councils. According to Debrun et al. (2013: 8) "a fiscal council is a permanent agency with a statutory or executive mandate to assess publicly and independently from partisan influence government's fiscal policies, plans and performance against macroeconomic objectives related to the long-term sustainability of public finances, short-medium-term macroeconomic stability, and other official objectives."

A key function of fiscal councils in fiscal frameworks is to monitor and assess the compliance of public budgets with existing fiscal rules. They can also help in the facilitation of rule implementation and may be responsible for diverse tasks such as the delivery of "unbiased macroeconomic and budgetary forecasts in budget preparation", the costing of new policy initiatives, as well as the identification and formulation of "sensible fiscal policy options" and recommendations (Debrun et al. 2013: 8). Through these functions, fiscal councils are supposed to play the role of a fiscal 'watchdog' which aims to guide politicians towards 'sound' and 'sustainable' fiscal policy-making (Calmfors and Wren-Lewis 2011).

A defining feature of fiscal councils is their independence from (direct) political influence. This is deemed necessary to exercise effective control of governmental decisions, especially in such a prominent policy field that is fiscal policy. As Debrun et al. (2013: 10) have pointed out, there are several options of how to achieve a sufficient degree of independence from political interference:

First, and what is generally suggested by the literature, fiscal councils can be institutionalised as a 'stand-alone' model. Such fiscal councils mirror independent central banks in the field of monetary policy, but without having the same type of mandate or the prerogatives to enforce this mandate. Such 'stand-alone' councils are removed from the general political process, with parliament and government only relevant for the appointment of board members and to hold the council accountable over time. They thus typically enjoy the strongest degree of independence in comparison to other fiscal council models.

Second, fiscal councils can be organised as part of the "executive or legislative branch of the political system [that can] range from legally separate entities with a well-defined mandate and strict guarantees of independence to bodies that are integral part of parliament (often known as a parliamentary budget office) or a ministry" (Debrun et al. 2013: 10). Linked to the parliament, such councils are often better adapted to provide an independent or counter-position to the government than when such institutions are situated closer to the executive of the political system.

Finally, fiscal councils are recurringly organised in the framework of other independent institutions, such as courts of auditors, central banks, or statistical agencies. According to Debrun et al. (2013: 10), this can have both advantages and disadvantages. While fiscal councils, in this model, typically benefit from the independence and expertise of bigger and often more settled institutions, there might be "confusions regarding the respective mandates and functions of the host and the guest."

Mechanisms to monitor and enforce fiscal rule compliance

In comparison to numerical fiscal rules and independent fiscal councils, mechanisms to monitor and enforce rule compliance, have been met with less scientific interest so far. These often very technical instruments and procedures generally lay out, (1) how and by who fiscal rule compliance is controlled (monitoring mechanisms), (2) which procedures are initiated to deal with non-compliance and under whose authority (correction mechanisms), and (3) what happens if rule limits are (gravely or repeatedly) ignored by political decision-makers (sanction mechanisms).

Monitoring mechanisms

With the ascent of fiscal councils, particularly monitoring has been delegated to these independent institutions. Fiscal councils often have the task to check the compliance of public budgets with fiscal rules across the budgetary cycle, from the budget drafting (year-1), over the execution of the budget (year 0), to the final balance of accounts (year+1). During this process they generally can demand information from the government, are invited to parliamentary or governmental hearings to voice their concerns about fiscal policy-making, and have to write periodic reports on rule compliance and related fiscal policy issues.

Correction mechanisms

When a fiscal council determines that a public budget has not been in line with existing fiscal rules, then correction mechanisms can be activated to correct for 'excessive' expenditures, deficits or debt levels. In some countries, it is the task of the national fiscal council to trigger correction mechanisms, while in others they get enacted quasi-automatically as soon as a fiscal rule is ascertained to be broken. Correction mechanisms lay out the procedures which a government has to, or is at least supposed to, follow to rectify prior rule non-compliance.

Sanction mechanisms

Sanction mechanisms finally come into play when the enforcement of fiscal rules through corrective measures does not lead to the desired results. In this case, financial or non-financial penalties can apply quasi-automatically by legal requirements or be triggered by an independent fiscal institution. In practice, political decision-makers in many countries have, however, retained a significant degree of discretion in the application of correction and sanction mechanisms.

2.2.2) Evolution of fiscal frameworks over time

In order to be better able to better locate and embed the subsequent empirical analysis of national fiscal framework reforms, it is sensible to give a short overview of the broader evolutions of actual fiscal frameworks over the course of the last decades. Particularly since the early 1990s, many supranational, national and subnational fiscal frameworks have been established by political decision-makers around the globe. Components of fiscal frameworks such as fiscal rules are, however, not an exclusively recent phenomenon. Already in the nineteenth century, many states of the USA adopted constitutional debt rules that "were imposed in response to the rapid increase in state debt during the 1820s and 1830s, which led to a debt crisis in the recession of 1837" (von

Hagen 1991: 201). Also countries such as the United Kingdom (after World War I, see Nason and Vahey 2007) and Germany (after World War II) adopted – at least for some time – fiscal rules in the first half of the 20th century. Nevertheless, the bulk of reforms took place since the 1990s.

The evolution of the European fiscal framework

The Maastricht criteria

In Europe, one of the principal catalysators for these developments was the creation of the Economic and Monetary Union (EMU) inside the EU. Considerations of how to achieve fiscal discipline in a monetary union between sovereign states came to the forefront in the late 1980s and led to the introduction of a European-wide fiscal framework (see von Hagen 1991: 200, Delors 1989). Entry to the euro was conditioned upon complying with the so-called Maastricht convergence criteria, which were introduced in 1992. Concerning the conduct of fiscal policy, they entailed, most importantly, a nominal 3%-to-GDP public deficit limit and a 60% debt-to-GDP limit (Treaty on European Union 1992).

The Stability and Growth Pact

In the run-up of euro creation, the Stability and Growth Pact (SGP) was agreed upon to complement the convergence criteria and make fiscal rules a permanent eurozone feature (see Fatás and Mihov 2003). The SGP introduced a 'corrective arm' (1998) and a 'preventive arm' (1999) to ensure long-term budgetary compliance with the European rules (see European Commission 2012). The corrective arm laid out a set of sanctions to dissuade member states from surpassing the common limits. The preventive arm allowed for the broader monitoring and evaluation of national fiscal policies by the European Commission. It thus took on a role similar to fiscal councils.

The SGP further included a common medium-term objective (MTO) for fiscal policy that was deemed fulfilled when budgetary outcomes across the economic cycle were close to balanced budgets or even in surplus. In practice, political actors interpreted this as a structural deficit limit of 0.0%. In contrast with the Maastricht criteria, however, the European Commission was not given any means to sanction non-compliance with this budget requirement.

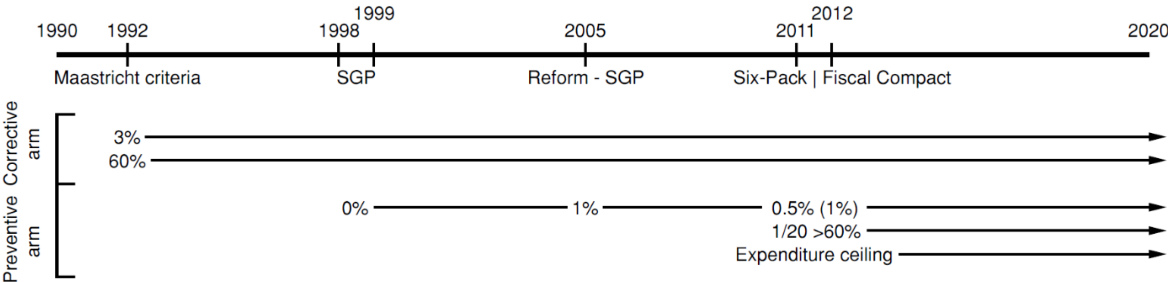
In 2005, the SGP was reformed under the pressure of Germany and France. Following a series of non-compliant budgets in the early 2000s, the two most powerful member states of the EU feared and blocked sanctions (Crawford 2007: 107). The subsequent renegotiation of the SGP led to a flexibilisation of both its corrective and preventive arm, with a stronger focus on the latter (Dyson 2014: 614, Mabbett and Schelkle 2016: 123). This allowed for more case-specific assessments of fiscal framework compliance but also rendered the process more complex and opaque. The structural deficit limit of the preventive arm was retained at 0.0% but could reach up to 1% under certain conditions, while structural reforms allowed for further temporary deviations from the Maastricht deficit limit. In overall, the structural deficit component, however, gained further relative importance in comparison with the nominal deficit and debt limits. The reform also meant a partial departure from the 'one-size-fits-all' fiscal policy approach of the Maastricht criteria.

The 'Six-Pack' and the Fiscal Compact

During the European debt crisis, a number of additional supranational fiscal framework reforms took place. The most prominent elements were the 'Six-Pack' directives and regulations, as well as the Treaty on Stability, Coordination and Governance (TSCG), containing the so-called Fiscal Compact (Kreilinger 2012). Importantly, both reform measures demanded the implementation and reform of national fiscal frameworks. The Fiscal Compact most prominently included the obligation for national governments to implement a structural deficit limit of 0.5% in national law.

Council Directive 2011/85/EU demanded the establishment of independent fiscal councils to monitor and enforce the compliance of budgetary outcomes with this rule through national correction mechanisms. This was further reinforced with the Fiscal Compact and the 'Two Pack' Regulation 473/13. The Fiscal Compact entailed an additional debt rule (annual reduction of 1/20th of public debt above the 60% debt-to-GDP limit) and an expenditure ceiling based on potential GDP growth. Member states were, however, not obliged to transpose these two rules into national law. Overall, the reforms put monitoring and enforcement more decisively on national grounds, while reinserting a more general public deficit limit for all of the eurozone. Figure 2.1 summarises the main fiscal rule limits as provided by the Maastricht criteria, the SGP and the Fiscal Compact.

Figure 2.1 – Fiscal rules in European legislation and treaties



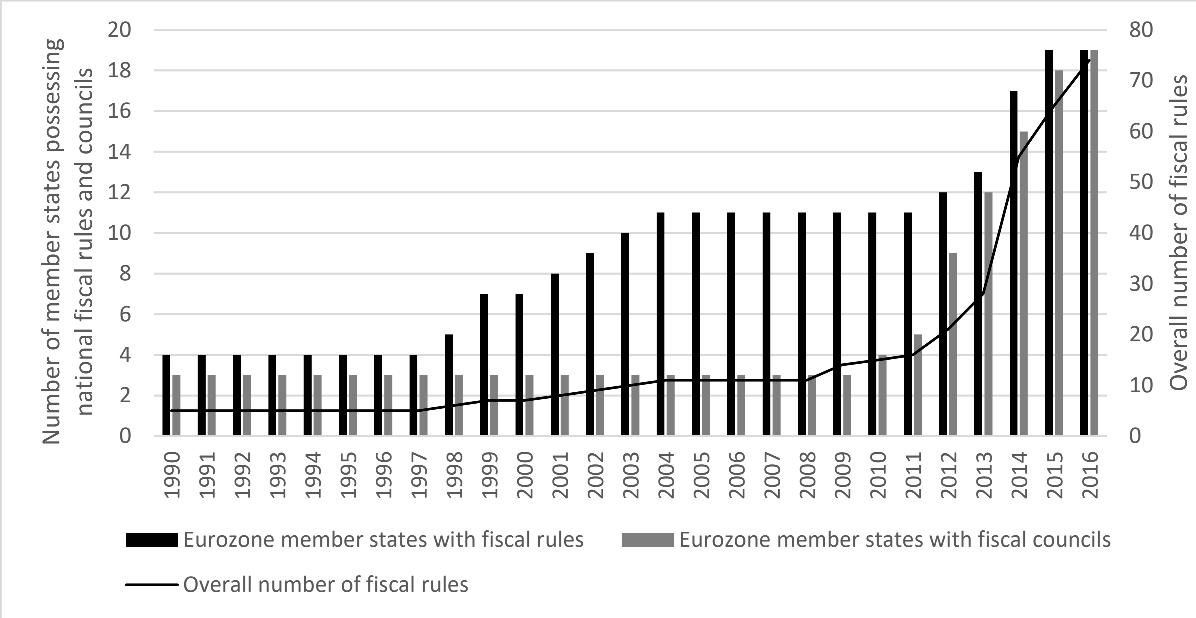
Source: Own depiction based on EU legislation and (intergovernmental) treaties

The evolution of national fiscal frameworks in the eurozone

Fiscal framework reforms on the European continent did, however, not only take place at the EU level. Since the second half of the 1990s, also its member states have become increasingly active in introducing and reforming national fiscal frameworks. Of course, these frameworks are partially related to European legislation, such as the SGP and the Fiscal Compact. But to an important extent they nevertheless represent distinct national developments that took place in parallel or even beforehand. Over time, more and more eurozone member states have adopted national fiscal rules and councils. Since the early 1990s, many countries have not only implemented one but several domestic fiscal rules. The average stringency of these frameworks has also increased over the last decades. And since the most recent reforms at the EU level have required the implementation of national fiscal frameworks, all eurozone member states now possess some institutional set-up including fiscal rules, councils and accompanying control and enforcement mechanisms (see Burret and Schnellenbach 2014, European Commission 2017f).

For illustration, Figure 2.2 shows the evolution of the number of fiscal rules and councils and the overall number of fiscal rules among the current eurozone member states. As visible from the figure, there were two periods which saw a strong increase in the introduction of national fiscal rules, the late 1990s/early 2000s and the early 2010s. The number of countries with fiscal councils, in comparison, took off relatively late, but then moved up rapidly from three eurozone member states in 2009 to all nineteen in 2016. At the same time also the overall number of individual national fiscal rules inside the eurozone increased more than threefold from less than 20 to more than 70. The practice of having several national fiscal rules particularly developed during the European debt crisis, also linked to additional European requirements.

Figure 2.2 – Evolution of national fiscal frameworks in the eurozone



Source: Own depiction based on European Commission 2017e, 2017d and own research

One of the most prominent examples of a national fiscal framework reform inside the eurozone was the introduction of Germany's so-called 'debt brake' (agreed upon in 2009), a structural deficit/balanced budget rule (see Burret and Feld 2013, Truger and Will 2012). It is often considered to be a 'blueprint' for the later Fiscal Compact, but reality is more complicated, as the existing European fiscal framework also partially influenced the design of the 'debt brake' itself (Thiele 2015).

Other prominent country-specific reform efforts inside the eurozone include, for example, the Slovakian debt ceiling (agreed upon in 2011, see Horváth and Ódor 2009), the Austrian stability pact (agreed upon in 1999 with several subsequent reforms, see Schratzenstaller 2005), and the Austrian budget law reform, which includes a series of expenditure ceilings (agreed upon in 2007, see Steger 2010). Outside the eurozone, the Swedish approach with multi-annual expenditure ceilings (starting in the late 1990s, see Blöndal 2001, Molander and Holmquist 2013) and the Swiss 'debt brake' (implemented by 2003, see Danninger 2002, Bodmer 2006) are typically seen as best practice examples for fiscal framework reforms.

The evolution of fiscal framework design over time

Not surprisingly, academic research on fiscal frameworks has, over time, co-evolved with developments in supranational, national, and subnational fiscal frameworks. While often overlapping in practice, we can nevertheless distinguish three phases in fiscal framework evolution and the scholarship on it (see Table 2.1 below and Eyraud et al. 2018): 'simplicity', 'flexibility', 'enforcement'. Additionally, a fourth phase might be under way currently, linked to a broad reform debate of the European fiscal framework among scholars and practitioners (see Janvier 2022).

First phase – simplicity

The first phase corresponds largely to the 1990s, with a focus on nominal deficit and debt rules as agreed upon for the Maastricht criteria. Following the terms of a simple model presented by Eyraud (2018), this allowed for a relatively high degree of 'simplicity' in observing rule compliance. It was, nevertheless, criticised for being 'asymmetrical' and leading to procyclical policies (Brunila 2002, Manasse 2005).

Second phase – flexibility

With the SGP, and especially its 2005 reform, a second phase began. During this period, the idea of structural balances slowly started to gain traction among experts and fiscal policy-makers. They had observed that nominal deficit limits could be too rigid – and thus procyclical – under conditions of an economic downturn. In their view, a focus on structural deficits would allow for more 'flexibility' of the European fiscal framework across the economic cycle (Eyraud et al. 2018, Mabbett and Schelkle 2016). Exactly this claim was brought forward by Germany (and also France) during the early 2000s, when a phase of slow growth pushed deficits across the nominal 3% deficit limit of the Maastricht criteria. The subsequent stronger focus on structural balances helped to provide a more anticyclical approach to fiscal policy but came with the downside that such structural variables cannot be measured directly and are thus open to substantial revisions and contestations among political actors and experts.

Third phase – enforcement

The revisions of the European fiscal framework during the European debt crisis ushered in a third phase. Under the heading of 'enforcement', experts stressed the usefulness of independent fiscal councils monitoring government policy and the application of enforcement mechanisms in case of non-compliance. These instruments were largely put into place among eurozone member states. And while fiscal rules and fiscal councils were already discussed and analysed separately during the earlier two phases of fiscal framework evolution, in the third phase the former 'either-or' was replaced with an 'as-well' attitude (see Wyplosz 2011). The complementary roles of these different elements inside fiscal frameworks were thus increasingly acknowledged.

Fourth phase – manageability?

Finally, with the economic recovery that European economies experienced roughly since 2015, new fiscal framework reform options were discussed based on the experiences with the existing

ones. As structural deficit rules (central to the Fiscal Compact) became ever more central to the European and national fiscal frameworks in the aftermath of the European debt crisis, the underlying calculations of concepts such as the output gap and natural unemployment rates came also under increased scrutiny.

Many scholars have questioned whether the concept of structural deficits actually allowed for more anticyclical policies, pointing out to equally procyclical results over time (see Heimberger 2014, Heimberger et al. 2016, Heimberger and Kapeller 2017, Liu et al. 2015). The high volatility of output gap data has made it difficult to conduct coherent fiscal policies across time in line with the fixed rule limits. In addition, the growing number of existing supranational and national fiscal rules and institutions has made rule-compliance increasingly complex and opaque (see European Fiscal Board 2019).

As part of the broader reflections on potential fiscal framework reforms, numerous actors and scholars thus developed reform proposals. At the forefront was the 2015 Five Presidents' Report (Juncker et al. 2015), in which the European Institutions laid out an ambitious reform agenda for the EMU. Among other things, the report provided the groundwork for the European Fiscal Board, which serves as the fiscal council of the European Commission and is supposed to coordinate/cooperate with national fiscal councils (see Asatryan et al. 2017). Next to the Commission, other EU institutions, various public institutions, think tanks, NGOs and other fiscal policy experts have been active contributors to a growing reform debate in recent years (see e.g. Claeys et al. 2016, Bénassy-Quéré et al. 2018, Beetsma et al. 2018, Thygesen et al. 2020, Giavazzi et al. 2021).

The climate crisis and the Covid-19 crisis have put further pressure on a reform of the European fiscal framework. On the one hand, the European green deal and its plans to reduce EU greenhouse gas emissions by 55% by 2030 has highlighted the need for additional (green) public investment that might be undermined by stringent fiscal rules. This interest in allowing additional public investment has been further underlined by supply chain problems and technologic autonomy concerns during the Covid-19 crisis. On the other hand, additional public debt burdens taken on to tackle the economic and social consequences of the pandemic have made the existing fiscal rule limits increasingly unrealistic and require a reform to avoid counterproductive fiscal tightening.

This situation has been further aggravated very recently by the 2022 Russian invasion of Ukraine and its negative economic consequences due to rising energy prices and sanctions. The most recent reform debate of the European fiscal framework has also been fostered by institutional factors, most importantly the Commission's economic governance review. Originally launched in February 2020, it was later moved to October 2021 due to the Covid-19 crisis, which finally led to the publication of the Commission reform orientations in November 2022 (European Commission 2022), with a legislative proposal planned for early 2023.

Across the various different proposals, the main suggestion is to abandon structural deficit rules as operational policy objectives and to replace them with expenditure ceilings that provide annual nominal fiscal rule limits across the economic cycle. A large majority of recent reform suggestions also calls for a reduction of the overall number of fiscal rules (see Sheingate 2010 for the adverse effect of rule complexity on rule compliance) and a further 'nationalisation' of at least parts of the setting, monitoring and enforcement of fiscal policy objectives and limits. This fits in well with the trend over the last years to stress the importance of the national 'ownership' of fiscal frameworks for rule-compliance (see Doray-Demers 2017 for a comparison of the effects of nationally 'owned' versus internationally imposed fiscal frameworks on rule compliance).

Several reform suggestions include a stronger focus on positive incentives to complement the more traditional sanctions approach, which suffers from a poor enforcement record. Bénassy-Quéré et al. (2018), for example, suggest new fiscal stabilisation instruments that would be available for eurozone member states in times of economic recession, but only if they had adhered to fiscal rules before. Finally, numerous proposals have been made to exclude green or other public investments from the fiscal rule requirements (see e.g. Darvas and Wolff 2021, De Angelis et al. 2022) or to link fiscal framework reforms with European funding for public investment (see Garicano 2022).

All of these various contributions might point towards a fourth phase in fiscal framework design at both the supranational and national levels, which one might put under the heading of 'manageability'. With this I mean the simultaneous attempt to find a compromise between overly simplistic and complex rules, stringent and lenient rules, to identify the appropriate levels for monitoring and enforcement, and to provide incentives for public investment. Table 2.1 visualises the three phases in fiscal framework introduction and reform since the early 1990s and their dominating features. It also highlights the specific advantages and problems of each fiscal framework model and adds a potential fourth phase linked to recent reform debates on the European fiscal framework.

Table 2.1 – Distinct phases in fiscal framework introduction and reform since the early 1990s

Early 1990s – Mid 2000s	Late 1990s to now	Late 2000s to now	Late 2010s – early 2020s
Phase 1 **Simplicity** Nominal deficit and debt rules	*Phase 2* **Flexibility** Structural deficit rules, exceptions for reforms and crises	*Phase 3* **Enforcement** Independent fiscal councils to monitor and enforce fiscal rules	*Phase 4* **Manageability?** Reduction of existing rules and institutions and more long-term goals
Advantages Relatively easy to understand and measure	*Advantages* More anticyclical, allow automatic stabilisers to work	*Advantages* Reduce the likelihood of creative accounting and fiscal trickery	*Advantages* Should improve the political ability to ensure fiscal framework compliance
Problems Asymmetry, fostering procyclical policies, do not take into account structural efforts and one-off measures	*Problems* Structural balances cannot be observed and monitored directly, is a hypothetical concept, high degree of complexity	*Problems* Further remove political control from elected bodies towards non-elected experts	*Problems* Trade-offs between simplicity and complexity, Difficulties to align fiscal sustainability objective with public investment objective

Source: Own depiction, partially drawing on Eyraud (2018)

2.3) The general trend: Multiple convergence pressures in the eurozone

Overall, we can observe common trajectories of fiscal framework reforms in Europe across countries over the course of the last thirty years. After more than two decades of national reforms, now all eurozone member states possess national fiscal frameworks. This seems to suggest a process of diffusion (see Dobbin et al. 2007) and what we could view as convergence. And indeed, there are several powerful convergence pressures on national policy-makers that should have, at least in theory, played a crucial role for the spread of fiscal frameworks in the eurozone: (1) macroeconomic 'necessities', (2) legal obligations, and (3) promotional pressures.

Macroeconomic 'necessities'

First, at the most basic level, macroeconomic 'necessities' of eurozone membership should be an important driving force towards fiscal policy and framework convergence (see Mongelli 2008, Scharpf 2013, 2016). Monetary union with its delegation of monetary policy to the independent European Central Bank (ECB) – whose main task is the achievement of a 2% inflation target – demands convergence for its proper functioning. Monetary policy, which is decided based on eurozone averages, will be inadequate when there are strong divergences in fiscal policy across countries, especially in the absence of noteworthy permanent fiscal transfers or risk-sharing (see Schelkle 2016). If fiscal frameworks are there to guide fiscal policy, then we should expect pressures for growing convergence of these frameworks over time to ensure the adequate working of the EMU (see Fatás and Mihov 2003, Castellani and Debrun 2001).

Legal obligations

Second, the common fiscal framework at the European level and the legal obligations of the Fiscal Compact and the Six-Pack should equally put considerable pressures on a convergence of national fiscal frameworks. The Fiscal Compact, for example, lays out quite clearly, how and which requirements should be introduced in national legislation. As the structural deficit limit of 0.5% of GDP is generally deemed to be very restrictive (see Barnes et al. 2012), we should expect convergence around the 'perceived' minimum standards of the Fiscal Compact. And indeed, in February 2017 the European Commission published a report where it evaluated the compliance of national fiscal frameworks with the requirements of the Fiscal Compact as laid out in Article 8 of the treaty. It found that all eurozone member states were broadly compliant with the common obligations (European Commission 2017a).

Promotion by inter-/supranational organisations

Finally, fiscal frameworks are increasingly embraced and promoted by different international and supranational organisations (see Schimmelfennig and Sedelmeier 2004, Dobbin et al. 2007). The most important actors in this respect are the IMF, the European Commission, the OECD, and the ECB, who also are leaders in the development of fiscal rules and institutions.

These institutions should foster convergence on national fiscal frameworks as they:

(1) provide data on fiscal frameworks (e.g. datasets on fiscal rules and councils by the European Commission and the IMF, see Ayuso-i-Casals et al. 2007 [European Commission], Schaechter et al. 2012, Bova et al. 2015, Lledó et al. 2017 [all IMF]),
(2) conduct empirical research on the effects of fiscal frameworks on budgetary outcomes (e.g. Debrun and Kumar 2007 [IMF], Nerlich and Reuter 2013, 2015 [ECB]),
(3) supply guidelines, principles and 'best practice' examples for fiscal frameworks (e.g. Kopits and Symanski 1998, Eyraud et al. 2017 [both IMF], and the OECD 2014 on independent fiscal institutions),
(4) organise meetings for politicians, public officials and experts (e.g. the OECD Working Party on Senior Budget Officials [SBO, since 1980], the OECD Network of Parliamentary Budget Officials and Independent Fiscal Institutions [PBO-IFIs, since 2009], the platform for EU interparliamentary exchange [IPEX] organising the biannual interparliamentary conference on stability, economic coordination and governance in the EU [SECG, since 2013], the EU Network of Independent Fiscal Institutions [EUNIFI, since 2014], as well as the network of EU independent fiscal institutions [EU IFIs, since 2015]), and
(5) exchange regularly (often during country visits or missions) with domestic policy actors about matters of fiscal policy-making and institutions, often in the framework of established surveillance procedures such as the IMF's Article IV consultations (see Edwards et al. 2012) or the European Commission's stability programme discussions.

Given the continuous and frequent exchange of national politicians, public officials and experts with these organisations, the joint discussion of encountered difficulties with fiscal frameworks and fiscal policy, and the sharing of 'best practice' examples, we should expect convergence of fiscal frameworks and fiscal policy more broadly.

2.4) The central puzzle: Fiscal framework variation amidst convergence pressures

Given these substantial convergence pressures based on macroeconomic 'necessities', legal obligations, and the active promotion of 'best practice' fiscal framework norms by international organisations, it is all the more puzzling that we can observe significant and persistent variation in the stringency, design and timing of national fiscal frameworks across the eurozone.

2.4.1) Variations in national fiscal framework stringency

The most important of the three dimensions discussed in this dissertation is the 'stringency' of national fiscal frameworks, i.e. the degree of constraint of fiscal policy discretion that is introduced in a country's political system. Importantly, in this analysis I focus on the 'formal' aspects of stringency. With this I mean the discretion constraint imposed by legislation, at least at the level of ordinary law (which can be further specified by governmental decrees). But how do we assess

whether there is a significant degree of variation between country-specific fiscal frameworks? How can we distinguish between different levels of 'stringency?

Existing data on fiscal framework stringency

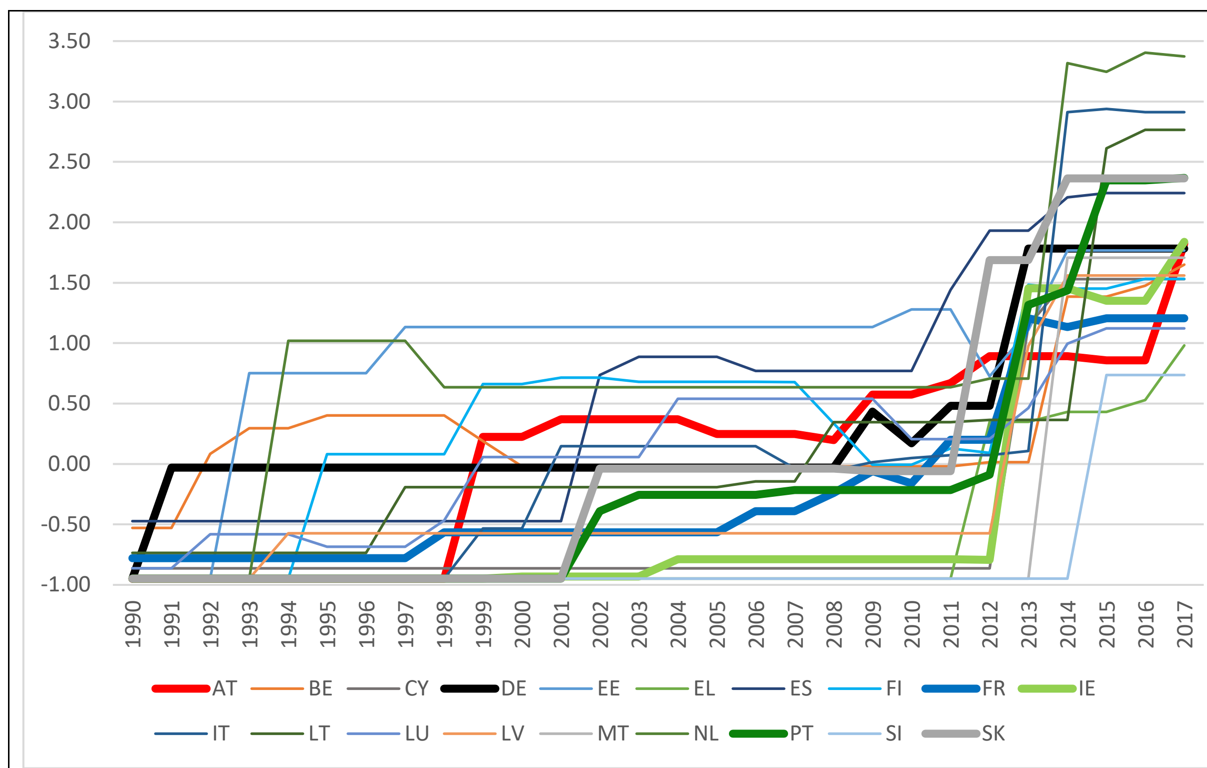
In the econometric literature studying fiscal framework effects on budgetary outcomes, variation between countries is typically the starting point for analysis. Without variation, it would be very difficult to evaluate the influence of fiscal rules and institutions on fiscal policy-making. While basing their work on variation between countries, this scholarship, however, largely ignores its causes. Generally, the bulk of these quantitative researchers has drawn on publicly available indices on fiscal frameworks.

The European commission (DG ECFIN), the IMF, and to a limited extent also the OECD, provide these data, compiling information on various features of national fiscal frameworks. Especially the fiscal rules database of the European Commission has become central for quantitative analyses of both the influence factors and effects of fiscal frameworks. Its main advantage is its comparatively high degree of detail and the compilation of indices that measure the 'stringency' of both single fiscal rules and overall national fiscal frameworks. Due to these features, the subsequent discussion focuses on Commission data.

The European Commission has collected data on different types of fiscal rules at all levels of government of EU countries since 1990. It is based on questionnaires sent to national finance ministries, starting from 2006 and updated annually since 2008. This allows the compilers to create a Fiscal Rule Strength Index (FRSI) for deficit rules, debt rules, expenditures and revenue rules. Subsequently they aggregate these rules into a Standardised Fiscal Rule Index (SFRI) that captures, in their view, the stringency of national fiscal rules (in practice the stringency of a country's fiscal framework) in a single variable. The Commission's methodology takes into account five different criteria to determine the stringency of fiscal frameworks: (1) legal base, (2) binding character, (3) monitoring and enforcement bodies, (4) correction mechanisms, and (5) resilience to shocks (European Commission 2017b). This approach is inspired by Deroose et al. (2006).

For all of these different criteria, the European Commission codes the degree of discretion-constraint of the respective elements of national fiscal frameworks. Fiscal frameworks are, according to them, more stringent, (1) the higher the level of its legal basis (e.g. constitutional law), (2) the more circumscribed revision possibilities to rules are, (3) the more independence and the more functions fiscal monitoring bodies (such as fiscal councils) have, (4) the more automatic and strict correction and sanction mechanisms are, (5) and – to say it in a simplified manner – the more fiscal rules follow common 'best practice guidelines' (e.g. existence of clearly defined escape clauses, existence of budgetary safety margins, rules defined in cyclically-adjusted terms). And indeed, the overall index of the Commission's database shows that, while there has been an overall trend towards more stringent fiscal frameworks among eurozone member states, variation in their stringency has not decreased over time (see Figure 2.3).

Figure 2.3 – Evolution of the Commission's standardised fiscal rules index



Source: European Commission (2017b), Own depiction

Notes: This figure shows the evolution in the stringency of national fiscal frameworks in the eurozone. In the Commission's methodology a value of -1 corresponds to the absence of a fiscal framework. The higher the value, the more stringent is a fiscal framework.

This 'positive assessment' has, however, been criticised by the ECB, as it "contrasts with the fact that the fiscal compact has been only partially transposed in many countries" and that governmental assurances or commitments were "not an adequate substitute for legal provisions, as they are not enforceable" (ECB 2017: 70-71). They found that the fiscal frameworks in some signatories left considerably more discretion to political decision-makers than foreseen in European legislation. The ECB (2017: 71), thus, deemed "the slow and incomplete transposition of the fiscal compact [to be] disappointing". Without this normative touch, my own analysis of national fiscal frameworks is largely in line with the ECB's critique.

We, thus, see continuous variation in fiscal framework stringency across eurozone member states. Going back to Figure 2.3, it highlights the six country-cases analysed in more depth in this dissertation. I want to point out that they do not seem to correspond well to a 'diverse case selection' strategy as detailed in the methodology chapter of this dissertation. Following the Commission's fiscal rule database, more extreme cases would be best represented by the Netherlands or Italy (on the stringent side of the spectrum) and by Greece or Slovenia (on the more discretionary side). But there are a number of problems in the existing indices that put into question the Commission's classification, which I highlight further below.

Shortcomings of the existing key index on fiscal framework stringency

A detailed analysis of the national fiscal frameworks and the construction of the Commission's index which I conducted in the framework of this dissertation, have revealed several serious shortcomings in their methodology, which also affect the validity of existing quantitative research. While some of the elements used in their index do indeed measure the formal degree of discretion-constraint that a fiscal framework imposes on political decision-makers, others are less suitable, and some crucial components are unfortunately completely absent.

This finding is in line with the views of several country representatives who made critical comments concerning the quality of the Commission's index at a meeting of European Union officials with national representatives of independent fiscal councils at the DG ECFIN in February 2018. (Interview Monier, Interview Felderer). Annex B provides an in-depth analysis of the Commission's fiscal rule databases and critically discusses the construction of its key indices and the problems inherent to their approach. Here, for the sake of brevity, I will just briefly summarise some of the main concerns to subsequently show how my own approach to discern the stringency of fiscal frameworks aims to overcome them. The main issues with the Commission's index of fiscal framework stringency are the following:

Indices do not measure the numerical fiscal policy discretion constraint

First, and quite surprisingly, the data does not contain any measures of the numerical fiscal policy discretion constraint. This means that for the index it does not make any difference if, for example, a deficit rule sets a limit of 0% or 3% GDP. The value for the fiscal framework's stringency remains the same. It is, however, very plausible that a fiscal rule, which constrains the room for manoeuvre in fiscal policy-making more strongly, is equivalent to a more stringent fiscal framework. Subsequently, this tends to overestimate the effect of many fiscal rules *vis-à-vis* stringent rules.

Insufficient consideration of the interdependence of different fiscal framework elements

Second, the data compilers do not sufficiently consider the interdependence of the different elements that affect fiscal framework stringency. This has detrimental consequences for the aggregation of the indices for single fiscal rules as well as for the overall fiscal framework. Only if we assume that each of the five criteria included by the European Commission can influence the 'stringency' of a fiscal rule on its own and independent from the other criteria, then we would get an unbiased index of fiscal rule 'stringency'. This is, however, rather implausible.

For example, even if a fiscal framework has very strong monitoring, correction and sanctions mechanisms, its overall stringency should remain low, if the numerical fiscal rule is very 'lenient'. In turn, even a very stringent fiscal rule should not lead to a particularly stringent fiscal framework if it lacks the legal means to control and enforce it. The Commission largely ignores this problem, which equally applies to the subsequent aggregation of individual fiscal rules into the overall fiscal framework stringency index.

The data compilers consider all types of fiscal rules to be equally stringent, which is however highly questionable. In principle, deficit rules should be more stringent than expenditure/revenue rules, as they target overall budgetary aggregates rather than only one side of the budget. They also do not differentiate between fiscal rules at different levels of government. This is not very plausible either, as national and subnational budgets generally serve different functions in macroeconomic management.

The Commission's aggregation procedure is also problematic because it accumulates the discretion constraint of several rules that target the same public budget with some degree of diminishing returns. It is, however, not clear if an absorption logic should rather apply, meaning that the most stringent fiscal rule at a particular level of government automatically absorbs all less stringent ones. The Commission's methodology thus has the tendency to overestimate the stringency of fiscal frameworks consisting of many (often overlapping) fiscal rules. This has been criticised in discussions between the Commission and national authorities, giving, for example, too high values to countries such as Spain and France (Interview Monier).

Some index criteria do not measure fiscal framework stringency
Third, some of the five criteria that make up the index for single fiscal rules do not match well with the intention to measure their 'stringency', but rather capture other elements such as rule flexibility or credibility. This applies, for example, to variables such as the existence of clearly-defined escape clauses, the definition of rules in cyclically-adjusted terms, or the adherence to budgetary safety margins. In terms of stringency, they could actually make fiscal rules more 'lenient' (see Krawietz 2005: 1, 2) or simply are not related to formal stringency (see Interview Bundesbank, Interview Janeba). This problem has remained even after the Commission's review of its methodology and subsequent changes to it in 2015.

Some index criteria are not sufficiently 'granular'
Fourth, some of the criteria of the Commission's fiscal rule database are not granular enough to adequately measure the discretion constraint of country-specific fiscal frameworks. In my view, the relevant indices do not sufficiently take into account nuances in national legal systems which can contain intermediate levels of legislation between constitutional and ordinary law, such as organic law and the possibility for intra-state treaties (see Müller 2012). Also more fundamental differences in the set-up and meaning of constitutional law in different countries are not represented satisfactorily (see Claes 2017 on the Netherlands, Ojanen 2017 on Finland).

Concerns about the data collection approach
Finally, I also have concerns about the method of data collection that the European Commission applies to compile its fiscal rules database. Instead of directly analysing the legal basis for each country's fiscal framework, the Commission draws on questionnaires it sends out to national finance ministries. This, however, could give national authorities an incentive to portray the domestic fiscal rules and institutions in a more favourable, i.e. more stringent, light than they actually are, particularly for countries that are criticised for their fiscal policy-making. It is difficult

to provide conclusive evidence on such practices, but the fact that countries such as France, Spain and Italy are ranked comparatively high in the Commission's index, even if many experts view their fiscal frameworks as not particularly stringent, is at least suggestive of some underlying problems in data collection (Interview Monier).

An illustration of undetected variation in fiscal framework stringency

By way of illustration, I would like to show how the Commission assesses the stringency of the German debt brake (itself partly modelled on SGP norms, while having itself also served as a blueprint for the Fiscal Compact) and the French implementation of the requirements of the Fiscal Compact (loi organique relative à la programmation et à la gouvernance des finances publiques, LOPGFP 2012). This comparison also allows to demonstrate the currently existing and persisting variation in terms of fiscal framework stringency between different eurozone countries (often hidden or exacerbated by the existing indices), even if common convergences pressures are exercised on all of them.

In its index on individual fiscal rules, the European Commission (2017b) assigns the French fiscal rule a higher stringency than the German one (8.47 versus 7.93). Based on my own analysis, and mirroring the general point of view of experts, the formal requirements, however, suggest that it is the German debt brake which is decisively more stringent, as well as more easily monitorable and enforceable than the French framework, particularly when studying it in conjunction with the overall set of fiscal rules and institutions.

Table 2.2 – Comparison of the German debt brake and the French implementation of the Fiscal Compact

	DE	FR
Type of rule	BBR	BBR
FRSI	**7.93**	**8.47**
Sector	CG	GG
Coverage	17.3%	100%
Time frame (years)	Ann.	Multia.
Statutory base	3	3
Adjustment margin	3	3
Monitoring body	2	3
Adjustment margin	3	3
Monitoring body	2	3
Alert mechanism	0.5	0
Body in charge of establishing the existence of a deviation from the target	1	1.5
Body providing/endorsing macro and/or budgetary forecasts	0	1
Correction mechanism	4	4
Escape clauses	1	1
Budgetary/safety margin	0	0
Targets defined in cyclical adjusted terms	1	1
Exclusions	0	0

Source: European Commission (2017b), Own depiction

First, the German 'debt brake' contains a structural deficit limit of 0.35% for the federal level and a 0.0% balanced budget requirement for its provinces. These rules apply annually. In the French case, the structural deficit limit is set at 0.5% for the general government level, which corresponds to the requirements of the Fiscal Compact. It is, however, formulated in terms of a medium-term objective, in my view exploiting a – maybe even deliberately included – ambiguity of the intergovernmental treaty by interpreting it like the existing SGP. This means that annual budgets do not necessarily need to fulfil the MTO every year. Rather, the government simply has to provide a medium-term path towards the 0.5% deficit limit (at least over three years), which can, however, be changed with each new budget. In

practice, this means that the French government can move compliance with the 0.5% structural deficit limit indefinitely into the future.

Second, the German 'debt brake' provides a detailed and concrete correction mechanism in case of non-compliance. A control account accumulates 'excessive' deficits, which have to be subsequently reimbursed after passing a certain threshold. The annual compliance requirement of the fiscal framework, which looks at ex post budgetary results, allows for adding up 'excessive' deficits, making budgetary drift difficult. For the French fiscal framework, no such concrete and stringent mechanism exists, which additionally would be difficult to enforce as rule non-compliance is not observable in a straightforward manner. This gives the government considerable space for budgetary drift over time.

Together with some less prominent features, this makes the German debt brake considerably more stringent than the French implementation of the Fiscal Compact. This in stark contrast to what the Commission index shows. In the overall assessment of each country's fiscal framework this gets partly corrected due to the aggregation of all different rules and accompanying institutions and mechanisms into an overall index. Germany, for example, also implemented a rule more in line with the Fiscal Compact then the debt brake, basically doubling the number of rules. But as they are basically targeting the same budgetary aggregate with a similar numerical rule, the debt brake actually absorbs the German Fiscal Compact implementation rule and should thus not be counted as adding (in any considerable degree) to the overall stringency of the country's fiscal framework.

Based on my general critique of the Commission index and this illustration of difficulties to adequately measure the stringency of national fiscal frameworks, I set out to do a more integrative analysis of the different elements of fiscal frameworks to understand their cross-national variation.

An integrative analysis to assess the degree of fiscal framework stringency

To get a better understanding of national fiscal frameworks across the eurozone, I made use of several sources. I studied in detail the existing (1) databases on fiscal rules and institutions of the European Commission, the IMF and the OECD, examined the (2) country reports and findings of the EUI research project 'Constitutional Change through Euro-Crisis Law' (see EUI 2019, Beukers et al. 2017, Leino and Salminen 2015), and analysed the (3) primary legislation underlying specific national fiscal frameworks. This gave me an overview of all existing national fiscal rules and institutions in the eurozone, as well as the background of the country-specific legal and political institutional settings.

From this starting point I studied the fiscal frameworks of eurozone member states in more detail, finally picking out six cases for the empirical analysis in this dissertation. These contain cases with comparatively stringent, lenient and intermediate fiscal frameworks. I further deepened the analysis of these six countries, studying all their fiscal rules, councils and monitoring/enforcement mechanisms. Based on this, I ranked them from lenient to stringent fiscal frameworks.

Due to the importance I gave to the interdependence of the different elements of fiscal frameworks and the actual numerical fiscal rules, it was very difficult to translate such an analysis into a simple index like the one of the European Commission. Also the complexity of national correction mechanisms renders it challenging to represent them in a single numerical value. Subsequently, I based my analysis of fiscal framework stringency mainly on the comparison of the six studied cases relative to each other. As the requirements of the Fiscal Compact and of the Six Pack are the only ones prescribing concrete national fiscal frameworks, I used their overall requirements as a baseline for the categorisation of an intermediate (average) national fiscal framework. The actual fiscal frameworks in the six studied cases then more or less diverge from this baseline.

A detailed analysis of the six fiscal frameworks can be found in chapter 5 of this dissertation. In this section here, the following tables 2.3 and 2.4 simply show the main features of each fiscal framework, and how I categorised them comparatively to each other. This categorisation followed the logic that fiscal rules and institutions which give less discretion and flexibility to fiscal policy-makers have a comparatively higher stringency.

Table 2.3 – Key features of national fiscal frameworks relevant for their stringency

Country	National fiscal framework			Fiscal framework stringency
	Central fiscal rules	**Fiscal council(s)**	**Monitoring and enforcement mechanisms**	
Slovakia	• Constitutional debt rule • Statutory balanced budget rule	• Medium-sized fiscal council with an extensive mandate	• Pre-defined gradual quasi-automatic sanctions (freezing/reduction of expenditures, vote of non-confidence)	**very high**
Germany	• Constitutional balanced budget rule • Statutory balanced budget rule	• Small fiscal council with a narrow mandate	• Clear identification of deviations, concrete and clear correction mechanism but without sanctions	**high**
Austria	• Intra-state treaty balanced budget rule • Debt rule • Rolling expenditure ceilings	• Medium-sized council with a moderate mandate	• Opaque identification of deviations, concrete and clear correction mechanism but without sanctions	**rather high**
Ireland	• Balanced budget rule based on referendum • Debt rule	• Medium-sized council with a moderate mandate	• Rather weak correction mechanism without concrete sanctions	**average**
Portugal	• Balanced budget rule with medium-term focus	• Medium-sized fiscal council with an extensive mandate	• Rather weak correction mechanism without concrete sanctions	**rather low**
France	• Organic law balanced budget rule with medium-term focus	• Small fiscal council with a moderate mandate	• Weak correction mechanism without concrete sanctions	**very low**

Source: Own depiction

I determined fiscal rule stringency by looking if they went beyond the numerical minimum requirements from the European level, the number of rules targeting different budgetary aggregates, the degree of difficulty to change rules, their temporal dimension (annual versus multi-annual limits), as well as the ambiguity and complexity of different sets of fiscal rules. I defined the discretion-constraint of fiscal councils by analysing their remits, their independence, their size and resources, as well as their role in monitoring and enforcement. I evaluated the stringency of monitoring and enforcement mechanisms based on the constraint they impose on fiscal policy-makers, which depends on the degree of automaticity of budgetary corrections and sanctions, the type and quality of monitoring, corrections and sanctions, and the leeway of politicians to circumvent existing legislation due to ambiguities and complexities of the existing framework.

Based on this information, I categorised each of the key elements according to a seven-point scale between very stringent/strong/high to very lenient/weak/low. Given the interdependent nature of all of these aspects, this categorisation as provided in Table 2.4 serves rather as an illustration then as the basis for the overall evaluation of national fiscal frameworks.

For the overall assessment, I analysed the interplay of national fiscal rules, councils and the various accompanying mechanisms. I reflected on how much discretion political decision-makers possess to diverge from deficit, debt and expenditure limits. This included an assessment of the existence of legal loopholes for rule evasion and ambiguities/grey zones in fiscal framework design. In addition, I studied which consequences non-compliance would have for fiscal policy actors and if it there were ways to avoid the application of corrective actions or sanctions. If a national fiscal framework provides – in comparison to other countries – strongly-constraining rule limits, makes it difficult for politicians to circumvent these limits, and provides little leeway to avoid the application of enforcement mechanisms then I deemed such a set of rules and institutions as particularly stringent and *vice versa*.

Table 2.4 – Typology of fiscal framework stringency

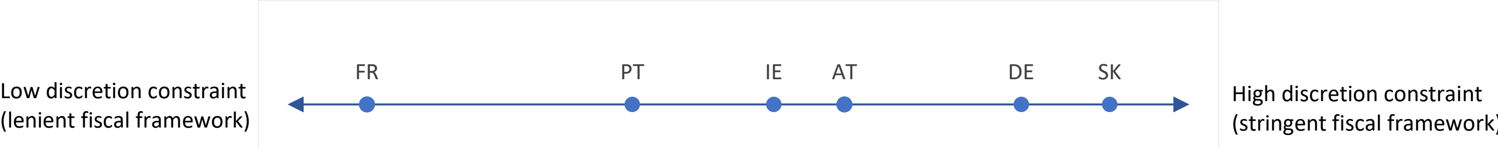
Country	National fiscal framework			Fiscal framework stringency
	Central fiscal rules	Fiscal council(s)	Monitoring and enforcement mechanisms	
Slovakia	very stringent	strong	very strong	**very high**
Germany	very stringent	rather weak	strong	**high**
Austria	stringent	medium	rather strong	**rather high**
Ireland	medium	strong	rather weak	**average**
Portugal	rather lenient	strong	rather weak	**rather low**
France	lenient	medium	weak	**very low**

Source: Own depiction

As Tables 2.3 and 2.4 show, I made a simple categorisation of fiscal framework stringency across the six studied cases ranging from very low (France) to very high (Slovakia), with more intermediate frameworks in between. As this categorisation is quite crude, Figure 2.4 aims to provide a graphical depiction of the relative fiscal framework stringency across the different country-cases. While it is difficult to perfectly situate each of the cases on a continuum from a low to a high degree of

discretion-constraint, Figure 2.4 is supposed to illustrate more clearly the relative position of each of the cases towards each other. It is based on my interpretation of the similarities and differences between different fiscal frameworks and their consequences on framework stringency. Different scholars might set the individual points slightly different along the continuum of discretion-constraint, but I am confident that they would agree with this ordering from most lenient to most stringent framework.

Figure 2.4 – Comparison of relative fiscal framework stringency across the six country-cases



Source: Own depiction

As visible from Figure 2.4, the French fiscal framework has a comparatively very low degree of discretion constraint among the six studied cases (and also among all eurozone member states). This means that politicians have retained a considerable degree of discretion and flexibility. The Portuguese case is also on lenient side of the spectrum but considerably closer to European legal requirements. Ireland and Austria are in a more intermediate position in terms of fiscal framework stringency, with Austria tending more towards the stringent end of the spectrum. Among the six studied cases, particularly Germany and Slovakia have fiscal frameworks with a high degree of discretion constraint. The latter is also among the most stringent fiscal frameworks in the eurozone. This categorisation differs strongly from the European Commission's data on fiscal rules and institutions. For the reasons discussed above I, however, consider it considerably more accurate and an appropriate base to test different theoretical expectations accounting for the variation in fiscal frameworks in this dissertation.

2.4.2) Variations in national fiscal framework design

Beyond the variation in fiscal framework stringency, we can equally observe divergences in fiscal framework design despite the common convergence pressures. The most important national fiscal rule limits, for example, continue to focus on different targets (see Table 2.5). Again, this is surprising. The Fiscal Compact's central structural deficit rule is deemed to be already very stringent (see Barnes et al. 2012) and should thus be the central fiscal policy limit relevant for fiscal policy-makers across the eurozone.

Table 2.5 – Most important fiscal rule limits in the six country-cases

	Type of rule
Slovakia	Nominal debt level
Germany	Structural deficit
Austria	Structural deficit Nominal and cyclical expenditure ceilings
Ireland	Expenditure ceiling (based on structural deficit)
Portugal	Structural deficit
France	Structural effort oriented toward medium-term planning

Source: Own depiction

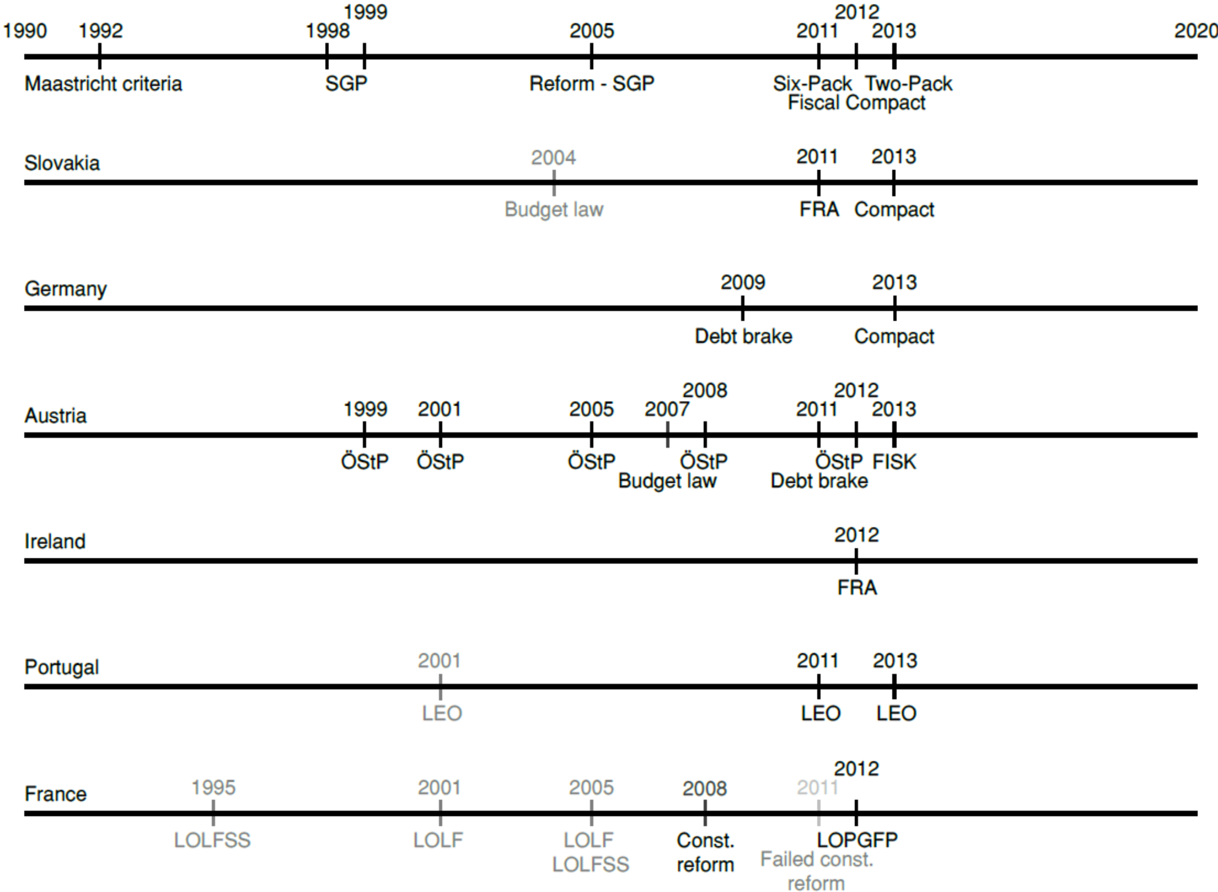
While structural deficit rules are indeed the most common variant, countries vary in their interpretation of the concept. The French LOPGFP 2012, for example, is rather geared towards the medium-term planning of fiscal policy-making, and focuses on the structural effort rather than the structural deficit *per se*. In Ireland, the control of expenditure growth through a

nominal expenditure ceiling (but based on the medium-term structural deficit) is at the centre of the domestic fiscal framework. In Germany, the domestic debt brake focuses strongly on the structural deficit as an annual limit but has nevertheless firmly grounded in nominal data. In Austria, beyond a structural deficit rule, the national framework also emphasises the role of nominal and cyclical expenditure ceilings. And in Slovakia finally, the dominant feature of the national set of rules and institutions is a nominal debt rule.

2.4.3) Variations in national fiscal framework timing

Finally, we also see variation in the timing of fiscal framework reforms across eurozone member states (see Figure 2.5). This also contrasts with the common finding in existing research (e.g. Bluth 2016, Doray-Demers 2017) that reforms only take place in the direct aftermath of economic or fiscal crises. While this is obviously true for the reforms at the supranational and national level that have taken place during the Great Recession and the European debt crisis, some other fiscal framework reforms were initiated and implemented during times of strong economic growth. This applies, for example, to the reform of the Austrian Stability Pact and the 2007 Austrian budget law reform and is also the case for the fiscal rules of the Maastricht Treaty at the European level.

Figure 2.5 – Timeline of fiscal framework reforms across the six country-cases



Source: Own depiction.

Notes: Black = Fiscal framework reform, Dark Grey = Broader reforms of fiscal governance, Light Grey = Failed reform effort

To illustrate the variation in fiscal framework timing, Figure 2.5 provides an overview over all major fiscal framework and fiscal governance reforms that took place among a sample of six eurozone member states over the course of the last thirty years. All reforms that were actually adopted in parliament and implemented in the country's legal order are shown in black colour. Reforms in dark grey correspond to broader reforms of fiscal governance, which have nevertheless influenced the evolution of national fiscal frameworks over time. Failed reform efforts, finally, are shown in light grey colour. This only applies to cases where a reform was tabled by the government but ultimately failed during the parliamentary process (the failed 2011 reform attempt in France). Reform attempts initiated by the opposition, or reform discussions launched by the government without transmitting any concrete law project to parliament are not included in Figure 2.5.

Clearly visible from Figure 2.5 is the variation in the number and types of reform and when they took place. Similar to the European fiscal framework there have been many different reforms in Austria, and a considerable number of reforms (also taking into account broader fiscal governance reforms) in France. In Ireland and Germany, in contrast, there have been relatively few reforms, with Portugal and Slovakia take a more intermediary position.

2.4.4) An empirical puzzle: How can we explain the variation in national fiscal frameworks?

As the analysis above has shown, there is continuing and substantial variation in the stringency, design and timing of national fiscal frameworks in the eurozone. This is particularly surprising given the considerable common convergence pressures on its member states. The main objective of this dissertation is to resolve this empirical puzzle. This will equally help us to address two additional theoretical and methodological puzzles that stem from the broader literature on fiscal frameworks. The subsequent sections of this chapter discuss these puzzles in more detail.

2.5) The existing research on fiscal frameworks and its shortcomings

The previous sections of this chapter have focused on defining national fiscal frameworks, providing an overview of their evolution in time, adequately operationalising their stringency and identifying an empirical puzzle regarding their variation across eurozone member states. This section subsequently engages with three different literatures that have engaged in different ways with fiscal frameworks: (1) the theoretical 'public choice' literature which provides several explanations for why the implementation of fiscal frameworks is necessary, (2) the econometric literature on fiscal frameworks which studies the effects of fiscal rules and institutions on budgetary outcomes, and (3) the narrow literature which seeks to understand the variation in fiscal frameworks. This discussion will build the foundation for the following theory chapter, which looks at the broader political economy literature to identify plausible explanations for the variation in fiscal rules and institutions across countries.

2.5.1) Public choice: Providing the rationales for fiscal frameworks

Diagnosis of a public deficit bias

The economics literature known as 'public choice' provides the most commonly employed arguments for the introduction and strengthening of fiscal frameworks. The starting point of this largely theoretical research tradition is the assumption of a 'public deficit bias' among – but not limited to – Western advanced democracies (see Debrun 2011: 4). The fiscal policy developments since the 1970s have been an important empirical underpinning for the reasoning of public choice scholars. Linked to a prolonged period of strong economic growth after the end of the Second World War, most West European countries experienced decreasing and low public deficit and indebtedness during the so-called 'Trentes Glorieuses'.

The oil price shock of 1973, causing the first deep recession in decades, put an end to this exceptionally long phase of economic expansion. Politicians in most European countries responded with Keynesian policies based on demand stimulation, resorting to public deficits to counter the recession. Governments had already used this strategy during the economic downturn of 1966/67, when balanced budgets and full employment were restored shortly after. But in the mid-1970s, the applied Keynesian policies did not lead to the same results. Public deficits and unemployment increased continuously, while the phenomenon of 'stagflation' – slow economic growth coupled with high inflation – put increasing pressure on the dominant model of macroeconomic management (Bruno and Sachs 1985).

As public debts started to rapidly accumulate across Western advanced democracies, political decision-makers, experts and scholars became increasingly aware of potential problems with deficit-based macroeconomic management. While Keynesian scholars lost credibility in light of the continuing crisis situation of the 1970s, the interpretations of fiscal policy-making and outcomes developed by public choice scholars became increasingly influential. They viewed the persistent growth of debt rather as a 'public deficit bias' in (democratic) political decision-making than a prolonged anomaly in the functioning of the post-war economy (Calmfors and Wren-Lewis 2011: 1)[2]. This claim was based on a set of theoretical assumptions about the nature of politicians and the political process.

Explanations for the public deficit bias

To understand "why macroeconomic policies tend to deviate from a well-defined social optimum" (Debrun et al. 2012: 4) implemented by a 'benevolent social planner' (Barro 1979) and to explain the identified 'public deficit bias', public choice scholars draw on the findings of three different strands of the broader politico-economic literature.

[2] In addition to the strong debt growth in the 1970s, public choice scholars were also interested in the evolution of public debt across the subsequent economic cycles. These were marked by stabilising debt ratios during 'boom times' which, however, increased further during intermittent recessions. As Debrun et al. (2013: 5) put it, "in the fiscal policy area, excessive deficits leading to rising debt-to-GDP ratios, and a tendency to spend temporary revenue windfalls (procyclicality in good times)" became thus the focal point of the public choice literature.

First, several influential studies applying economic theories to elections and democracy showed that a public interest might not be easily discernible from individual private interests (or not at all). They also highlighted that politicians might not be interested in furthering a common good (if existing), but rather promote specific private interests (those of their voters) or aim at securing their own private rents (Arrow [1951] 1963, Downs 1957, Black [1958] 1986, Riker 1962, Buchanan and Tullock 1962).

Second, Olson (1965) pointed out that even when political actors have an overarching common interest, individual interests could nevertheless undermine it. This is exemplified by the so-called 'tragedy of the commons' (Hardin 1968) whereby the actions of individually rational and utility-maximizing actors can lead to suboptimal outcomes for all the individuals using a common pool resource (Ostrom 1990, Ostrom et al. 1994).

Finally, advances in game theory (Simaan and Cruz 1973b, 1973a) and particularly in behavioural economics (Kydland and Prescott 1977) stressed the role of time inconsistency. In this line of thinking, rational actors' preferences could vary across time, given changes in the environment. While being rational in the short-term, such changes in preferences could lead to inconsistent decision-making over time and thus foster suboptimal policy outcomes in the long-term.

Drawing on these theoretical foundations, mostly built in the 1950s and 1960s, public choice scholars developed distinct but often interdependent lines of explanation for the observed 'public deficit bias' (see Rogoff 1990, Alesina and Perotti 1994, Alesina and Passalacqua 2015, Pinho 2004, Debrun et al. 2013, Schaechter et al. 2012, Kirchgässner 2013 for comprehensive overviews). Their various categorisations include fiscal illusion, common pool problems, politicians' myopia or government short-sightedness, intra- and intergenerational distributional conflict, as well as distributional conflicts between coalition partners and/or interest groups. This vast literature can be organised in three main groups: political rent-seeking (see Buchanan and Wagner [1977] 2000), common pool problems (see von Hagen and Poterba 1999), and time inconsistency (see Persson and Svensson 1989).

Political rent-seeking through 'fiscal illusion'

Political rent-seeking theories view fiscal policy-makers as rational self-serving interest-maximizing actors. As Dryzek (1996: 96) put it, in public choice thinking "individuals are just as economically rational when they act in political settings as when they act in the marketplace". Not caring for any public interest or common good, politicians use informational advantages to 'deceive' short-sighted and potentially irrational voters through the use of public deficits to get re-elected (see Buchanan and Wagner [1977] 2000, Niskanen 1971, Nordhaus 1975, Barry and Hardin 1982, Blyth 2002: 146, Liu and Mikesell 2014). Public deficits allow politicians to appear competent, as additional public expenditures improve citizen's life in the short-run. Due to the intertemporal budgetary constraint, however, voters will have to pay for this in the future with higher taxes and/or less public services according to public choice theory. Some scholars have called this phenomenon 'fiscal illusion' (see Mourao 2007, Dell'Anno and Dollery 2014).

Common pool problems in public budgeting

Public choice research on common pool problems puts interest groups/constituencies at the centre-stage of analysis. Here, actors have private interests as well as a common public interest. The private interests, however, tend to undermine the common interest, leading, for example, to intra- and intergenerational distributional conflicts (see Alesina and Drazen 1991, Roubini et al. 1989, Alesina and Tabellini 1990, Tornell and Lane 1999, Wagner 2012, Fabrizio and Mody 2006, Debrun and Kumar 2007, Posner and Sommerfeld 2013, Debrun and Kinda 2014). A classic example for explaining the accumulation of 'excessive' public deficits is the 'war of attrition' model.

Time inconsistency in fiscal policy-making

The time inconsistency literature finally assumes a common public interest to be in place but that changes in external circumstances (that can be at least partially due to discretionary political decisions) lead – over time – to a succession of political actions that undermine the achievement of the common public interest (see Kydland and Prescott 1977, Calvo 1978). Economic cycles and their differential impact on public revenues and expenditures can have negative effects on budgets over time.

Solutions for the public deficit bias

To overcome these problems, public choice scholars have put forward several solutions. These include (1) independent fiscal authorities (see Nordhaus 1975, Debrun et al. 2009), (2) numerical fiscal rules (Kopits and Symanski 1998, Schaechter et al. 2012), (3) independent fiscal councils (Debrun et al. 2013), (4) monitoring and enforcement mechanisms (often integrated in so-called 'fiscal frameworks'), and (5) changes in fiscal governance and budgetary procedures (Hallerberg et al. 2009). What all these different approaches have in common is that they aim at reducing the policy discretion of politicians through institutional means, often by changing incentives (see Calmfors 2015, von Hagen and Harden 1995).

Early debates among these scholars where about the extent to which the discretion of fiscal policy-makers could or should be constrained. For a limited period of time, independent fiscal authorities similar to independent central banks for monetary policy were discussed. The aim of such authorities would be to completely remove the discretion of fiscal policy-makers over specific budgetary items or the whole budget, effectively handing the management of public deficits and debt over to technocrats. Given strong "normative and positive objections to the delegation of fiscal policy prerogatives" (Debrun and Kinda 2014: 4), this solution has, however, become marginalised in recent years. Even public choice scholars deem the influence of independent fiscal authorities on democratic decision-making and accountability as too far-reaching to promote such institutions (Wyplosz 2005, Alesina and Tabellini 2007: 177-178, 2008, Debrun et al. 2009, Debrun 2011, Debrun et al. 2013: 7).

As a 'second-best' solution, scholars began to embrace fiscal frameworks containing fiscal rules, independent fiscal councils, and different mechanisms to support and enforce rule compliance.

These would give more room for politics, while nevertheless constraining fiscal policy-making (Kopits and Symanski 1998, Kopits 2001, Debrun and Kumar 2007, Kumar et al. 2009, Debrun et al. 2013) The public choice literature argues that numerical fiscal rules help the public to better control the work of political decision-makers, serving as clear benchmarks for policy evaluation. In addition, independent fiscal councils can reduce information asymmetries between politicians and the public, by interpreting governmental policy for a broader audience and criticising sub-optimal policy-making. This allows for better transparency and scrutiny, subsequently reducing the extent of 'fiscal illusion' and thus political rent-seeking. In the view of public choice scholars, fiscal frameworks also force politicians to resolve intra- and intergenerational distributional conflicts in a timely manner. This avoids the occurrence of common pool problems, and improves 'time consistency' in fiscal policy-making.

For several years, scholars debated whether to promote fiscal rules or independent fiscal councils (see Hallerberg et al. 2004). But after recognizing the potential existence of several parallel causal pathways leading to a 'deficit bias' in fiscal policy-making, consensus grew on the usefulness of complementary institutions to circumscribe politicians' policy discretion (Horváth and Ódor 2009, Wyplosz 2018), integrating them both in comprehensive fiscal frameworks.

Beyond fiscal rules and councils, researchers also suggested broader fiscal governance reforms, which could serve as a 'softer' alternative to or complement discretion-reducing fiscal frameworks (von Hagen 1991, Hallerberg et al. 2009). The public choice literature contends that changes in fiscal governance and budgetary procedures can help to correct the 'public deficit bias' (von Hagen and Harden 1995, Dabla-Norris et al. 2010, Gollwitzer 2010). This can be achieved, for example, by reducing the discretion of 'spending' politicians vis-à-vis those politicians that oversee the complete budget drafting process, such as a country's prime minister or finance minister. Changes in fiscal governance and budgetary procedures are, however, not a central part of this dissertation. They – at least partially – constitute an alternative to rule-based fiscal frameworks. In the empirical analysis, I nevertheless included broader fiscal governance reforms to understand their interaction with other reforms of fiscal institutions.

Critique of the existing public choice literature on fiscal frameworks

This overview of the existing public choice literature should not imply that I prescribe to its assumptions. It is rather a necessary precondition to understand the evolution of the dominant academic discourse and its arguments for the necessity of fiscal frameworks. In this subsection I engage critically with this strand of research. I highlight some major shortcomings in public choice reasoning, particularly in the literature on political rent-seeking, which serves as a starting point for the construction of an alternative theoretical approach.

Public choice as a political agenda

It is important to acknowledge how public choice has come to shape the image of democratic politics over the last decades, viewing political decision-makers as power- and revenue-maximising

fiscal policy actors. Dryzek (1996: 96) wrote already twenty-five years ago that "economic rationality has run wild to the point that its expansion is destroying democracy". One of his main concerns with public choice accounts was their normative and political agenda, even if they claimed to propagate a positive and value-free research agenda, simply describing politics in an unromanticised fashion or "as it is" (see Buchanan's 1979 text called *Politics Without Romance* and Mitchell's 1988 *Government as It Is*).

As Dryzek (1996: 97) argued, "public choice practitioners are mostly committed to classic liberalism's tradition of limited government, constitutional restraints, and the free market." They were thus among the spearheads of an ideological movement, introducing a view of politics in popular discourse that challenged and subsequently replaced the era of 'embedded liberalism', which had been the main economic frame from 1945 to the 1970s (Blyth 2002: 146, 156).
Particularly the prominent public choice proponent James M. Buchanan used his research on growing public indebtedness also as a critique on Keynesian fiscal policy-making and the growing welfare state. He viewed the state as wasteful. With rising public debt levels he could argue that the state was overspending and needed to be contained (see Buchanan and Wagner [1977] 2000). It is important to acknowledge that public choice is not only a particular strand of research but has always been also a political agenda.

The paradox of fiscal framework introduction
As public choice scholars assume that the fiscal policy discretion of political decision-makers is leading to the perceived deficit (and inflationary) bias, their solution is to constrain or completely hand over fiscal policy-making to independent and 'neutral' institutions. The reduction of fiscal policy discretion is supposed to change the incentives for these rational, rent-seeking and revenue-maximising actors, subsequently implementing measures closer to the social optimum or common good.

This, however, reveals the highly paradoxical nature of the public choice literature: "Public choice prescriptions can be implemented only by people who violate public choice assumptions in their own behaviour by not acting in either instrumentally rational or egoistic terms" (Dryzek 1996: 106). In other words, it does not make sense that self-interested politicians would restrict their fiscal policy discretion in the first place. And even if a government would implement such measures, under public choice assumptions such restrictions could only be 'smokescreens' (see Debrun and Kumar 2007), further solidifying existing informational asymmetries between politicians and voters. While public choice theories have become the main justification for fiscal framework implementation, they have significant difficulties in explaining their actual implementation.

Difficulties with the concepts of 'deficit bias' and 'fiscal illusion'
Alesina and Perotti (1994) have highlighted three additional problems that question the capacity of public choice scholarship to understand important real-world phenomena in fiscal policy-making. First, the idea of 'fiscal illusion' is more ambiguous than generally acknowledged: "It is not at all obvious why the mistakes should be biased in a certain direction (i.e. [an] underestimation of the

tax burden relative to the benefits of spending)" (Alesina and Perotti 1994: 11). Instead, we could also imagine an underestimation of the benefits of spending in comparison to keeping the future tax burden stable (see Haffert and Mehrtens 2013 for an excellent study on this point).

Second, according to Alesina and Perotti (1994: 12), public choice scholars struggle to determine if there are actually different degrees of 'fiscal illusion' across countries. If political decision-makers are opportunistic to the same extent everywhere, then it is not clear, why we should see cross-country differences in fiscal policy-making and in fiscal framework stringency. Some scholars (Mourao 2007, Dell'Anno and Dollery 2014) have constructed indices of 'fiscal illusion' which measure cross-country variation in 'public deficit biases'. It remains, however, unclear from this research, if countries with a low degree of 'fiscal illusion' would implement more stringent fiscal frameworks or rather countries with a high degree of 'fiscal illusion' (see discussions on this issue in Ayuso-i-Casals et al. 2007: 655-656 and Bluth 2016: 85).

Finally, public choice accounts struggle to explain the timing of growing public deficits starting in the 1970s. In the 1950s and 1960s Western economies did not accumulate any significant debt. If their behavioural assumptions for political decision-makers apply universally, theories of public choice seem to be ill-equipped to understand the rapid changes in fiscal policy-making and outcomes during the 1970s (see Streeck 2013 for a critique, suggesting that a crisis of capitalist accumulation rather than a democratic failure can account for growing public debt burdens).

A theoretical puzzle: How to overcome the shortcomings of public choice explanations?

All of these points highlight a paradox between the theoretical assumptions of public choice scholarship and actual fiscal framework reforms. This adds a theoretical puzzle to this dissertation's study on the variation in fiscal framework stringency, design and timing. While theories of public choice serve as the primary justification for the need of discretion-constraining fiscal frameworks, their underlying assumptions of political decision-makers run counter their real-world implementation. How can we make sense of this gap between theory and empirics? In the subsequent chapter I will discuss various theoretical approaches that could provide an explanation bridging this gap and accounting for the observed variation in national fiscal frameworks.

2.5.2) The art of econometrics: Measuring the effects of fiscal frameworks

When the plan to create the euro became increasingly concrete, research on fiscal frameworks switched from a largely theoretical endeavour to a more empirical one in the beginning of the 1990s. Early works from scholars such as von Hagen (1991) and Poterba (1995a, 1996) drew on data of already existing fiscal rules in the different states of the USA to analyse their effects on budgetary outcomes and broader policy outcomes. These studies also served as background material in the discussions and negotiations on the creation of the common currency and later for

the agreement on the SGP (Interview von Hagen). As Poterba (1995a: 329) pointed out at the time, empirical evidence lacked due to several factors:

> "First, some of the proposed institutions under discussion are budgetary innovations that have not been tried on a national or subnational or subnational scale before. Second, there is relatively little intranational variation over time in the nature of budget processes. Therefore, it is difficult to compare fiscal policy before and after significant institutional reforms. Third, while there are differences across countries in fiscal institutions, many analysts are hesitant to draw strong conclusions from cross-national comparisons because it is difficult to hold constant other factors that may affect fiscal policy".

With growing interest in empirical evidence, many early works dealt particularly with the USA (Alt and Lowry 1994, Bohn and Inman 1996, Rueben 1997). Regarding Europe, the first wave of fiscal framework introductions in the EU and among its member states in the 1990s and early 2000s led to increasing data availability on actual fiscal rules and institutions. This was a boost for the empirical and largely quantitative research studying the effects of implemented fiscal rules and institutions. There was also particular interest in federal countries which had variation in fiscal frameworks between different subnational units, such as Switzerland and Canada (Schaltegger 2002, Feld and Kirchgässner 2004, Tellier and Imbeau 2004).

Since the mid-2000s there has been a continuous growth in empirical studies analysing he relationship between fiscal frameworks (mostly focused on fiscal rules) and budgetary outcomes, such as works by Krogstrup and Wälti (2008), Debrun and Kumar (2007), Debrun et al. (2008), Nerlich and Reuter (2013) and many more (see Heinemann et al. 2018: 84 for a quasi-exhaustive list of empirical analyses). The overwhelming majority of these quantitative analyses has found a significant effect of fiscal frameworks on budgetary outcomes. In principle, the results suggest that the more stringent a national fiscal framework, the 'better' (*ergo* lower) are subsequent budgetary outcomes, such as public deficits, the debt-to-GDP-ratio, or expenditure growth (Poterba 1996: 395, Debrun and Kumar 2007: 479, Heinemann et al. 2018: 69).

Critique of the existing econometric research on fiscal frameworks

These findings should, however, be taken with a grain of salt. Several potential problems could strongly undermine the validity of the existing quantitative research on fiscal frameworks and the established linked with budgetary and broader socio-economic outcomes. Among the potential issues are (1) the 'blind' belief in the existence of a 'public deficit bias' and the subsequent need for institutional solutions to overcome it, (2) the non-consideration of broader (and potentially detrimental) consequences of fiscal frameworks for democratic political decision-making, (3) the overwhelmingly quantitative focus which makes the empirical research on fiscal frameworks over-dependent on a few (quite problematic) indices, and most importantly, (4) difficulties to rule out endogeneity and omitted variable bias. Unfortunately, the existing empirical research has, nevertheless, done little to address these issues so far. For the sake of brevity, the rest of this subsection will focus on the issue of endogeneity and omitted variable bias, which has also found some broader acknowledgement in the literature.

Endogeneity and omitted variable bias

The question of endogeneity is one of the most relevant potential fallacies in the literature on the effects of fiscal frameworks. As Poterba (1996: 395) pointed out, "it is important to recognize that studies of state differences in budget rules and fiscal policy are confounded by the potential endogeneity of budget rules." He argued that "interstate differences in balanced-budget requirements may reflect differences in voter tastes for budget deficits" and that "fiscal institutions may therefore fail the standard exogeneity tests that are crucial for convincing policy analysis."

The potential endogeneity between fiscal frameworks and budgetary outcomes could thus stem from a third underlying factor that drives both the stringency of fiscal frameworks and the intensity of fiscal consolidation. In this case, any correlations between the two variables would be of a spurious nature. When the third variable is not included in the statistical analysis, an omitted variable bias would lead to false conclusions. In the case of Poterba (1996), the preferences of voters might express themselves in electing policy-makers that support both more stringent fiscal frameworks and more decisive fiscal consolidation.

A substantial number of scholars has acknowledged the potential endogeneity of fiscal frameworks in their research (Poterba 1996, Krogstrup and Wälti 2008, Dafflon and Pujol 2001, Funk and Gathmann 2006, Pujol and Weber 2003, Feld and Matsusaka 2003, Debrun and Kumar 2007, Rueben 1997, Heinemann et al. 2018). These studies then typically try to address endogeneity by including some additional data, proxies, or instrumental variables for potential third variables (e.g. Poterba 1995b: 175-176, Feld and Matsusaka 2003: 2720).

If the correlation still holds after their inclusion, the correlation between fiscal frameworks and budgetary outcomes is deemed to be genuine. Poterba (1996: 399), for example, has highlighted that the preferences of voters could, for example, be controlled for by including variables on the governing or dominant parties in the legislature. Alternatively, scholars have resorted to theoretical arguments that should convince the reader of the absence of plausible causal mechanisms between potential third variables and the variables of interest.

Poterba (1996: 395, see also Poterba 1995b: 176), for example, has pointed out that 'historical accident' and the stability of fiscal institutions over time would allow to argue that fiscal frameworks are indeed exogenous rather than endogenous to fiscal policy preferences of the constituents inhabiting a certain state or country. Poterba's focus was on fiscal institutions in the states of the United States, where many institutional fiscal policy constraints have already been introduced in the nineteenth century. He reasoned that fiscal policy preferences of voters should be less stable than (constitutional) fiscal institutions and subsequently independent from the effects of fiscal frameworks on budgetary outcomes. While generally believing in the causal relationship between fiscal frameworks and budgetary outcomes, Poterba (1996: 399) has acknowledged that "it is difficult to provide definitive evidence that supports, or rejects, this view."

Krogstrup and Wälti (2008: 124) have equally stated that "empirical evidence that fiscal rules are associated with lower budget deficits tentatively suggests that rules do work". They, however, voiced concerns "that the estimated impact of fiscal rules does not constitute a causal link from rules to budgets, but is instead driven at least partially by unobserved heterogeneity in the cross section." In the vein of Poterba (1996), they have argued that voter preferences might be driving this relationship. They make use of the fiscally decentralised structure of Switzerland to test if voters have an independent effect on the correlation between fiscal frameworks and budgetary outcomes.

Using data on fiscal conservatism among voters in different cantons extracted from information on public referenda on fiscal policy issues, Krogstrup and Wälti (2008: 125) found that "fiscal rules continue to have a significant, positive effect on budgetary outcomes after controlling for voter preferences." The analysis showed that "the electorates of cantons with fiscal rules have a stronger preference for fiscal conservatism". They also observed that "voters' fiscal preferences do not have a robust direct effect on budgetary outcomes" and that "voter preferences seem to affect budgetary outcomes independently of fiscal institutions" (Krogstrup and Wälti 2008: 131). According to them, the relationship between fiscal frameworks and budgetary outcomes is thus not endogenous. Their findings contrasted with a previous study by Dafflon and Pujol (2001: 67-68) who suggested that fiscal preferences rather than rules were systematically connected to budgetary outcomes.

The most comprehensive attempt to evaluate the potential endogeneity in the relationship between fiscal frameworks and budgetary outcomes has been made by Heinemann et al. (2018). Their meta-regression-analysis included thirty representative publications to evaluate the robustness of the findings in the literature linking fiscal frameworks and their stringency to budgetary outcomes. Heinemann et al. (2018: 69) contend that "a majority of these studies share a common point of criticism as they neglect or do not deal adequately with the potential issue of endogeneity".

Their analysis of existing research "points to a bias if the potential endogeneity of fiscal rules is not explicitly taken into account", also finding evidence "for the presence of a publication bias" (ibid.). In practice, this significantly lowers the validity of the causal relationship ascertained by so many scholars over the years. In the words of Heinemann et al. (2018: 83), "with the respect to the identification of causal effects, our analysis provides supportive evidence that fiscal rules must not be treated as exogenous. Our results show that coefficients tend to lose their statistical significance with increasing refinement of applied identification strategies".

This questioning of the causal link between fiscal frameworks and budgetary outcomes also resembles a previous discussion by Debrun and Kumar (2007), who were interested if fiscal rules would constitute 'credible commitments', a 'signalling device', or merely 'smoke-screens'. While ruling out the 'smokescreen' hypothesis, their empirical findings struggled to distinguish between the former two options, respectively viewing fiscal frameworks as exogenous or endogenous (see Debrun and Kumar 2007: 485).

A methodological puzzle: How to address the potential endogeneity of fiscal frameworks?

The whole aim of the empirical literature on fiscal frameworks since the 1990s has been to identify whether fiscal frameworks actually influence fiscal policy-making. While most of this research has detected a correlation between these two variables, thirty years later endogeneity concerns and potential omitted variable bias have still not been addressed sufficiently to ascertain whether there is a causal relationship between fiscal frameworks and budgetary outcomes. Meanwhile, fiscal policy actors have nevertheless relied on this research to support and legitimise the implementation and strengthening of fiscal frameworks.

Serious concerns about endogeneity, the existence of a publication bias, shortcomings of existing fiscal framework indices, difficulties to properly measure budgetary outcomes and rule compliance (see Annex C for details on this issue), and many other factors suggest the need to rethink the dominant quantitative approach to understand the relationship between fiscal frameworks and budgetary outcomes. Particularly the challenges of the existing empirical literature to address the potential endogeneity between fiscal institutions and fiscal policy-making poses a methodological puzzle: How and with which methodological tools can we overcome these serious problems to discern robust causal relationships?

2.5.3) Largely a black box: Explanations for fiscal framework variation

Different literatures in economics and political science have studied fiscal frameworks already from various distinct theoretical and empirical angles. The existing scholarship has, however, largely neglected to investigate, why, when and how fiscal frameworks are implemented and strengthened in different national contexts. On the empirical side, quantitative studies on the effects of fiscal frameworks on budgetary outcomes have dominated the field since the 1990s.

Only very recently, a few – mainly junior – researchers (Ayuso-i-Casals et al. 2007, Bluth 2016, Doray-Demers 2017) have started to turn their interest towards the explanation of fiscal framework introduction and reform. These three studies are – to the best of my knowledge at the time of writing – the only empirical analyses focusing on explaining the variation in fiscal framework stringency, design and timing. Furthermore, Doray-Demers provides the only research which uses fiscal frameworks both as a dependent and an independent variable. All three works have a quantitative focus, but the latter two also draw on qualitative evidence to move towards a mixed-methods approach. The subsequent discussion focuses on this small set of works.

Overview of the literature on fiscal framework variation

One of the earliest works that actually tried to investigate "what triggers the introduction of fiscal rules" and "which countries rely more on numerical rules" was conducted by Ayuso-i-Casals et al. (2007: 671ff). These scholars also oversaw the first round of the survey that led to the creation of

the Commission's fiscal rules database. Due to the lack of more detailed quantitative empirical material available at the time, the analysis of Ayuso-i-Casals et al. (2007) remained rather crude. They nevertheless did an empirical test of different theoretical arguments to explain the introduction of national fiscal rules. This included sets of economic, structural, and political variables. In a nutshell, the authors found that protracted periods of slow growth foster the introduction of fiscal frameworks. They also observed that the existence of independent fiscal councils, a contract approach to fiscal governance (see Hallerberg et al. 2004, von Hagen 2006, 2010) as well as the EU fiscal framework have a significant effect on fiscal rule introduction.

More recently, also Christian Bluth and Pascal Doray-Demers worked on this issue in their respective dissertations. Bluth (2016) used the fiscal rules index of the European Commission to test a set of theoretical arguments (economic, structural, and political influence factors) from the literature to understand which factors would influence the introduction and strengthening of rules in different national contexts. Methodologically he draws on a mixed-methods research design, using different types of regression models, and conducting three qualitative country-case studies (Sweden, Germany, and France).

Bluth's quantitative analysis finds that debt service costs have the strongest effect on the stringency of national fiscal rules (Bluth 2016: 99). Additionally, the econometric tests indicate that „there is a strong effect of ‚keeping up with the neighbours'," as the EU-average of fiscal rule stringency is a strong predictor of national fiscal rule stringency (ibid.). He also discerns that larger government coalitions have a negative effect on fiscal rule stringency, supporting the argument that more veto players reduce the reform capacity of governments.

Interestingly, the quantitative analysis does not identify any significant or robust effects of economic crises or political variables (such as government ideology or political polarisation) on national fiscal rules. Bluth is particularly puzzled by the fact that political polarisation is largely statistically insignificant. He finds this surprising, "as the ability to form a consensus across a wide range of parties is essential to obtaining the large majorities required for constitutional reform" (Bluth 2016: 108).

Based on his qualitative case-studies, and integrating the findings of the quantitative part of his dissertation, Bluth (2016) formulates the following overall argument: Growing debt service costs make politicians, public officials and experts increasingly aware of the inter-temporal trade-off between deficits and the political margin of manoeuvre. When debt service costs substantially reduce even "the short-term political margin of manoeuvre, they accept even tighter constraints in the short term, in order to regain a larger political margin of manoeuvre in the medium to long-term" (Bluth 2016: 18).

While a rational choice approach stressing the influence of rising debt service costs is in Bluth's (2016: 57) view helpful to explain why fiscal rules are introduced, he contends that it is not particularly apt to explain the timing of reform. He equally points out that rational choice might

struggle to explain the exact choice of instruments chosen. Bluth (2016: 18) subsequently argues that consensus building among all major political actors is crucial to achieve far-reaching fiscal rule reforms, especially if such reforms are to be long-lasting. Rising debt service costs would not automatically lead to the introduction and strengthening of fiscal rules. He argues that "if consensus building measures in fiscal affairs are working, general polarisation can be bypassed and reform can be made possible, despite strong opposing views" (Bluth 2016: 147).

For Bluth (2016), policy entrepreneurs initiate such processes during political windows of opportunity (Kingdon [1984] 2014), which typically arise due to heightened debt service costs and economic crises. In his view, a common position on fiscal rules to achieve balanced budgets needs to be brought about by political actors through inclusive and non-politicised negotiations with all major political actors (see Bluth 2016: 152). Based on his qualitative analysis, Bluth (2016: 153f) also stresses the importance of the correct sequencing of reform steps, pointing out the complementarity of fiscal governance reforms with fiscal rule reform. Fiscal governance reforms should precede fiscal rule introduction. Only they provide fiscal policy-makers with the tools that actually allow for rule compliance. As Bluth (2016: 162f), concludes "the strength of the rule seems to be influenced mostly by the strength of the consensus underlying reform. If the need for reform and the objective of cyclically balanced budgets is generally accepted, it is not too difficult to pass a strong fiscal rule. If the consensus is weak, compromises about the strength of a fiscal rule will have to be made."

It is important to point out that Bluth (2016: 19) takes a generally favourable normative view on fiscal rules throughout his dissertation, arguing that they do not to have "obvious and unavoidable drawbacks, as for example a negative effect on growth or social policies". He is convinced that 'effective' fiscal rules actually help to reduce a country's structural deficit, constituting a credible commitment device for fiscal policy-makers. Bluth (2016: 196) contends that "fiscal rules should have a future, because they are politically neutral tools that ensure sound public finances. They are not tools of austerity – or at least they do not have to be. Sound public finances give policymakers the ability to carry out policies that actually improve people's lives."

Similar to Bluth (2016), also Doray-Demers (2017) uses several methods to discern the explanatory factors for the introduction and strengthening of fiscal rules. He proposes three theories to explain the variation in the stringency of fiscal rules: an economic, an institutional, as well as a diffusion theory. From these he derives several hypotheses which are tested in the various chapters of his dissertation. Doray-Demers is particularly interested in the relative importance of economic and diffusion mechanisms in explaining the variation in fiscal framework stringency in Europe.

Concerning economic influence factors, his quantitative study does not find an effect of financial markets (changes in bond yields) on fiscal frameworks (Doray-Demers 2017: 41). In contrast, his quantitative models indicate that fiscal stress in the form of prolonged (5-year) increases in public debt levels leads to the resolution of so-called 'war of attrition' situations among fiscal policy-makers (see Alesina and Drazen 1991), resulting in the introduction or strengthening of national

fiscal rules (Doray-Demers 2017: 41). Interestingly, however, he (ibid: 13) does not find any effect of coalition governments on "rule-based strategies to control public finance".

Beyond the 'war of attrition' argument, his dissertation also focuses on the role of two different diffusion mechanisms, the socialisation and the coercion mechanism (see Dobbin et al. 2007, Shipan and Volden 2008). To test the socialisation mechanism, Doray-Demers (2017: 32) studied the beliefs of national fiscal policy elites. To do so, he drew on a measure of 'economic orthodoxy' from the Manifesto Project, which codes the contents of electoral manifestos of national parties across Europe.

His quantitative analysis, however, does not find any effect of the suggested socialisation mechanism on the stringency of national fiscal frameworks (ibid.: 44). In contrast, different econometric methods confirmed the effect of coercion on the variation in fiscal frameworks. Studying the accession process of Eastern European countries to the EU he shows how coercion through the EU and IMF lead to changes in national fiscal rules (ibid.: 98). A final chapter of Doray-Demers's (2017: 21) dissertation finds, however, that externally imposed fiscal rules do not have an effect on budgetary outcomes, unlike domestically designed rules.

Main findings of the literature on fiscal framework variation

Shortly summing up their central findings, Ayuso-i-Casals et al. (2007) shows that protracted periods of slow growth (among other factors) foster the introduction of fiscal frameworks. Bluth (2016) argues that public debt service costs and economic crisis create a political window of opportunity which can be used by political entrepreneurs to undertake consensus building among major political actors to bring about fiscal rule reform. The more policy-makers are constrained in the short-term by public debt service costs, and the broader the consensus that reform is necessary, the more stringent the national fiscal rules will be after reform. And Doray-Demers (2017), finally, finds that fiscal stress stemming from prolonged increases in public debt levels leads to the resolution of so-called 'war of attrition' situations among fiscal policy-makers. As a consequence, national fiscal rules are introduced or strengthened. He equally shows how coercion through the EU and IMF leads to changes in national fiscal rules, but that externally-imposed rules do not affect fiscal policy-making in the same manner than domestically-developed ones do.

A few common points stand out among these overall findings of this literature. First, all three studies agree that fiscal and economic crises are central to explain the variation in the timing of fiscal framework introduction and in their stringency. Second, the different empirical analyses suggest that different forms of (soft) coercion also have an effect on the variation in fiscal frameworks across countries. This might entail power differentials between the supranational and national level, between big and small countries, and between donor and recipient states. And third, the findings indicate that factors such as government ideology or political polarisation do not have an impact on national fiscal framework reforms. Beyond that, the empirical analyses of the three works provide a number of more tentative, fragmented or even contradictory conclusions.

Critique of the literature's key explanations for fiscal framework variation

While containing some interesting insights, I argue that there is still a long way to go for this small strand of research, given a number of shortcomings and challenges. First, even though they have attempted to go beyond the classic quantitative method of regression analysis, the studies of Bluth (2016) and Doray-Demers (2017) nevertheless remain for the most part bound by the limitations of quantitative studies on fiscal frameworks. Among these are concerns about endogeneity and omitted variable bias, and an over-dependence on existing fiscal framework indices which suffer from a number of serious shortcomings.

Second, while providing some important insights into the processes leading to fiscal framework reforms and their consequences on budgetary outcomes, these findings remain rather 'crude' for the moment. The qualitative part of Bluth's study, for example, is limited to only one reform in each of his three case studies. And the different chapters/papers inside the dissertation of Doray-Demers look at different country samples, with the most qualitative of the chapters only dealing with Eastern European countries. In practice, this means that the existing studies have a lack of robustness and might be difficult to generalise beyond the exact time period and case selection.

Third, given the focus on regression analyses containing a long list of potential influence factors, many of the findings are currently inconclusive, partial or even contradictory. While key arguments of each study, such as the role of political consensus (Bluth 2016) and the impact of coercion (Doray-Demers 2017), are tested with more qualitative tools to analyse their causal links with fiscal framework reforms, such an analysis is missing for other plausible arguments. If one does not hold a deterministic understanding of the world, this is, however, not sufficient to rule out that other explanations might not be as or even more adequate and better generalisable.

And finally, while analysing the impact of government ideology, the existing research aiming to explain fiscal framework variation has largely ignored ideational arguments, which have been put forward forcefully by scholars studying austerity. To advance our knowledge in this field of research, all of these issues should be addressed.

2.6) How to jointly address the different puzzles

Based on this overview of the fiscal framework literature, I have identified a theoretical and a methodological puzzle in addition to the empirical puzzle at the heart of this dissertation. The critical analysis has highlighted key shortcomings in the different strands of research interested in fiscal rules and institutions. As this dissertation aims at providing a theoretical explanation and an accompanying methodology which are able to jointly address these puzzles, it is, in my view, crucial to reflect on the general requirements for such an explanation and the means to test it.

First, the descriptive analysis of national fiscal frameworks in the eurozone suggests that there are simultaneously processes of convergence and divergence at work, which could be either viewed as

a form of 'diverging convergence' (Hassenteufel and de Maillard 2013) or as a 'convergent divergence' (Levi-Faur and Jordana 2005). I argue that a convincing theoretical approach to explain the variation in fiscal framework stringency, design and timing needs to be able to accommodate these different and partially opposing developments.

We need a theory that is able to understand why we see continuing national diversity under conditions of considerable structural, institutional, and ideational convergence pressures. Constraints stemming from eurozone membership, the supranational requirements of the SGP and Fiscal Compact, as well as the elaboration and promotion of fiscal frameworks as a policy solution by international organisations have supported fiscal framework adoption and strengthening at the national level, but, nevertheless substantial divergences persist.

Second, we also need a theory that is able to take into account both the developments at the supranational and the national level, and which is attentive to the interactions between these two levels. The literature on fiscal frameworks has been largely developed inside international epistemic communities with strong links to the aforementioned inter- and supranational organisations. At the same time, national fiscal frameworks have been implemented by domestic fiscal policy actors. These developments are not completely separable as the interdependence between the European and national fiscal frameworks shows. The SGP and the Fiscal Compact, for example, were largely perceived to be driven by Germany (see Bulmer 2014, Schoeller 2015), but the German 'debt brake' was equally strongly influenced by the existing supranational fiscal framework (visible in the documentation of the second federalism commission and voiced by several interviewees).

Third, we need to consider the possibility that at least some national fiscal framework reform processes were largely driven by domestic actors, for which the European fiscal framework only played a minor or even negligible role. At the same time, during the European debt crisis, fiscal policies and institutions were 'forced' onto some crisis countries in exchange for fiscal relief, with relatively little leeway for national government to modify the prescribed requirements. A theory thus also needs to be able to account for different degrees of national ownership of fiscal frameworks (see Doray-Demers 2017), or at least to clearly specify its limits. Additionally, we also need to be able to consider endogenously and exogenously induced change. Some reforms were, at least seemingly, consequences of global economic shocks and financial crises, some appear to be driven by country-specific fiscal problems, while some other reforms happened without any particular urgent problems to address.

Finally, we need a theoretical approach that is able to address and switch between different scales of analysis, from macro-level analysis over the meso- to the micro-level and back. We need to be able to understand broader trends as well as singular fiscal framework reforms, and we need to look at them at different politico-institutional levels, such as the supranational, the national, as well as the subnational level. The following chapter aims at providing such a theoretical approach, based on an ideational explanation for the variation in national fiscal framework stringency, design and timing among eurozone member states.

3) Theory:

An ideational explanation of fiscal framework reforms

3.1) Introduction: Explanations for national fiscal framework variation

This chapter draws on the broader social science scholarship beyond the existing literature on fiscal frameworks to construct five different plausible explanations for the variation in fiscal framework stringency, design and timing. They include national idea-sets, economic models and interest group lobbying, public opinion, financial markets and rating agencies, as well as external coercion. Their joint study aims at solving the identified empirical, theoretical and methodological puzzles, as well as addressing broader shortcomings in the fiscal frameworks literature. I draw on scholarship in international and comparative political economy, the 'new institutionalisms', ideational scholarship, policy transfer and translation studies, and public policy research to build the theoretical foundations for the five different arguments.[3]

The first and central section of this chapter puts forward an ideational argument that I propose as the main explanation for national variation in fiscal frameworks in the eurozone. It stresses the impact of national macroeconomic idea-sets on domestic fiscal framework reforms. In line with Cornel Ban's translational approach to economic ideas, I argue that the ideas held by national fiscal policy-makers, public officials and experts affect how ideas on fiscal policy-making and fiscal frameworks, developed and diffused at the international level, are translated into country-specific contexts. Extending Ban's proposition, I contend that they do so because macroeconomic idea-sets prescribe specific meanings to (1) the role of the state in the economy, (2) the role of rules in fiscal policy-making, and to (3) the role of economic expertise in political decision-making. Differences in these meanings across countries and their stability or change over time then can account for the variation in the stringency, design and timing of national fiscal frameworks.

In a nutshell, I hypothesise that national macroeconomic idea-sets that give a smaller role to the state in fiscal policy-making, a bigger role to rules and a smaller role to expertise in decision-making lead to the implementation of more stringent national fiscal frameworks. Anticipating the findings of the empirical analysis in this dissertation, this approach provides the most complete and conclusive account of the continuous differences across fiscal frameworks in the eurozone. The

[3] For the respective literatures, see the following key works: International and comparative political economy (Hall 1989, Hall and Soskice 2001), the 'new institutionalisms' (Kaiser 1998, Hay 2008, Schmidt 2010), ideational scholarship (Carstensen 2011a, Béland 2016, Blyth 2002, 2013), policy transfer and translation studies (Hassenteufel and de Maillard 2013, Stone 2012, Ban 2016), and public policy research (Kingdon [1984] 2014).

ideational approach also helps us to understand outcomes in actual fiscal policy-making. Together with the chosen research design for the empirical analysis, the ideational argument thus allows to address the theoretical and methodological puzzles identified in the previous chapter.

The second section of the chapter discusses the theoretical foundations and empirical expectations of the four alternative theoretical approaches tested in depth in this dissertation. In short, the expectations from these different theories for variation in national fiscal frameworks are the following: Eurozone member states in which (1) public opinion is more in support of fiscal consolidation and institutional constraints on political decision-makers, whose (2) economic model is comparatively more export-oriented, who have experienced (3) stronger downgrades in public bond ratings or hikes in bond spreads, or that have been under (4) more coercive pressures from external actors, should implement comparatively more stringent national fiscal frameworks. Each of these alternative explanations is assessed thoroughly in itself. The found evidence is also compared to the ideational argument proposed in this dissertation.

As the empirical analysis will show, some reform efforts among the studied cases are indeed affected by factors beyond ideas, however, in a less consistent and encompassing fashion. As the empirical chapters will demonstrate, particularly financial markets and external coercion can play a crucial role in specific cases and circumstances. In contrast, there is little evidence that public opinion or country-specific economic models can serve as satisfactory explanations for the variation in fiscal framework stringency, design and timing. In a final section, this chapter also engages shortly with further alternative explanations that have not been tested exhaustively in the framework of the main empirical chapters of this dissertation.

3.2) An ideational explanation of fiscal framework reforms

In this dissertation I put forward an ideational explanation to account for the variation in the stringency, design and timing of national fiscal frameworks among eurozone member states. I propose that country-specific macroeconomic idea-sets affect the translation of an internationally-developed and dominant idea-set based on public choice thinking into national contexts. Extending Cornel Ban's (2016) 'translational approach', I argue that different macroeconomic idea-sets give specific meanings to the role of the state in the economy, the role of rules and the role of expertise in fiscal policy-making. These meanings subsequently affect national fiscal framework reforms. In a nutshell, in countries where the dominant ideas held by fiscal policy-makers, public officials and experts (1) give a *smaller* role to the state in macroeconomic management, (2) attribute a *bigger* role to rules and (3) assign a *smaller* role to economic expertise to guide fiscal policy decisions, national fiscal frameworks should be comparatively more *stringent*.

I further argue that national macroeconomic idea-sets are not simply 'free-floating' but are embedded in country-specific policy-making, production and knowledge regimes, which give a certain stability to idea-sets over time. National institutions nevertheless allow for both incremental

and more abrupt changes in these idea-sets over time. Gradual changes can take place, for example, due to generational change among politicians, experts or public officials. Such generational change can both lead to or follow from institutional drift (Streeck and Thelen 2005b). More abrupt changes can be related to unexpected economic, financial and political crises, which might affect existing ideas directly. More indirectly such crises might also affect the broader institutional set-up of policy-making, production and knowledge regimes.

But even if changes in macroeconomic idea-sets are influenced by domestic institutions, I argue that ideas are not predetermined by them. In my view, economic ideas generally retain a considerable degree of independence. They are thus the appropriate centre of attention in explaining institutional change, particularly in complex and technical policy domains such as national fiscal frameworks.

Based on a number of theoretical considerations, as well as the empirical findings of this study, I am convinced that this approach is best-suited to address the different puzzles worked out in the previous chapter of this dissertation. Tested against a number of plausible alternative influence factors for the variation in fiscal framework stringency, design, and timing, the ideational explanation shows itself to be the most consistent and coherent explanation across time and countries. For individual fiscal framework reforms, other influence factors such as financial markets and coercion have played a role, but even in these cases, country-specific macroeconomic idea-sets continue to exert a crucial effect on different aspects of fiscal framework variation.

The ideational explanation is equally suited to address the explanatory shortcomings of the public choice literature and to deal with the question of endogeneity in the relationship between fiscal frameworks and budgetary outcomes. I contend that it is merely the belief among fiscal policy actors that politicians act in a power- and revenue-maximising manner that leads to fiscal framework reforms, and not their actual behaviour. This can account for the paradox between the theoretical assumptions of the public choice literature and the empirical reality. The focus on macroeconomic idea-sets is also helpful to disentangle the links between fiscal frameworks and budgetary outcomes, suggesting that it is the dominant ideas held by political decision-makers, experts and public officials, which influence both the direction of fiscal framework reforms and fiscal policy decisions on public deficits and debt. Following this reasoning, the relationship between fiscal frameworks and budgetary policy-making is thus largely endogenous.

The following subsections will discuss this dissertation's main theoretical approach in more detail, starting with necessary definitions and a short overview of the relevant ideational scholarship before detailing the assumptions of the proposed ideational argument based on Ban's (2016) 'translational approach'. They specify and extend his proposal and also stress the embeddedness of national macroeconomic idea-sets in country-specific policy-making, production and knowledge regimes (drawing mainly on the work of Campbell and Pedersen 2014). A last subsection makes the ideational theory more concrete by providing and rephrasing a set of hypotheses and empirical expectations that should be confirmed in the 'real' world if the approach is to be appropriate.

3.2.1) The foundations of this dissertation's ideational explanation

Definition of ideas and idea-sets

An 'idea' can signify a number of different things and concepts, which makes it difficult to pin the term down to a single meaning. This also explains frequent misunderstandings, concept stretching, and confusion when different scholars talk about ideas. This sub-section thus serves to explicate how ideas (as well as idea-sets) are understood and used in this dissertation. The Cambridge Dictionary (2019) provides the following definitions of an idea: (1) "a suggestion or plan for doing something", (2) "an understanding, thought, or picture in your mind", (3) "a belief or opinion", and (4) "a purpose or reason for doing something".

Out of these general understandings of what constitutes an idea, the following aspects are particularly important in the social science literature. First, there is a focus on ideas as beliefs (may they be causal and/or normative), which are derived from interpretations of the complex and uncertain 'real' world or some more abstract concepts. Second, the different definitions stress the dimension of (political) action that ideas bring with them, may they be rather concrete beliefs and opinions, or more abstract mental images or concepts. And finally, they underline the creative process through which 'ideas' are conceived and (re-)made over time (see Emmerij et al. 2005, Béland and Cox 2011, Carstensen 2011a).

Several academic definitions of ideas are relevant for this dissertation. Emmerij et al. (2005: 214), for example, define ideas as "normative or causal beliefs held by individuals or adopted by institutions that influence their attitudes and actions". For them, "normative ideas are broad, general beliefs about what the world should look like", while "causal ideas are more operational motives about what strategy will have a desired result or what tactics will achieve a particular strategy". Focusing on the latter aspect, Béland and Cox (2016: 430, referring to Béland and Cox 2011: 3) view ideas "as causal beliefs about economic, social and political phenomena. As beliefs they are interpretations of the material world, shaped as much by the material world as by our emotions and values". According to them, "as causal beliefs, ideas posit relationships between things and events. These causal relationships might be formal, or they might be informal expectations", for example, that "government spending will stimulate economic growth" (ibid.).

Carstensen (2011a: 600) has a complementary take on ideas, defining them "as a web of related elements of meaning". Adding to the previous definitions, he highlights the instable and incoherent nature of ideas in contrast to an image of ideas as inalterable and stable beliefs. In his view, different elements of meaning of an idea can be modified or recombined. The same applies to the elements of paradigms that typically consist of a related set of ideas (Carstensen 2011a: 601). This last point is important because ideas can come in different types (Béland and Cox 2011: 6), in the form of 'single' ideas or as clusters of ideas (Blyth 2002), and at different levels of generality (Schmidt 2010: 3, see also Mehta 2011: 25). They can span from concrete policy ideas (Kingdon [1984] 2014, Hall 1989), over programmatic ideas or paradigms (Hall 1993, Berman 1998) to deeper philosophical ideas (Campbell 2004).

Following these different conceptions, I define ideas as normative and/or causal beliefs that serve as a means to interpret the world and to act in it. These individual ideas can be aggregated into what I call 'idea-sets'. These are clusters of ideas that 'ideally' form a largely consistent and coherent web of related elements of meaning. Keynesianism or neoliberalism would be examples of such macroeconomic idea-sets.

In my definition, idea-sets are not necessarily stable but can change considerably over time. Particular ideas contained in idea-sets can be replaced by others, some ideas might gain or lose in importance relative to others inside an existing idea-set, new ideas can be added to an idea-set and existing ones can be removed (see Carstensen 2011a). In line with the work of Carstensen (2011a, 2011b), this understanding of idea-sets as rather flexible constructs allows for a significant degree of dynamism and agency in the form of ideational 'bricolage' to construct, interpret and adapt particular idea-sets (see Schmidt 2010). Given the complexity and technicality of macroeconomics, I contend that politicians, public officials, and experts are the main actors involved in this process of ideational 'bricolage' in the field of fiscal policy-making, serving as idea entrepreneurs/idea bricoleurs.

Another key feature of my definition is that idea-sets do not have to be – and, in practice, rarely are – fully internally logical. While it is difficult to bring together too many contradictory ideas in individual idea-sets, they are to a certain extent always incoherent or at least incomplete, which gives them an ambiguous or polysemic character (Béland and Cox 2016, Cox and Béland 2013, Jabko 2005, Palier 2005). This provides considerable leverage to fiscal policy actors to come up with specific idea-sets and reconfigure them over time.

Carstensen (2011b: 147) has pointed out that "actors must work actively and creatively with the ideas and institutions they use, because the structures within which actors work do not determine their response to new circumstances". He further stressed that "actors face a complex array of challenges in getting their ideas to the top of the policy agenda, which makes it all the more important to act pragmatically, putting ideas together that may not be logically compatible but rather answer political and cultural logics". Again, this is particularly relevant in the complex world of macroeconomics, public budgeting and fiscal institution-building. I acknowledge, however, that policy elites are not completely free in their actions but remain constrained by country-specific ideational and institutional legacies (see Ban 2016). At the same time, national institutions can also empower specific ideational bricoleurs, namely those that occupy central posts in a country's policy-making, production and knowledge regimes.

Ideas and their influence on institution-building and policy-making

Since the late 1980s, the interest in ideas as explanations for political, economic, and social phenomena has sharply increased across the social science literature. With Peter Hall's seminal works on the "political power of economic ideas" (Hall 1989) and the model of paradigmatic third-order policy change (Hall 1993, see also Baumgartner 2013), the notion that 'ideas matter' for

political and institutional outcomes gained importance in comparative political economy and the different neo-institutionalisms. Also in the public policy literature ideas have received renewed interest since the mid-1980s (see Kingdon [1984] 2014, Mehta 2011, Jobert and Muller 1987, Surel 2000, Palier and Surel 2005).

In recent years, scholars have aimed to go beyond the basic statement that 'ideas matter' to better understand 'how ideas matter' for institutional and political change or stability (see e.g. Thiemann et al. 2018). To be able to do so, Mehta (2011: 25), for example, has argued that it is important to specify "what kinds of ideas serve what functions, how ideas of different types interact with one another, how ideas change over time, and how ideas shape and are shaped by actors' choices". Key contributions to show how ideas matter for political outcomes were made, for example, by Berman (1998) and Blyth (2002).

Particularly Blyth's influential study *Great Transformations* showed how economic ideas were used during times of crises to bring about institutional change. He argued that (1) "in periods of economic crisis, ideas (not institutions) reduce uncertainty, (2) following uncertainty reduction, ideas make collective action and coalition-building possible, (3) in the struggle over existing institutions, ideas are weapons, (4) following the delegitimization of existing institutions, new ideas act as institutional blueprints, [and that] (5) following institutional construction, ideas make institutional stability possible" (Blyth 2002: 35ff). Similar to Hall (1993), however, Blyth's approach requires a large and exogenous shock to bring about institutional change. And in both cases, institutional change is abrupt and extensive.

To address these issues, Streeck and Thelen (2005b) set out to show how institutional change can also be incremental. They were, however, more interested in defining different possible mechanisms for incremental change such as displacement, layering, drift, conversion, and exhaustion rather than identifying its explanatory factors (Streeck and Thelen 2005a: 31). Carstensen (2011a: 596) applied the logic of incremental change also to the study of ideas. He argued that most theories in political science would "implicitly conceptualize ideas as relatively stable entities that act as a catalyst for political change in times of crisis". In contrast to the broader literature, he pointed out that incremental institutional change could be the consequence of incremental ideational change. Ban's (2016: 11) discussion of the evolution of neoliberal ideas towards the new neoclassical synthesis is very enlightening in this regard.

The stronger focus on incremental ideational change in the literature has also put agency more into the foreground. Recent ideational scholarship has become increasingly interested in the impact of the actors that hold, develop and promote particular ideas. Works by Helgadóttir (2016) and Christensen (2017), for example, focus particularly on mainstream economists, their role in the political process and the promotion of particular institutional solutions (see also Thiemann et al. 2018). And Fourcade (2009) as well as Campbell and Pedersen (2014) have highlighted the importance of national legacies of knowledge production, especially with regard to the economics profession.

Since the 1990s, scholars have also developed a related research program which considers the role of ideas and agency in the context of policy transfers (see Rose 1991, Dolowitz and Marsh 1996, 2000, 2012, Marsh and Sharman 2009, Cairney 2009, Benson and Jordan 2011) and, more recently, policy translation. (see Stone 2012, Hassenteufel and de Maillard 2013, Ban 2016). Originating from research on diffusion and convergence, early policy transfer studies got interested in "the role of agency in transfer processes and decision-making dynamics internal to political systems" (Stone 2012: 485).

Scholars thus tried to move away from the study of mechanisms of policy diffusion, which was often perceived as being too mechanistic with its terminology of 'osmosis' or 'contagion'. At the same time, they also redirected the focus (particularly in its further evolution into policy translation studies) on divergences that are formed or remain when ideas, policies, norms, or institutions travel from one location to another one, rather than looking at the convergence that potentially follows from such travels (see Cairney 2009). Or as Stone (2012: 485) put it, "what the policy transfer literature (…) allows us to see is the possibilities for convergence around broad policy objectives and principles but scope for divergence with regard to the instruments adopted, type of legislation or institutional models of policy control/delivery".

3.2.2) A translational approach to macroeconomic idea-sets

Building upon this scholarship, I draw on the policy translation literature, which serves as the central theoretical lens for my ideational approach to explain fiscal framework variation. This strand of research goes even a step further in highlighting the transformative aspects that can take place during policy transfer, stressing "divergence and hybridization, adaptation and mutation" (Stone 2012: 488). It thus moves away from rather technical transfers of policy and institutions towards transnational dynamics of translation. Or as Lendvai and Stubbs (2007: 175) have put it: "A series of interesting, and sometimes even surprising, disturbances can occur in the spaces between the 'creation', the 'transmission' and the 'interpretation' or 'reception' of policy meanings".

Hassenteufel and de Maillard (2013: 388) stress that there are three dimensions to the notion of translation: First, building on literary analysis, translation can be understood as a 're-creation' of an original text. Second, in the framework of the sociology of sciences, translation can be read as a re-problematisation, negotiation and mobilisation of actors. And third, in a neo-institutionalist perspective, translation means to 'inscribe' something into an institutional and political context.

As de Maillard and Le Goff (2009, in Hassenteufel and de Maillard 2013: 388) have argued, not only ideas but also literary texts and the notions they contain may be ambiguous, polysemic, and incoherent (see Béland and Cox 2016, Carstensen 2011a, 2011b). Particularly interesting in the European context, in which national fiscal frameworks are to be applied across a large number of country and language borders, is that some notions might also be untranslatable (see Ricoeur 2004: 13) or have different meanings/connotations in specific states. Where a literal translation is thus not possible, partial translation, free translation or other forms of adaptation might be necessary

(see Hassenteufel and de Maillard 2013: 388). We could even go one step further and suggest that institutions themselves, with growing degree of complexity and technicality, might not be as coherent, stable and unambiguous as often assumed, becoming thus increasingly open to changes in translation processes.

The role of national macroeconomic idea-sets

Beyond these basic aspects, my own argument is particularly informed by the work of Ban (2016). I draw on the translational approach to macroeconomic ideas that Ban has applied in his book *Ruling Ideas: How Global Neoliberalism Goes Local*, in which he aimed at understanding the differences in the introduction of neoliberalism in Spain and Romania. According to him, "instead of remaining stable in the process of movement from one institutional setting to another, 'new' ideas are translated to 'fit' the specific context by economists, civil servants, civil society organisations, corporate holders of techno-scientific knowledge, or even exceptional individuals" (Ban 2016: 18).

As in recent ideational scholarship more broadly, Ban stresses the role of agency in the form of translators. Importantly, Ban (2016: 18) highlights how the local economic ideas that actors hold – what he calls 'ideational legacies' – and how they resonate (or can be made to resonate) with internationally diffused ones, have an influence on the (non-)translation of policy ideas and the kind of translation that takes place. Here he refers to the early work of Hall (1989: 383) who "conditioned the successful adoption of global economic ideas on how well they fit with pre-existing 'political discourse' (ideas about the role of the state, common ideals, collective memories)" (Ban 2016: 18-19).

Countries in which nationally produced ideas deviate stronger from internationally diffused ones should thus display stronger deviations from the latter ones than countries, where ideas correspond more closely to the internationally disseminated ones (Ban 2016: 20). In the case of economic theories such as neoliberalism or Keynesianism and their utilisation contexts, we should thus not expect them to function "as rigid scripts to be copied in one location and reproduced in another, but as flexible ideas open to local adaptation and interpretation" (ibid.: 3).

I argue that country-specific macroeconomic idea-sets (what Ban describes as ideational legacies) and their evolutions have a decisive impact on national fiscal framework reforms, influencing the variation in their stringency, design and timing. In relation to fiscal frameworks, I contend that the dominant internationally promoted economic idea-set is that of public choice, with its preferences for strongly discretion-constraining fiscal frameworks. Given its varying conformity with national macroeconomic idea-sets, the public choice idea-set is not translated into national contexts in a uniform manner. I propose that, depending on the compatibility of domestic macroeconomic idea-sets with public choice thinking, implemented fiscal frameworks might closely correspond to international norms or differ strongly to be in accordance with these national idea-sets. In addition, I argue that key tenets of the public choice idea-set also drive differences in fiscal policy-making and consolidation across countries.

The role of national translators

The translation approach highlights the role and agency of policy entrepreneurs that act as translators of internationally developed and promoted macroeconomic idea-sets into country-specific politico-economic landscapes (Ban 2016: 5-6). As Carstensen (2011a, 2011b) and Béland and Cox (2016) have highlighted, ideas are ambiguous, incoherent, and thus open to interpretation. This can be used by national translators to adapt, transform, and change both national ideas on fiscal policy-making, as well as ideas stemming from the international sphere.

Given the complex and technical nature of fiscal frameworks, politicians, experts or public officials generally serve as domestic translators on ideas related to them. Common fiscal policy ideas from the international spheres, such as fiscal frameworks, can be translated in rather different ways by such translators. Legal texts such as treaties, directives, and regulations have to be 're-created' in the national context (see Hassenteufel and de Maillard 2013: 388). This gives translators leverage over the appropriate reading of texts.

Even legal texts, that normally aim at providing clear and transparent provisions, can be (at times deliberately) ambiguous and have to be read in connection with other requirements. The structural deficit limit of the Fiscal Compact is a perfect example in this case. While being related to requirements from the SGP, where the structural deficit was considered a medium-term objective, the Fiscal Compact could also be read as demanding strict annual compliance with this limit. And indeed, German and French authorities, for example, have translated this requirement rather differently into their own legislation (see chapter 12 on the French case).

As the work of Kingdon ([1984] 2014) in the public policy literature has shown, when it comes to reforms, ideas and problems have to be linked. The translation of ideas then is also a process in which translators adapt international ideas to national problems or reformulate and renegotiate what the national problems actually are, to bring about reforms. What concrete problems exist in a country is connected to its specific policy-making, production and knowledge regimes and their interactions with the international level. But again, problems might be ambiguous and incoherent and thus open for adaptation and transformation.

National policy entrepreneurs and translators can become active to both make national problems fit better with more global solutions and/or alter these ideas to correspond more closely to domestic problems. And ideas and problems can be adapted in a fashion that allows for an (ambiguous) consensus among different translators. As Ban (2016: 19) has acknowledged, 'skilled framers' might be able to "'sell' new economic ideas to different constituencies even when they don't fit very well with local ideas". While I think that this can be the case for specific fiscal framework reforms, taking a more long-term and comparative view across reforms shows that national macroeconomic idea-sets generally play a crucial role for reform outcomes.

Given the considerable degree of agency that domestic translators of macroeconomic idea-sets possess, the translational argument that I am proposing is not a particularly structural or static one. It rather stresses their capacity to bring about ideational as well as institutional change. Domestic translators are, nevertheless, limited by existing national ideational and institutional constraints. Under 'normal' conditions, they will not be able to completely reshape ideas according to their personal preferences and, thus, institutions over time. Change typically happens in a rather slow and incremental fashion.

The role of national institutions

In addition to ideational legacies, in Ban's translational approach also institutional legacies matter, applying in particular to those institutions that are central to domestic economic knowledge production. This links the policy translation literature with the broader scholarship in comparative political economy and its recent advances, for example, by Campbell and Pedersen (2014) on knowledge regimes.

Ban (2016: 20) highlights that the degree of openness or closeness of domestic institutions has an impact on translation, as it leads to differing degrees of exposure to internationally-promoted ideas. In his case, "open institutions maximize the potential of a fast embrace of neoliberalism, while closed institutions reduce it" (ibid.). Importantly, the nature of national institutions might be linked to the broader institutional framework in place. To specify this insight further, I draw on Campbell & Pedersen's (2014) distinction between national policy-making, production and knowledge regimes, which basically entail the set-up of political, economic and research institutions.

In this dissertation I consider the following dimensions of country-specific regimes that interact with and support the (re-)production of national macroeconomic idea-sets: (1) national policy-making regimes, which entail the political, electoral and party system as well as the degree of (fiscal) decentralisation, (2) national production regimes, which include the type of industrial relations and the economic structure of a country, and (3) national knowledge regimes, which encompass the national model of knowledge production (such as state-centred, university-based, think tank-based, or corporatist) (Campbell and Pedersen 2014).

I argue that national macroeconomic idea-sets are embedded in these country-specific sets of institutions which have a mediating effect on domestic ideational change and on the pathways through which internationally-developed and promoted ideas enter the fiscal policy arena. This does, however, not mean that domestic institutions are determining the contents of the ideas of national fiscal politicians, experts or public officials. Institutions in the fiscal policy field, particularly those involved in knowledge production, are often themselves significantly influenced by the national macroeconomic idea-sets in place. And as I contend that fiscal policy-makers have a considerable degree of agency to bring about ideational and institutional change, existing institutions often simply influence the channels through which such change can be enacted.

3.2.3) An extension to Ban's translational approach

In the previous sub-sections I discussed a number of 'specifications' of Ban's translational approach for its use in this dissertation. I, however, also want to extend his work to be better table to specifically understand the variation in fiscal framework stringency, design and timing. I argue in this dissertation that different national macroeconomic idea-sets contain specific understandings of (1) the role of the state in the economy (see Hall 1989), and of (2) the role of rules and (3) expertise in (fiscal) policy-making. In my view, these meanings, which can vary strongly across different idea-sets, have a considerable influence on national fiscal framework variation.

The role of the state in the economy

Different macroeconomic idea-sets such as neoliberalism, ordo-liberalism, Keynesianism, statism, developmentalism, or other more hybrid idea-sets generally contain an understanding of the state's role in the economy (see Vanberg 2014, Lenel 1989, Schmidt 2016b, Clift 2012). Depending on the idea-set, intervention of the state into the economy and markets might be seen as something desirable or as something harmful on the path to achieve a social optimum. Different macroeconomic idea-sets also entail specific conceptualisations of markets, how they function, and what role they are playing in the economy, also in relationship to the state. These points of view are often portrayed as promoting a 'weak' or a 'strong' state, even if these meanings are highly ambiguous, because non-intervention of the state does not necessarily mean that a state is or has to be 'weak' (see Barry 1989).

What I argue here is that some macroeconomic idea-sets contain the normative and causal belief that the state should generally not use its budgetary powers to intervene in the economy, while in others, this should be the case. What follows from this belief is that countries in which dominant ideas are in line with a non-intervening role of the state, it should be more likely that a more stringent national fiscal framework is implemented. Strongly discretion-constraining fiscal rules and institutions should be a means to ensure that the belief of non-intervention is both signalled publicly and enshrined legally to enforce this belief.

In general, neoliberal and ordoliberal idea-sets hold the belief that the state's role in the economy should be limited, while Keynesian or statist idea-sets give a more active role to the state. Subsequently, in countries where the latter macroeconomic idea-sets are dominant, fiscal policy actors should support more lenient fiscal frameworks, which give them more room for manoeuvre to intervene in the economy through fiscal policy. Different understandings of the state's role in the economy might also be reflected in and interact with the structure of the state (federal vs. unitary), the economy (export-driven vs. consumption-driven), and knowledge production (state-based vs. think tank-based).

The role of rules and expertise to guide (fiscal) policy-making

Related to the state's role in the economy, but not dependent on it, different macroeconomic idea-sets typically also contain particular understandings of the role of rules and expertise to guide (fiscal) policy-making (see Brunnermeier et al. 2016: 42, Peacock and Willgerodt 1989a, Clift and Tomlinson 2012, Clift 2012). In general, the belief in rules to constrain fiscal policy decisions goes along with scepticism towards the role of expertise in making budgetary decisions related to public deficits and debt, and *vice versa*. These two beliefs are, however, not necessarily diametrically opposed to each other. Idea-sets which support both the use of constraining fiscal frameworks and the recourse to more discretionary macroeconomic expertise are possible but necessarily entail a comparatively higher degree of ambiguity and incoherence.

I argue that, in general, macroeconomic idea-sets which support the use of rules to direct policy-making, and that are less attuned to discretionary expert decisions, should lead to comparatively more stringent fiscal frameworks. In addition, such idea-sets also support those kinds of rules that are, at the same time, simple, easy to understand, stringent, binding. and enforceable. Such rules always have to be complied with, because they resolve a number of problems in political decision-making that are only worsened by discretion.

In contrast, macroeconomic idea-sets which view expertise and discretionary decision-making as more adequate means to guide fiscal policy-making, and that are more sceptical towards to rules as an appropriate means to make such decisions, should lead to comparatively more lenient fiscal frameworks. Concretely, such idea-sets typically understand rules rather as guidelines than as limits for political action in the strict sense, from which policy can deviate when expert opinion suggests it. Also, such idea-sets – if requirements for fiscal framework implementation exist – normally support more flexible, complex, and 'intelligent' rule-sets to inform policy-making.

3.2.4) Summary of this dissertation's translational approach to macroeconomic idea-sets

Having fleshed out the details of the translational approach to macroeconomic idea-sets used in this dissertation, this sub-section provides an overview of its defining elements and why such an explanation seems suitable to explain the variation in fiscal framework stringency, design and timing. It also provides a summary of the expectations and hypotheses that this ideational approach entails.

The key features of the translational approach to macroeconomic idea-sets

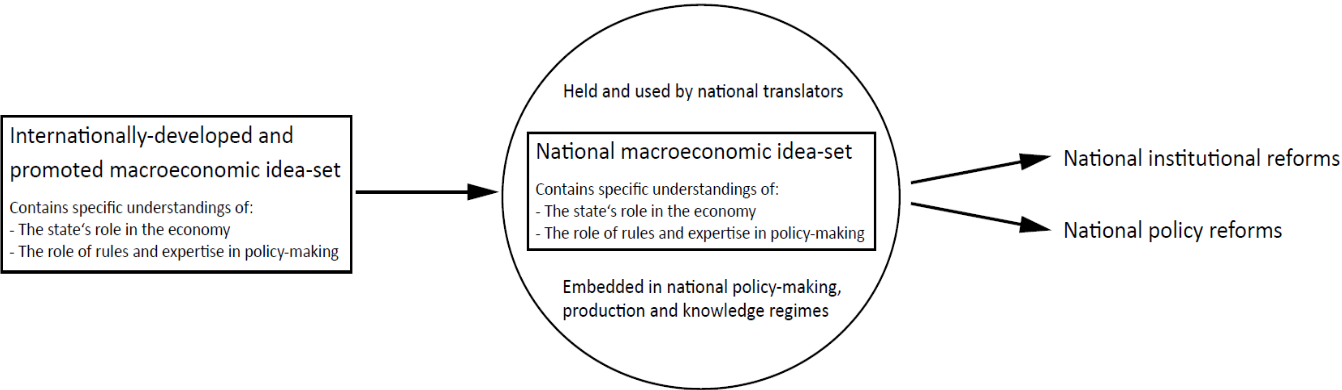
In line with Ban's (2016) thinking, the translational approach to macroeconomic idea-sets proposed here stresses three key elements to understand national institutional and policy reforms. First, it highlights the importance of country-specific macroeconomic idea-sets that are held by the politicians, experts, and public officials that populate national fiscal policy networks and their relevant institutions. Internationally-developed and promoted idea-sets are not taken over

wholesale into national contexts. They are rather translated, hybridised, mutated and transformed on the path towards national legislation, depending on the compatibility of the different idea-sets. Extending Ban's more general work, the translational approach put forward in this dissertation stresses that macroeconomic idea-sets contain particular understandings of the state's role in the economy and the role of rules and expertise in policy-making. These understandings and their (non)compatibility across idea-sets have a considerable impact on the process of translation.

Second, the translational approach stresses the importance of agency in the translation of ideas into country-specific conditions. The ambiguity, polysemy, incoherence and incompleteness of macroeconomic idea-sets gives translators considerable room for manoeuvre to adapt and reconfigure these idea-sets, putting into place institutions and policies that correspond often times more closely to the dominant domestic idea-set. Over time, translators might, however, also be able to change national macroeconomic idea-sets, bringing them more or less in line with internationally-diffused ones.

Third, national macroeconomic idea-sets are not free-floating and thus changeable at will but are embedded in country-specific policy-making, production and knowledge regimes. This also applies to translators, who often are part of one or several domestic institutions in these regimes. While not determining macroeconomic idea-sets and their contents, national policy-making, production and knowledge regimes often represent these idea-sets. They also have a mediating role, affecting which potential translators are able to exert influence, and have an impact on the channels through which ideational change and institutional or policy reforms come about. Particularly the knowledge regime plays an important role, because it contains country-specific sets of institutions who produce knowledge on fiscal policy and whose architecture and relationships play a role in the development and diffusion of idea-sets. Figure 3.1 summarises this overall argument in a simplified graphical form.

Figure 3.1 – Graphical depiction of the overall ideational model



Source: Own Depiction

Expectations and hypotheses for the case of national fiscal frameworks

Based on these rather general assumptions of the translational approach to macroeconomic idea-sets, this section aims to (re)specify a number of expectations and hypotheses for the case of national fiscal frameworks. For the theoretical explanation to be valid, these theorised relationships should be found in the empirical analysis of this dissertation. As the previous chapter has shown, the idea of national fiscal frameworks is largely based on the idea-set of public choice. Proponents of public choice believe that there is a need to implement stringent national fiscal frameworks that constrain the fiscal policy discretion of political decision-makers. In their view, this will lead to better economic, political and social outcomes. Importantly, public choice itself overlaps and shares a number of affinities with macroeconomic idea-sets such as neoliberalism and ordo-liberalism. Public choice thinking contrasts more strongly with idea-sets which are more critical of rules-based fiscal policy-making and support flexibility and situation-dependent discretion for decision-makers (e.g. Keynesianism and statism).

Based on the proposed translational approach, we should expect that fiscal frameworks correspond more closely to the public choice ideal in countries, where national idea-sets share more normative and causal beliefs with public choice thinking. This applies in particular to the understandings of the state's role in the economy and the role of rules and expertise in fiscal policy-making. The 'smaller' the role that national idea-sets give to the state in macroeconomic management, the more they support the use of rules to direct decision-making, and the less they believe in the use of discretionary expertise, the more stringent national fiscal frameworks are going to be.

In cases where there is a clear and dominating national macroeconomic idea-set in place, this hypothesis should apply particularly well. In countries where there is more ambiguity about the guiding macroeconomic idea-set, national fiscal frameworks will reflect this accordingly. I hypothesise that in those states where politicians, experts, and public officials hold predominately macroeconomic idea-sets with affinities to public choice (such as neoliberalism and ordo-liberalism) comparatively more stringent fiscal frameworks are put into place. In turn, in countries where dominant macroeconomic idea-sets are more in line with, for example, Keynesianism, statism or developmentalism, we should find less stringent fiscal frameworks.

In terms of design, I argue that national macroeconomic idea-sets also influence which kinds of fiscal rules and institutions are put into place. Specific idea-sets identify particular types of fiscal policy problems to address and subsequently support the introduction of fiscal rules and institutions that seem best able to resolve these problems. In particular, macroeconomic idea-sets close to public choice thinking should support the implementation of 'simpler' national fiscal frameworks that are 'easier' to apply and to interpret by politicians and the broader public (also in terms of compliance). Macroeconomic idea-sets which give more space to expertise and discretionary decision-making should tend towards more complexity. This allows political actors to take into account a greater variety of economic situations for which fiscal frameworks can adapt and give generally more leeway for politicians to refocus rules when in need.

Concerning the timing of fiscal framework reforms, I argue that they become more likely when dominant macroeconomic idea-sets change significantly over time. When there is a move towards the understanding that the state's role in the economy is too 'big' and if concerns about discretionary decision-making based on expertise are growing, then we should see the implementation of (increasingly more stringent) fiscal frameworks. Once fiscal frameworks are already in place, and when there is a change in the dominant idea-set towards a more state-intervening and/or expertise-driven approach, then we should see a 'loosening' of fiscal rules. In countries where it should prove difficult to change the legal basis for the fiscal framework, then political actors should increasingly attempt to find means to bypass rules or activate escape clauses.

Finally, with regards to the potential endogeneity between fiscal frameworks and budgetary outcomes, I argue that both variables are largely influenced by national macroeconomic idea-sets. This means that I view the relationship between fiscal frameworks and public deficits and debt as largely spurious and that rule-compliance is generally not the consequence of strongly discretion-constraining fiscal rules and institutions. This does not mean, however, that fiscal frameworks do not have any impact on political decision-making. From my standpoint, their main function is to further entrench dominant macroeconomic idea-sets, which makes it more difficult (but not impossible) for translators and policy entrepreneurs to change these idea-sets. If this argument is right, we should see the following empirical patterns: In general, fiscal consolidation efforts should not be the consequence of fiscal framework reforms. They should rather happen repeatedly before changes to national fiscal frameworks.

Conformity with general requirements to study fiscal framework reforms

Going back to the requirements for a suitable explanation of fiscal framework variation in the previous chapter, I made four general points. These called for a theoretical approach that is able to (1) integrate simultaneous processes of convergence and divergence, (2) follow developments at the national and supranational level, (3) consider at the same time domestically and externally-driven reform processes, and to (4) move between different scales of analysis to understand national fiscal framework reforms.

I believe that an ideational explanation focused on processes of translation is particularly suitable to correspond to such requirements. Concerning the first point, the translational approach starts from the premise that there are processes of diffusion, but that this diffusion does not necessarily lead to convergence. As the diffused contents are used and interpreted differently in different localities, this allows for continuous divergence across space and time. Regarding the second point, the translational approach incorporates bounded localities that are generally corresponding to the supra-/international, the national and subnational units of analysis and follows actors at these different levels to understand fiscal framework reforms.

Compatible with the third point, the translational approach does not exclude the possibility of internally or externally-guided reforms due to its focus on agency and the role of translators. While

stressing the impact of domestic translators, the proposed ideational explanation does not exclude the decisive role of trans-national translators. And corresponding to the fourth point, as the translational approach is relatively flexible regarding the studied ideas, policies, institutions and actors, it also does not prohibit to integrate different scales of analysis. In my view, the proposed approach thus elegantly combines processes of convergence and divergence across the inter-/supranational and national levels, gives a considerable degree of agency to political actors, and takes ideas and their effect on institutional change seriously. It allows to study the (inter-)relationship of different tiers of government and decision-making, and it also allows for an integration of ideas at different levels of generality as well as their incremental change.

3.3) Alternative explanations of fiscal framework reforms

To assess the capacity of the translational approach based on macroeconomic idea-sets to explain variation in national fiscal frameworks, I control for a number of plausible alternative approaches. The following subsections details four arguments that I deem particularly relevant and which deserve a more detailed investigation. These include two domestic factors, country-specific economic interests and public opinion, and two external factors, the role of financial markets (and bond ratings) and external coercion. The individual arguments and hypotheses related to these potential explanatory variables are based on the limited existing literature explaining fiscal framework variation, the broader scholarship on these different variables, and my own reflections of plausible alternatives to the proposed idea-based explanation.

3.3.1) Economic interests

In contrast to ideas, also more materialist and institutionalist factors might affect fiscal framework reforms, such as cross-country differences in economic models, dominant social blocs and interest group lobbying. These might favour distinct approaches to macroeconomic management, leading to specific preferences on national fiscal rules and institutions, as well as public deficits and debt. While intuitively plausible, the existing empirical scholarship on fiscal frameworks has largely ignored any variables that would correspond directly to economic models or interest groups. The more theoretical literature on fiscal frameworks has considered the role of interest groups, but mainly to explain the deficit bias and thus the need for the introduction of fiscal frameworks (e.g. Alesina and Drazen 1991). Subsequently, the following theoretical arguments and hypotheses are mainly drawn from the broader scholarship.

I consider three – partly related – strands of research to be particularly relevant for studying the influence of economic models, dominant social blocs and interest groups on national fiscal frameworks: (1) the research on the diversity/varieties of capitalism (see Hall and Soskice 2001, Amable 2003, Nölke and Vliegenthart 2009, Schmidt 2016b), (2) the recent literature on growth models (see Baccaro and Pontusson 2016, Baccaro and Pontusson 2019), as well as (3) the works on rational choice, particularly those focusing on rational choice institutionalism (see Hall and Taylor 1996, Shepsle 2006) and liberal theories of preference formation (see Moravcsik 1993).

Economic models

First, different politico-economic models could influence fiscal framework reforms and policy decisions on public deficits and debt. While the varieties of capitalism (VoC) literature has generally been less interested in studying the role of national fiscal policy-making and fiscal institutions, the specific institutional set-up of liberal market economies (LMEs), coordinated market economies (CMEs) (Hall and Soskice 2001), state-influenced market economies (SMEs) (Schmidt 2016b) and dependent market economies (DMEs) (Nölke and Vliegenthart 2009) might, nevertheless, be able to explain the variation in national fiscal rules and institutions.

We could hypothesise that in those countries where capitalism is based on coordination rather than competition between market actors, comparatively more stringent fiscal frameworks are introduced. CMEs might be less dependent on state-based macroeconomic management to deal, for example, with economic downturns, as firms and labour unions coordinate economic activity among themselves. In such an institutional environment, policy-makers might be more likely to implement discretion-constraining fiscal frameworks and focus on fiscal consolidation. The same could apply to DMEs, where capitalism is strongly dependent on international competitiveness. Here we could hypothesise that the dependence on foreign direct investment urges political actors to implement budgetary restraint (by means of fiscal frameworks and by avoiding public deficits) to secure investors' returns and avoid capital flight. To the contrary, in LMEs and SMEs political decision-makers might have to intervene strongly through budgetary means when competitive market mechanisms fail during economic downturns or to support broader state-driven macroeconomic policy-making.

Growth models

Criticising the largely static nature of such economic models, Baccaro and Pontusson (2016, 2019) have recently proposed a more 'malleable' growth model perspective. This approach moves the attention from the VoC's interest on the supply-side to the demand-side of the economy. In their view, countries possess specific growth models, each with a particular "relationship between different components of aggregate demand" (Baccaro and Pontusson 2019: 3-4). Based on the dominant growth component in a country, Baccaro & Pontusson distinguish between several growth models: the classic Fordist wage-led model, a consumption-led growth model, which is credit-financed and driven by household debt, an export-led growth model, as well as mixed growth models[4]. In their analysis, Germany serves as an example for an export-led growth model (see also Höpner 2019), the UK illustrates a more consumption-led growth model, while Sweden represents a more balanced approach (and Italy lacks both growth drivers) (see Baccaro and Pontusson 2016).

Baccaro and Pontusson (2019: 0) claim that "these different growth models are supported by different constellations of organised interests – first and foremost corporate interests – whose influence over key policy decisions is due to their economic centrality and their ability to project

[4] In addition, they also consider the existence of an FDI-led growth model (see Regan and Brazys 2018).

their sectoral interests as 'the national interest' ". They call these organised interests 'dominant social blocs' (see also Amable 2017, Gramsci 1971). In their view, "'social blocs' should be conceived as enduring constellations of sectoral and class interests that are organised in hierarchical manner, with certain components of the social bloc being privileged relative to others" (Baccaro and Pontusson 2019: 0). In addition, they "posit that growth models and social blocs depend on each other and evolve in tandem" (ibid.: 1).

Importantly, Baccaro and Pontusson (2019: 10) do not "conceive of social blocs as competing coalitions (...)" but believe that – under 'normal' conditions – there is only one social bloc in place per country. Membership in this dominant social bloc is subsequently a question of 'coalitional politics', deciding over which "groups are directly included in the core of the social bloc, which groups are part of its periphery, and which groups are excluded from the social bloc" (ibid.: 10).

Dominant social blocs might have an effect on national fiscal framework reforms and fiscal policy-making because of the specific growth models that they support. Baccaro and Pontusson (2016: 33) have argued that

> "when growth is consumption-led, we would expect Center-Right governments as well as Center-Left governments to respond to economic downturns by stimulating domestic consumption. When growth is export-led, by contrast, we would expect governments, regardless of their ideology and the distributive interests of their core constituencies, to pursue more restrictive macroeconomic policies, designed to boost cost competitiveness".

Based on these arguments we could hypothesise that countries with an export-led growth model should implement comparatively more stringent national fiscal frameworks. In contrast, countries with a consumption-led growth model would implement no – or more lenient – fiscal rules and institutions. More intermediate forms could be expected in countries with hybrid growth models.

Interest groups

Scholars sceptical about the existence or role of national dominant social blocs in political decision-making might focus on individual interest groups and the competition between them. Arguments about the influence of interest groups on political outcomes are generally linked to rational choice theories, assuming "rational state behaviour", drawing on "a liberal theory of national preference formation" (Moravcsik 1993: 480). In this view, national interests "emerge through domestic political conflict as societal groups compete for political influence, national and transnational coalitions form, and new policy alternatives are recognized by governments" (ibid.: 481).

According to Moravcsik (1993: 483), "the relationship between society and the government is [thus] assumed to be one of principal-agent; societal agents delegate power to (or otherwise constrain) governmental agents". Rational choice-institutionalism (RI) applies this reasoning to the introduction and change of institutions (see overviews by Hall and Taylor 1996, Hay 2008). Following an ideal-typical model, in RI, actors behave according to a 'calculus approach' (or 'calculus logics, 'logic of consequences'). Actors are instrumentally rational. They introduce and

change institutions to further their interests, and also behave in a rational manner inside existing institutional contexts (see Shepsle 2006).

In the view of RI, institutions can be explained through recourse to a 'voluntarist' and 'intentionalist' vision of political action, rendering RI also rather 'functionalist' (Hall and Taylor 1996: 952). Institutions are explained by the functions and benefits they deliver for involved actors, overcoming, for example, collective action problems (Hall and Taylor 1996: 943-944). In the case of fiscal frameworks, these institutions would thus be the result of a negotiation process of relatively equal and independent political actors, institutionalising 'the rules of the game in a society' to overcome suboptimal configurations of fiscal policy-making (North 1990: 3, in Hay 2008: 58).

Similar to the theoretical approaches presented above we could hypothesise that in countries where export-oriented sectors are dominant, interest groups will push for more discretion-constraining national fiscal frameworks. This should allow them to better secure cost competitiveness in the long run. In countries with large economic sectors based on public consumption, interest groups should be more interested in governments supporting general demand, lowering their appetite to constrain public expenditures and deficits through institutional means.

3.3.2) Public opinion

Public opinion could be another plausible factor influencing fiscal framework reforms. Over the last decades, public opinion polling has become widespread among advanced countries. This has made it easier for decision-makers to monitor public preferences and to be more responsive to them (Soroka and Wlezien 2010). As politicians seek to be (re)elected, public opinion towards public debt and fiscal institutions could affect their positioning (and that of other actors) towards these issues. Subsequently, politicians would implement fiscal policies and frameworks in line with public preferences.

Indeed, studies have repeatedly shown the effect of public attitudes on a wide variety of different policy areas, even if their influence might vary across different societal groups (see Soroka and Wlezien 2010, Bartels 2008, Gilens 2012, Elsässer et al. 2017). The limited existing literature explaining fiscal framework variation has, however, not included public opinion as an independent variable. This section thus draws on the broader scholarship on fiscal policy-making as well as studies using public opinion as a control variable in analyses of the effects of fiscal frameworks on budgetary outcomes (see e.g. Tabellini and Alesina 1990, Dafflon and Pujol 2001, Krogstrup and Wälti 2008).

A number of scholars have attempted to assess the effect of public preferences on fiscal policy-making, particularly in the Swiss, US and Canadian cases. This has, however, been typically done in examinations on the potential endogeneity of fiscal frameworks (see Poterba 1996, Dafflon and Pujol 2001, Krogstrup and Wälti 2008). As a part of the broader canon of econometric works that study the influence of fiscal rules and councils on public deficits and debt (see Heinemann et al.

2018 for an overview), these studies are interested in the influence of public opinion on budgetary outcomes (and fiscal frameworks). The issue at stake is whether fiscal frameworks exert an effect on budgetary outcomes independent from public attitudes (thus being exogenous), or whether they are both just a function of public attitudes (endogenous) (Poterba 1996: 395).

Several institutional features have made Switzerland a privileged location to evaluate the effects of public opinion on fiscal frameworks and budgetary outcomes. Among them are the country's federal and fiscally decentralised structure, the high number of subnational units (cantons), the existence of different fiscal frameworks in many of these cantons, as well as the existence of sub-national and national referenda on budgetary matters (which provide some information on the preferences of the population). Based on 75 federal referenda on matters related to fiscal policy, Dafflon and Pujol (2001: 58), for example, created an index of 'fiscal conservatism' for each of the 26 cantons of Switzerland in an attempt to capture public preferences. Running a number of regressions, they found that "fiscal preferences have a strong inverse effect on fiscal performance: the more a canton is fiscal conservative, the less it accepts deficits, *ceteris paribus"* (Dafflon and Pujol 2001: 54). In contrast, fiscal rules do not seem to have a significant effect on budgetary outcomes when public preferences are controlled for in the models. Their work thus implies that public preferences could equally influence fiscal frameworks and fiscal policy-making.

Also Krogstrup and Wälti (2008: 123) have used public preferences on fiscal policy-making as a control variable to measure the robustness of the effect of fiscal rules on budgetary outcomes, coming, however, to different conclusions. Their causal argument goes as follows:

> "Suppose that fiscal conservative voters prefer lower budget deficits and prefer their constitutions to reflect this by containing balanced budget rules or 'debt brakes', even though these rules are not ex post enforceable. Suppose also that politicians on average care about reelection and have a greater probability of reelection if they cater to voters' preferences (a median voter type of argument). Then jurisdictions with more fiscally conservative electorates would tend to see lower budget deficits are well as a higher likelihood of having a fiscal rule, without necessarily having any direct effect of the latter on the former" (Krogstrup and Wälti 2008: 124).

Drawing on data of public preferences produced by Funk and Gathmann (2006), Krogstrup and Wälti (2008: 125) find that "fiscal rules continue to have a significant, positive effect on budgetary outcomes after controlling for voter preferences" in the Swiss case, with fiscal preferences having a less robust effect than fiscal rules. They thus challenge both accounts where only public preferences have an effect on budgetary outcomes (Dafflon and Pujol 2001) and accounts where only fiscal rules influence fiscal policy-making (Feld and Matsusaka 2003).

Given the opposing empirical findings, and the use of public preferences merely as a potentially omitted variable, existing research does not provide conclusive evidence for the effect of public opinion on fiscal framework reforms. Unfortunately, most recent studies on the influence of fiscal frameworks on budgetary outcomes do not take the issue of public attitudes into account at all. Nevertheless, many scholars simply presume that public opinion and their variation across countries plays a role in fiscal policy-making towards public debt and fiscal institutions.

We could thus hypothesise that in countries with stronger public preferences for budgetary restraint and discretion-constraining fiscal institutions, we should see the implementation of comparatively more stringent national fiscal frameworks. The opposite should be true for countries where the population is less opposed to public expenditures and deficits, and where it supports discretion for fiscal policy-makers.

3.3.3) Financial markets

Beyond domestic factors, rating agencies and their rating actions, as well as international financial markets and their influence on public bond yields, may have a considerable effect on the introduction and the strengthening of fiscal frameworks. The existing empirical literature explaining fiscal framework variation has largely ignored these plausible potential influence factors. The following discussion thus makes use of the broader available literature on fiscal frameworks, fiscal policy-making, bond ratings and interest rates.

Public bond ratings, which typically aim to capture the risk of a sovereign to default on its financial obligations, could potentially exercise strong pressures on national governments to implement fiscal policies that reduce public deficits and debt. They might also compel fiscal policy-makers to implement national fiscal rules and independent fiscal councils that could – at least in theory – ensure such policies (see Duygun et al. 2016). Particularly if fiscal policy actors and rating agencies perceive fiscal frameworks as 'credible commitment devices' or at least as 'signalling tools' for running more 'sustainable' fiscal policies, their implementation could subsequently lead to stabilised or even improved bond ratings. Fernández and Parro (2019: 589), for example, "find a positive and significant effect of fiscal rules on a country's credit rating; that is, a stronger fiscal rule contributes to improved sovereign ratings"[5].

Sovereign bond yields and spreads between different countries, largely determined on international financial markets, might affect the introduction and strengthening of fiscal rules and institutions in a similar fashion. If fiscal policy-makers and financial market participants deem fiscal frameworks as a plausible pathway to lower bond yields and spreads, then the introduction of more constraining fiscal frameworks should correlate with comparatively lower interest rates. It should also lead to a lower spread between a country's bond yields and those of the market leader, which is, in the European context, generally Germany.

Substantiating such claims, Iara and Wolff (2014: 222) "show that stronger fiscal rules in Euro area members reduced sovereign risk premia, in particular in times of market stress". They find that, in particular, the legal base of fiscal rules and the strength of accompanying enforcement mechanisms has an effect on public borrowing costs (Iara and Wolff 2014: 232). In another study, Kelemen and Teo (2014) agree with the finding that fiscal rules lead to lower sovereign borrowing costs. They

[5] Additionally, they find that this effect is smaller in countries with a more developed financial market. Fernández and Parro (2019: 589) "conjecture that countries that rely on their financial markets to allocate resources between sectors increase the political cost to the fiscal authority of behaving irresponsibly, which makes fiscal rules less necessary in the eyes of the credit rating agencies (CRAs)".

argue, however, that it is the clarity rather than the stringency of fiscal frameworks which matters, stressing its crucial role for financial markets: "Balanced budget rules serve as a public signal that reveals information about the government's fiscal situation and more importantly, provides a focal point around which bond markets can coordinate" (Kelemen and Teo 2014: 367).

The only study that actually studies the potential effects of bond yields on fiscal framework stringency has been done by Doray-Demers and Foucault (2017). In their paper, they test the hypothesis whether "an increase in the interest rate paid by government on long-term bonds will be followed by an increase in the strength of [fiscal rules]" (ibid.: 857). While believing this argument to be highly plausible, their quantitative analysis does, however, not find any statistically-significant correlation between the two variables (ibid.: 867).

Beyond these – at least potential – causal links between ratings, bond interest rates and fiscal framework reforms, a number of scholars has also studied the relationship between ratings and bond yields (see Cantor and Packer 1996, Eijffinger et al. 2011, ap Gwilym and Alsakka 2011, Afonso et al. 2011, Tichy 2011). If rating agencies and international financial markets were to react to the same (publicly available) information and would interpret it in the same way (see Cantor and Packer 1996: 49), then ratings and bond yields should largely be equivalent. In this case, we could simply focus on one of these two potential influence factors, rather than studying the impact of ratings and bond yields on fiscal framework reforms separately.

Some studies have, however, shown that rating actions and changes in bond interest rates are not interchangeable. The literature's findings on this point are rather complex and inconclusive. Eijffinger et al. (2011) and Tichy (2011), for example, found that rating agencies were lagging behind financial markets, which has potentially aggravated the European debt crisis. In contrast, ap Gwilym and Alsakka (2011) argued that the provision of outlook and watch signals by rating agencies ahead of rating changes corresponds rather well with the evolution in sovereign bond spreads. Other scholars have pointed out that rating actions also have a considerable effect on interest rates, which puts into question the view of rating agencies as laggards, or least documents the existence of mutual causality between ratings and interest rates. Cantor and Packer (1996: 49), for example, "find evidence that the rating agencies' opinions independently affect market spreads". Similarly, Afonso et al. (2011: 6) also identify "a significant response of government bond yield spreads to changes in both the rating notations and the rating outlook, particularly important for the case of negative announcements".

An argument which is largely shared among research on sovereign bond ratings is that they tend to be procyclical (see Dimitrakopoulos and Kolossiatis 2016, Yao et al. 2017), particularly in times of crisis (see Ferri et al. 1999, Reinhart 2002, Pénet and Mallard 2014). This might participate in the complex causal relationship between rating actions and sovereign bond spreads. According to this literature's findings, rating agencies wait too long to lower ratings during economic downturns and then tend to subsequently downgrade sovereign bond ratings in an excessive fashion (see Ferri et al. 1999). This might be due to the attempt of rating agencies to rate through the economic cycle,

as a ratings analyst pointed out (Interview Parker). But also more political considerations can play a crucial role, such as allowing for the negotiation of bail-outs in times of serious public debt problems, as has happened during the Greek debt crisis (see Pénet and Mallard 2014).

All of these findings from the broader literature suggest that it makes sense to study both the effects of ratings and bond yields on fiscal frameworks. By affecting the refinancing costs of public debt through changes in interest rates on public bonds, markets and rating agencies could have an effect on fiscal framework reforms. We could hypothesise that high and/or sharply rising interest rates would lead to the introduction of comparatively more stringent national fiscal frameworks. Equally, we could expect that low and/or rapidly lowering public bond ratings by rating agencies would foster the implementation of more discretion-constraining fiscal rules and institutions.

3.3.4) Coercion by external actors

A final alternative explanation worth exploring is the role of the EU, its most powerful member states, and international organisations such as the IMF and OECD, in coercing other eurozone member states – particularly those in financial difficulties – into adopting stringent national fiscal frameworks. In the limited existing literature explaining variation in fiscal frameworks this is one the most rigorously tested arguments (see Doray-Demers 2017, Doray-Demers and Foucault 2017). More broadly, especially the research on the diffusion of institutions considers coercion as one plausible mechanism for the introduction of new institutions, such as national fiscal frameworks (see DiMaggio and Powell 1983, Holzinger and Knill 2005, Dobbin et al. 2007, Shipan and Volden 2008).

What I summarise here under the term of 'coercion' can come in many different forms and can be exerted by various types of actors. As Dobbin et al. (2007: 454) have pointed out, "coercion can be exercised by governments, international organisations, and nongovernmental actors through physical force (Owen 2002), the manipulation of economic costs and benefits, and even the monopolization of information or expertise". Coercion can thus span from very direct and strong, to indirect and soft pressure on a specific country to adopt certain policies or abstain from others, depending on the affected policy field and the actors involved (see Gilardi 2013: 461, Shipan and Volden 2008: 843). In situations of strong power differentials between different organisations and countries, coercive actions might have a strong impact, while smaller asymmetries might leave more leeway to the less powerful actors to make independent policy choices.

In the field of fiscal policy-making across eurozone member states, the 'manipulation of economic costs and benefits' and the 'monopolisation of information or expertise' should constitute the dominant forms of coercion. Through these intermediate to soft forms of coercion, international organisations or powerful countries "encourage or pressure governments to take actions that meet common expectations" (Shipan and Volden 2008: 843). In the international sphere, particularly the IMF and the World Bank – as well as the EU in the European context – have repeatedly attempted to coerce their member states (e.g. Doray-Demers 2017, Schimmelfennig and Sedelmeier 2004).

This has been especially the case, when power differentials between these institutions and countries increase, such as in periods with financial difficulties. These allow the Fund or the European Commission/Council to act through the 'manipulation of economic costs and benefits.' In such situations, key forms of coercion are 'conditionality' as well as – typically framed more positively – 'incentives' (see e.g. Carnegie and Samii 2019) or 'rewards'. In simple terms, conditionality describes the situation in which "in order to access certain resources, national governments must comply with given policy requirements" (Gilardi 2013: 461). As Dobbin et al. (2007: 455) point out, "conditionality occurs when the EU or the IMF sets requirements for aid, loans or other considerations. Powerful countries may set conditions themselves or they may act through international institutions".

Given the importance of conditionality in IMF and World Bank loan programmes, a rich literature has developed around these requirements themselves (see Mosley et al. 1995, Dobbin et al. 2007, Clift and Tomlinson 2012), while also studying the effectiveness of conditionality for national reforms as well as broader consequences for affected countries (see Dobbin et al. 2007 and Dreher 2009 for overviews on these literatures). Interestingly, findings of the effect of conditionality have been very mixed so far, particularly for the IMF, putting into question the Fund's strategy to foster financial and economic reforms among its member states.

Drawing on a review of the existing empirical literature, Dreher (2009: 256), for example, finds that "IMF conditionality is ineffective. There is no empirical evidence showing that conditions enhance ownership or make program success more likely". A similar analysis by Dobbin et al. (2007: 455) also finds only weak evidence that conditionality works as theorised. Pointing out works by Drazen (2002) and Vreeland (2003), IMF conditionality might not actually be coercive when the reform requirements to loans are in line with the policy projects of national government parties. National leaders might use conditionality as a tool to overcome domestic opposition and to bolster their own reform plans by the support of an external institution (see Dobbin et al. 2007: 455).

In a similar fashion to conditionality, also incentives could influence a country's reform efforts (see Schimmelfennig and Sedelmeier 2004, Doray-Demers 2017, Carnegie and Samii 2019). While difficult to distinguish from conditionality, the starting point for analysing the effects of incentives is a more positive one, leading to a potentially less direct or strong form of coercion. While conditionality often starts out with national crises, creating the need for external help, incentives do generally not play a role in situations of economic turmoil or institutional break-down.

Rather, incentives can be an important coercion mechanism when a government wants to attain additional funds or access to specific institutional resources in 'normal' times. Schimmelfennig and Sedelmeier (2004), for example, studied how the preferences of Eastern European countries to join the European Union allowed the latter to attach many requirements to EU accession. In a recent study on the World Bank loans program, Carnegie and Samii (2019: 1) show how potential changes in membership status from 'borrower' to 'lender' lead to reform processes in the field of human rights and democracy.

The provision of incentives thus might be a more influential pathway for pressuring national governments to undertake and sustain reforms (see Sedelmeier 2012) that are supported by the coercive actor rather than outright conditionality when countries are in dire need of external help. In the most relevant study analysing the effect of coercion on variation in fiscal frameworks, Doray-Demers and Foucault (2017) show the influence of the EU in the reform of national fiscal rules and institutions. Testing the hypotheses that "a country applying to become a member of the EU" and "a country receiving EU assistance after 2010 will adopter stronger [fiscal rules]" in different quantitative analyses, they found a statistically-significant effect for both variables (ibid.: 865-866). These two arguments correspond, respectively, to the incentive and the conditionality argument discussed above.

Beyond the 'manipulation of costs and benefits', also softer forms of coercion might play a role for fiscal policy-making and fiscal framework reforms. Dobbin et al. (2007: 456) describe such coercive processes or practices as 'policy leadership' and 'hegemonic ideas'. Related to the argument of the 'three faces of power' by Lukes ([1974] 2005), powerful countries or international organisations might not exert their power in a direct and strategic fashion, but in a more structural and unplanned way through policy leadership. As Dobbin et al. (2007: 456) point out about Germany's role in the making of the European Union, "the salience of German institutions as a model for Europe has probably played an important role in the development of (…) supranational innovations, even if Germany never sought to influence Europe".

Hegemonic ideas come gradually closer to ideational explanations rather than constituting mechanisms of 'pure' coercive actions. Powerful countries or international organisations have generally more capacities to attract highly-qualified experts (such as academics and public policy specialists), to build and maintain relevant research infrastructures, and to centralise and potentially even monopolise knowledge in specific – and often highly technical – policy fields. Thus, "without exerting physical power or materially altering costs or benefits, dominant actors can have their influence felt through ideational channels", by influencing "how policy makers conceptualize their problems and order potential solutions" (Dobbin et al. 2007: 456).

There are thus several mechanisms through which powerful countries and international organisations can potentially coerce less powerful countries to adopt reforms which are supported by the former. Particularly in cases where power differentials are significant, we should see, in the field of fiscal policy, the implementation of comparatively more stringent fiscal frameworks, as central actors such as the IMF, the EU and Germany are in favour of such institutions. For the eurozone this issue seems particularly important in relation to the European debt crisis. In exchange for extensive external control and intervention by the European Commission, the ECB and the IMF, leading to substantial fiscal policy reforms, several member states received rescue programmes.

For the eurozone we could derive two different hypotheses from these insights. First, we could assume that the more financial support a country received, the more stringent a national fiscal

framework was forced upon it. In this way, creditors could – in their mind – increase the likelihood that their loans could be paid back at a later moment in time. Second, we could also hypothesise that countries that were dependent on financial rescue packages had less leverage for transposing common obligations into national legislation than countries that did not need financial support. National fiscal frameworks in Euro crisis countries should thus match more closely the original wording of the Fiscal Compact, the Six-Pack measures and other supranational fiscal framework elements. Beyond the debt crisis itself, we can also construct third hypothesis on coercion, based on country sizes as a proxy for asymmetrical power relationships between two or more member states. We could hypothesise that bigger, economically more powerful member states can force more stringent fiscal frameworks on smaller, economically less-developed member states.

3.4) Conclusion

This chapter has provided five plausible explanations for fiscal framework variation which are subsequently tested in the empirical part of the dissertation. Table 3.1 summarises the main hypotheses which can be derived from these various theoretical approaches to explain the differences in fiscal framework stringency across eurozone member states.

Table 3.1 – Overview of the proposed explanations for fiscal framework variation and their main hypotheses

Explanation	Hypotheses
Macroeconomic idea-sets	National macroeconomic idea-sets that give a smaller role to the state in fiscal policy-making, a bigger role to rules and a smaller role to expertise in decision-making lead to more stringent national fiscal frameworks.
Economic interests	(1) Economic models based on coordination rather than competition and (2) the dominance of export-oriented sectors should lead to more stringent national fiscal frameworks.
Public opinion	Public preferences for budgetary restraint and discretion-constraining fiscal rules and institutions should lead to more stringent national fiscal frameworks.
Financial markets	(1) High and/or sharply rising interest rates and/or (2) low and/or rapidly falling public bond ratings lead to more stringent national fiscal frameworks.
External coercion	Stronger power differentials between external coercive actors and a specific country lead to more stringent national fiscal frameworks.

Source: Own elaboration

4) Methodology:

A comparative case-study research design

4.1) Introduction: Maximising external and internal validity

This chapter lays out the methodological approach to investigate the variation in national fiscal frameworks in the eurozone. It draws on a comparative case study research-design that employs both cross-case and within-case analysis. The basic set-up of the analysis is deductive: Based on an extensive literature review and the collection of some preliminary empirical evidence, the previous chapter has proposed a set of theoretical explanations that could plausibly account for the observed variation in national fiscal frameworks. These different explanations take the form of distinct causal mechanisms, which have observable empirical implications. These are subsequently used to draw causal inferences from the analysed materials, allowing to discriminate between the competing theoretical explanations.

Comparative (cross-case) analysis allows to discriminate well between different theories across the six selected country-cases and is also well suited to assess how well each of the analysed causal mechanisms is generalisable across the sampled countries and – in a further step – across the overall population of cases, improving external validity. This more comparative approach is complemented by detailed process tracing of fiscal framework reforms in three of the studied cases. This entails evaluating evidence that might support or disconfirm the existence of the causal mechanisms of the different theories that could lead to specific reform outcomes. The process tracing strategy serves primarily to establish internal (within-case) validity, constituting the main tool to assess the capacity of the central ideational approach to explain fiscal framework variation. In a more tentative fashion, it is also used to trace the consequences of implemented fiscal framework changes on fiscal policy-making.

For both the cross-case and within-case analyses I triangulate the empirical evidence – using varied types of sources and materials – to arrive at robust causal inferences and evaluate their pertinence based on an informal Bayesian logic. The mobilised resources include, amongst others, semi-structured expert and elite interviews, parliamentary debates, electoral manifestos, legal documents, reports, newspaper articles, and descriptive statistics. The six country-cases are selected based on a so-called 'diverse case selection' strategy, which maximises the opportunities to evaluate the internal and external validity of the different tested explanations.

The research design developed in this methodology chapter which guides the empirical analysis in this dissertation is based on a coherent set of ontological and epistemological foundations, which are discussed in more detail in Annex E. In a nutshell, I contend that whenever human actors are involved, it is plausible to assume ontologically and epistemologically probabilistic causal

relationships, which has consequences for the research design. The human capacity for problem-solving and creativity makes a deterministic social world ontologically unlikely. In addition, potential perception, specification and measurement errors during theoretical modelling and empirical measuring also call for a probabilistic epistemological approach. To understand how causality plays out in the world the empirical chapters analyse, I draw on the concept of causal mechanisms, which is further elaborated in Annex F. In this dissertation, I use causal mechanisms as analytical constructs to filter out probabilistic causal regularities between a specified set of causal elements. This helps to reduce the complexity of reality and make it empirically manageable, focusing on the observable implications derived from these mechanisms.

The remaining sections of the methodological chapter are organised in the following fashion. The second section of this chapter delves into the methodology chosen for this dissertation, a comparative case-study research design which uses comparative analysis and process-tracing in a complementing fashion. As laid out in this section, I mainly draw on a theory-testing approach of process tracing, searching for and evaluating empirical evidence that would support or refute the propositions and observable implications of the ideational as well as the other discussed explanations. The section also discusses best practices for process-tracing and how to best apply it for the study of ideas. It concludes by explaining why – in the case of national fiscal framework reforms – a qualitative comparative case-study approach is arguably the most reasonable one to evaluate the validity of causal theories and mechanisms.

In the third section, I discuss why a triangulation of evidence from different sources and materials is a fruitful research strategy to assess the existence of causal mechanisms and its observable implications in the analysed country cases. I also highlight the importance of an informal Bayesian approach to the evaluation of empirical evidence. This entails that empirical evidence of different types and from different sources is not necessarily evaluated in the same fashion. Some type of evidence might provide more certainty and uniqueness than other types of evidence. This needs to be taken into account when evaluating empirical data supporting or refuting a specific theoretical approach.

The fourth section details the case selection procedure that is applied in this dissertation. It is based on a 'diverse case-selection strategy'. In my view, this allows to evaluate competing causal theories in an adequate manner, while also maximising the external validity of the findings in comparison to most other case selection strategies. By including cases that provide significant variation on the central dependent variable, as well as on the independent variables (which form the starting point of the different causal mechanisms), the extrapolation of the findings to other cases of the population of cases may be considerably improved. The section also discusses how the cases used in the empirical analysis were finally selected.

In the fifth section, finally, I discuss the materials on which the empirical analysis draws and how they are operationalised as the dependent variable and the various independent variables of the different explanations tested in this dissertation. This includes semi-structured interviews with

national fiscal policy actors, the minutes from parliamentary debates, committee sessions and hearings, party-related documents such as electoral and party platform programmes and coalition agreements, legal documents, reports produced by various national and inter-/supranational institutions as well as research projects, newspaper articles and the data provided by different databases.

4.2) A comparative case-study design

To study national fiscal framework reforms, I propose a comparative case-study research design which uses both comparisons and process-tracing. Based on various types of triangulated empirical evidence, I evaluate competing theoretical explanations that may account for the variation in national fiscal frameworks according to an informal Bayesian logic. This assessment takes place drawing on six country cases that are selected following a so-called diverse case-selection strategy that allows to maximise the capacity to achieve both external and internal validity of this sample. The evaluation of the different theoretical explanations laid out in chapter 3 and their empirical implications not necessarily demands the same type of evidence and logical reasoning to be utilised. Some causal mechanisms are thus tested mainly in a cross-case fashion (comparisons) while other are tested mainly based on a within-case logic (process tracing).

4.2.1) Comparison

In this dissertation, I compare empirical evidence corresponding to the various tested theoretical explanations in six country cases across the eurozone. According to Clift (2014: 286), comparisons can be useful in several regards: First, they provide 'contextual descriptions' of different country cases, expanding our understanding of their commonalities and differences. Second, "comparative analysis can contribute to classification and the development of typologies, such as the varieties of capitalism, or welfare state 'families' ". Third, this can help us to better explain political, economic, and social processes, supporting the development or refinement of different theoretical approaches. And finally, comparisons allow us to "verify or falsify theories" (ibid.).

Beach et al. (2016: 228) recommend to use comparative methods "(1) to find potential causes of social phenomena, (2) to build causally homogenous populations of a given theoretical phenomenon that enable the selection of appropriate cases for within-case analysis as well as the findings of within-case analyses to be generalised to other causally similar cases, and (3) to engage in disconfirming empirical tests of hypothesised necessary or sufficient conditions using cross-case evidence". In contrast to Bennett & Checkel, they, however, "do not recommend using comparative methods as a tool for confirming tests of necessity or sufficiency, given the lack of theoretical uniqueness of comparisons of similarities or differences across a small set of cases" (Beach et al. 2016: 228).

I agree with this critique for the most part, using comparative evidence in this dissertation mainly as a tool to disconfirm specific theories. By comparing different alternative explanations across

countries, however, the comparative method can nevertheless help to increase our confidence in certain explanations vis-à-vis other ones. In addition, comparisons are particularly useful when their empirical findings are jointly evaluated with the more detailed causal evidence generated in within-case analyses based on process tracing (see Bennett and Checkel 2015: 21-31).

4.2.2) Process tracing

The comparative analysis in this dissertation is complemented by three more detailed country-case studies based on theory-testing process tracing. In definitional terms, according to Gerring and Cojocaru (2016: 394), "a case study is an intensive study of a single case or a small number of cases that promises to shed light on a larger population of cases". It could also be called a 'within-case' analysis, which "focuses not on the analysis of variables across cases, but on the causal path in a single case" thus compensating "for the limits of both statistical and comparative case analyses" (George and Bennett 2005: 180). Tansey (2007: 765, referring to Mahoney 2000) argues that "within-case analysis entails exploring causal relationships with reference to multiple features of individual cases, and especially through a close examination of the intervening processes that link the variables outlined in a hypothesised causal relationship". Within-case analyses can be conducted in a number of different ways, but based on the growing interest in causal mechanisms, so-called process tracing "has received particular attention in recent years" (Tansey 2007: 765).

Bennett and Checkel (2015: 7) "define process tracing as the analysis of evidence on processes, sequences, and conjunctures of events within a case for the purposes of either developing or testing hypotheses about causal mechanisms that might causally explain the case". The usage of the term process tracing in social science goes back to the work of George (1979: 6-7), who adapted its underlying thinking from cognitive psychology, retaining the meaning that "it refers to the examination of intermediate steps in a process to make inferences about hypotheses on how that process took place and whether and how it generated the outcome of interest". Steel (2004: 67, in Reiss 2009: 25) similarly argues that "process tracing consists in presenting evidence for the existence of several prevalent social practices that, when linked together, produce a chain of causation from one variable to another. A successful instance of process tracing, then, demonstrates the existence of a social mechanism connecting the variables of interest". The idea of process tracing is thus closely intertwined with that of causal mechanisms. In a certain sense, it provides a link of the meta-theoretical considerations of mechanisms as analytical constructs with the empirical considerations of how to accurately identify and test specific theoretical explanations formulated as causal mechanisms.

Depending on the concrete goals of an individual research endeavour, various process tracing methods exist. Beach and Pedersen (2016a: 311-319), list, for example, 'explaining outcome process tracing', 'theory-building process tracing', and 'theory-testing process tracing' (see their text for more details on each of these variants). In short, 'explaining outcome process tracing' uses an iterative research procedure, with abduction as the main form of reasoning. 'Theory-building process tracing' works largely in an inductive fashion, starting from a variable of interest and tracing

backwards the mechanisms that affected it, or tracing forwards to see through which mechanism this variable plays in role in the social world. Finally, in the words of Beach and Pedersen (2016a: 319), a "theory-testing process tracing involves assessing whether a hypothesised causal mechanism exists in a single case by exploring whether the predicted evidence of a hypothesised causal mechanism exists in reality". Theory-testing process tracing is thus mainly a deductive research strategy.

Theory-testing process tracing

In this dissertation, theory-testing process tracing is one of the centrepieces of the applied research strategy. Based on the existing literature and my own preliminary research, I have constructed five different explanations to understand the variation in national fiscal frameworks. These explanations are laid out in the form of causal mechanisms that link independent variables through a causal chain of entities and activities to the studied outcomes. Theory-testing process tracing then can help us to evaluate the accuracy of each of these theoretical explanations, in absolute terms as well as in relationship to one another. Finally, it still allows us to be aware of and potentially identify overlooked causal mechanisms through the thorough within-case analysis of studied cases.

Beach and Pedersen (2016a: 322) lay out several principles of how theory-testing process tracing should ideally be conducted. First, each hypothesised causal mechanism has to be conceptualised in a plausible and generalisable fashion, by making explicit how the causal chain between the independent and dependent variable functions (see Hedström and Ylikoski 2010: 54). Ideally, "a good theorized mechanism should clearly describe what it is that links each of the parts together (…), resulting in productive continuity between cause and outcome in a seamless causal story" (Beach & Pedersen 2016a: 322).

Second, "the theorized causal mechanism then needs to be operationalized (…), translating theoretical expectations into case-specific propositions about what evidence each of the parts of the mechanism should have left if they are actually operating as theorized in the case" (Beach and Pedersen 2016a: 323-324). If we want to maximise these observable implications of a proposed causal mechanism (see King et al. 1994: 12, 30), we should hence try to identify all the entities that link the initial effect to the final outcome and the activities that these entities undertake. The observable implications for each of these parts of a causal mechanism can be multiple, but also single ones may be valid, depending on the type of evidence.

Third, "a structured empirical test of whether a hypothesized causal mechanism is actually present in the evidence of a given case" is "at the core of theory-testing process tracing. (…) Empirical material is gathered to see whether the predicted evidence (proposition) was present or not, and then evaluated in context to determine whether the predicted evidence for each part was actually found and whether it can be trusted" (Beach and Pedersen 2016a: 324). When testing several alternative theoretical explanations in the form of competing or complementary causal mechanisms, (the absence of) process tracing evidence can help to discriminate between them,

increasing the plausibility of some while lowering the plausibility of others (Hedström and Ylikoski 2010: 53). The empirical materials for drawing causal inferences can be very diverse. Basically any type of empirical evidence that allows us to evaluate the accuracy of our proposed causal mechanisms and their elements is valuable in this regard.

The use of best practices for process tracing in this dissertation

Bennett and Checkel (2015: 21-31) provide a list of ten best practices that should guide 'good' process tracing. I broadly followed these suggestions when constructing the research approach. They propose to (1) "cast the net widely for alternative explanations", to (2) "be equally tough on the alternative explanations", to (3) "consider the potential biases of evidentiary sources", to (4) "take into account whether the case is most or least likely for alternative explanations", (5) to "make a justifiable decision on when to start", to (6) "be relentless in gathering diverse and relevant evidence, but make a justifiable decision on when to stop", to (7) "combine process tracing with case comparisons when useful for the research goal and feasible", to (8) "be open to inductive insights", to (9) "use deduction to ask 'if my explanation is true, what will be the specific process leading to the outcome?' ", and to (10) "remember that conclusive process tracing is good, but not all good process tracing is conclusive".

Some of these suggestions, I have actively addressed. Some others demand less specific methodological choices but rather to be careful, attentive, and open during the research process. A deterministic understanding of causal mechanisms would be fine with just tracing the entities and activities that have brought about a specific phenomenon in a certain context, with little need to test for alternative explanations. With a probabilistic understanding of the world and causal mechanisms, it becomes more important to actually consider plausible alternative explanations. In the theoretical chapter of this dissertation, I have thus constructed a number of alternative accounts to the main ideational approach (suggestion 1).

I also strove for an evaluation of these alternative explanations that is fair to all of them, based on case considerations (suggestions 2 and 4). The evaluation of the empirical evidence of the different mechanisms can look very differently, as their observable implications differ starkly. But as Bennett and Checkel (2015: 24) argue, "being equally tough on alternative explanations does not require going into equal depth in process tracing on every one of them. Some explanations may be quickly undermined by the evidence, while others will require deeper investigation". Through the triangulation of evidence and a Bayesian approach I tried to circumnavigate potential evidentiary biases and to maximise the usage of available empirical materials (suggestions 3 and 6).

The selection of cases for the comparative case-study research is based on the common institutional frame inside the EU/eurozone with a common monetary policy and legal requirements on fiscal policy-making that provides a well-justified foundation for the population of the cases and the temporal dimension of the dissertation (suggestion 5). The chosen diverse case-selection strategy helps to combine within-case analyses with cross-case analyses (suggestion 7). Numerous scholars

have suggested to combine cross-case and within-case analyses to improve both the internal and external validity of research findings (George and Bennett 2005, Tansey 2007, Beach et al. 2016). George and Bennett (2005: 233), for example, point out that "the combination of cross-case and within-case analysis greatly reduces the risks of inferential errors that can arise from using either method alone". While cross-case tests are mainly useful for disconfirming particular theoretical arguments, within-case tests can also provide confirming evidence "that strengthens our confidence in a given condition being causally related to an outcome" (Beach et al. 2016: 236). Finally, points 8, 9 and 10 are rather general suggestions than concrete guidelines that would require specific modifications of the applied methodology.

While providing a lot of advantages for drawing causal inferences from the empirical world about the (non)working of specific causal mechanisms, process tracing has also some potential limits that need to be considered. According to George and Bennett (2005: 223) "there are two key constraints on process tracing": First, "process-tracing provides a strong basis for causal inference only if it can establish an uninterrupted causal path linking the putative causes to the observed effects, at the appropriate level(s) of analysis as specified by the theory being tested". And second, "another potential problem for process-tracing is that there may be more than one hypothesized causal mechanism consistent with any given set of process-tracing evidence" (ibid.). As these limits are mainly linked to the structure of reality, it is difficult to identify solutions that could avoid them *a priori*. I believe, however, that following the best practice suggestions by Bennett and Checkel (2015) together with the research design drawing on both comparisons and process-tracing provides strong foundations to minimise these concerns.

Process tracing the effects of ideas

As the main argument put forward in this dissertation is idea-based, the accurate process tracing of ideas and their effects in a causal mechanism is of particular importance to properly evaluate its explanatory value, also in comparison with alternative explanations. Studying ideas, and especially studying them as causal factors is a challenging endeavour. Alan M. Jacobs (2015) has identified the main problems and pitfalls for the process tracing of ideas and provides us with a number of useful suggestions to allow for a successful empirical analysis.

Jacobs's (2015: 41) starting point is the observation of three characteristics that make ideational mechanisms "especially difficult to study, as compared to materially driven causal processes". First, it particularly challenging to observe and measure ideas (as an independent variable). Second, it is difficult to observe idea-based causal mechanisms as they often play out at a cognitive level. And third, multicollinearity between ideas and material factors makes it difficult to distinguish between different plausible causal mechanisms (ibid.: 41, 45).

Based on this analysis, Jacobs (2015: 45) proposes that "any test of an ideational explanation must seek evidence that: (1) decision-makers possessed particular cognitions (a measure of the independent variable); (2) those cognitions shaped their choices (evidence of a mechanism of

influence); and (3) those cognitions were not simply reducible to material features of the circumstances of choice (evidence of exogeneity of the independent variable)". Jacobs (2015: 41-74) suggests three broad methodological solutions for an accurate and effective tracing of ideational processes: conducting case studies of 'expansive empirical scope', confronting alternative plausible explanations for outcomes, and well-specifying theories with detailed mechanisms. In addition to Bennett & Checkel's (2015) general suggestions for 'good' process tracing, I also take these propositions into consideration in this dissertation.

To achieve his goals for ideational process tracing, Jacobs (2015: 48, 49-52) lists a number of concrete empirical strategies to identify the observable implications that might be left behind by (ideational) causal mechanisms. First, he highlights the importance of the analysis of – particularly private – communication. Jacobs (2015: 49) argues that "among the most intuitive observable implications of most ideational theories is the expectation that we should observe communication, during the process of decision-making, that is congruent with the idea". This may serve two tasks at the same time: "it can provide a measure of the independent variable – revealing what ideas actors hold – and provide evidence of the operation of an ideational mechanism, suggesting that actors applied a particular set of values, beliefs, analogies, etc. to the decision in question" (Jacobs 2015: 49-52).

When evaluating oral or written communication such as interviews, speeches, contributions to debates, press releases, reports, etc., it is important, however, to take into account the context in which these communications was were made. Some contexts generate strategic incentives "which include pressures for actors to speak, behave, or keep records in ways that occlude, rather than reveal, the considerations motivating their decisions" (Jacobs 2015: 42). This can make it difficult to identify the 'true' ideational positions and material interests of actors. In this regard, particularly predominantly private communication (which can minimise audience effects) such as interviews and discussions in non-public fora allows for a more deliberative approach of actors: "In such a setting, actors are more likely to candidly reveal their goals, their causal beliefs, and their lines of reasoning in order to maximize the effectiveness of deliberation. Where an assumption of 'collective deliberation' is justified, privately communicated statements can be a rich source of data on actors' cognitive commitments and their sources" (Jacobs 2015: 52).

In this dissertation, interviews are thus one of the central tools to learn about the idea-sets held by national and supranational fiscal policy actors. Interestingly, however, the triangulation of evidence across different sources has generally shown that also more public communications (e.g. parliamentary debates) on the issues of interest in this dissertation do not differ substantially from more private ones. This might be due to the high degree of technicality of macroeconomic and fiscal policy debates.

Second, Jacobs (2015: 50-51) suggests studying covariation over time by analysing ideational stability and change, as well as process sequences. This can support the identification of ideational and material factors that vary independently from each other across different periods, reducing

concerns about multicollinearity. He argues that "by analysing decision-making over an extended time horizon, the analyst can test the following observable implication of many ideational theories: that, because cognitive constructs are relatively resistant to change, we should see evidence of relative stability over time in both actors' ideas and in the choices that are hypothesized to result from them, even as material conditions change" (ibid.: 57). Additionally, thoroughly tracing temporal sequences also helps to establish the exogeneity of ideas. The different case studies have indeed shown that ideas and material circumstances (as well as institutions) do not necessarily co-evolve, which gives additional leverage for an ideational argument.

Third, one can also analyse cross-sectional covariation in each case study, checking for the variation in the communications and actions of different actors and their respective exposure to ideas and material incentives (Jacobs 2015: 50-51). The empirical analyses have made ample use of this possibility for both the main explanation as well as the alternative influence factors. Comparative evidence was particularly useful to lower the confidence in a number of competing theories and also strengthened the within-case findings for the ideational approach.

Fourth, for Jacobs (2015: 50-51, 65) another powerful empirical test is tracing ideational diffusion by (1) identifying ideational origins, (2) tracing paths of ideational transmission across actors, and (3) identifying mobile 'carriers' across institutional settings. I have addressed this by studying in detail the biographies of individual fiscal policy actors (especially of country-specific policy entrepreneurs/bricoleurs), their education, their professional and academic careers, as well as their memberships in particular networks and institutions.

Finally, "unpacking the substance of decision outputs" is also a useful empirical strategy to ascertain the role of ideas in political outcomes (Jacobs 2015: 69). In contrast to large-n analyses where "scholars are usually forced to code decision outputs relatively crudely – along a single dimension or using a very small number of categories (…) small-n analysis, in contrast, affords the opportunity to attend much more closely to qualitative features of actors' decisions, and such scrutiny can sometimes produce evidence with substantial potential to discriminate among possible motives" (ibid.). Particularly by studying the stringency and design of national fiscal frameworks as dependent variables, it is possible to analyse the substance of reform efforts. This has allowed me to identify clear traces of particular national and international idea-sets in specific fiscal framework reforms.

4.2.3) Why an exclusively qualitative approach to study causal mechanisms?

The original plan for the research design in this dissertation was based on a mixed-methods approach. I had, however, to abandon this in favour of a more qualitative approach due to serious concerns about the quality of existing datasets on central variables for the quantitative analysis. A detailed evaluation of existing indices on national fiscal frameworks and how their data is gathered and compiled made me highly sceptical about the capacity to properly measure what they aim to

do: the stringency and design of fiscal rules and institutions, both in individual terms and integrated in overall national fiscal frameworks. My own analysis of legal texts and the conclusions I drew from them about the stringency and design of national fiscal frameworks differs substantially from the findings of the existing data and indices of the European Commission and the IMF. Annex B details these concerns and identifies the central shortcomings of available indices on national fiscal frameworks.

I considered to replace the existing indices with a proper index for the population of cases in this study, but two elements made this a not feasible option. First, as the construction of such an index would be based on the legal foundations of each fiscal rule and institution in 19 eurozone countries, this would mean the need for substantial resources to translate and interpret often very technical documents, that are embedded in national legal traditions. Already for a limited sample of national fiscal frameworks this task was very time- and resource-demanding and thus could not be scaled up for the full population of cases. Second, as many countries have several different fiscal rules and institutions that collectively form national fiscal frameworks, their complexity is often substantial. This complexity makes it difficult to adequately measure their stringency and design in numerical terms.

For this dissertation I thus propose to rather focus on the ordinal ranking of different national fiscal frameworks and providing additional explanatory information on them instead condensing it all down to a single number, which might not tell us much/enough about a specific set of fiscal rules and institutions.

4.3) Multiple sources, types of evidence, and opportunities for causal inference

4.3.1) Triangulation of evidence and methods

According to King et al. (1994: 32), perhaps the single most serious problem with qualitative research in political science is the pervasive failure to provide reasonable estimates of the uncertainty of the investigator's inferences". To deal with this problem, the empirical analysis of this dissertation draws strongly on the method of triangulation, which can imply the use of varied empirical materials and/or methods. According do Denzin (1978: 294), "the use of multiple methods" can help to overcome the "personalistic biases that stem from single methodologies" (see also Coppedge 1999, Lees 2006, Ahram 2013). And for King et al. (1994: 30), the triangulation of empirical evidence is useful because "the more evidence we find in varied contexts, the more powerful our explanation becomes, and the more confidence we and others should have in our conclusions".

Triangulating several types of qualitative methods and empirical materials thus allows for the cross-checking of the validity of evidence, and significantly reduces the room for error in making and

evaluating causal inferences. In this dissertation, I have applied this logic by integrating both comparative analysis and process-tracing in the research design and by relying on a broad set of empirical observations "from different sources of the same type" (e.g. interviewing actors from different institutions and political parties) and "collecting observations across different types of sources" (e.g. using interviews, minutes of parliamentary debates, legal documents) (Beach and Pedersen 2013: 128). Particularly for the selection of interviewees and the analysis of interviews, a procedure based on a triangulation logic makes a lot of sense, as it "can increase the credibility of findings that are supported across multiple sources and can reveal weakness of some sources that might otherwise have been viewed as reliable" (Tansey 2007: 766). Triangulation can, thus, help us to prove or disprove proposed causal mechanisms and allows for a weighing of the confidence we have in each of a set of – potentially – competing mechanisms and its proposed observable implications.

When selecting and analysing the empirical materials, I paid attention to the risk that different sources or types of evidence might not be independent of each other, which could potentially bias the conclusions drawn from them. As Bennett and Checkel (2015: 28) stress, quoting Kuehn and Rohlfing (2009), "if all the streams [– sources of evidence –] are subject to the same selection bias, then errors can accumulate, making researchers unaware of this problem ever-more confident in a false explanation. Seemingly diverse sources of evidence could actually all originate from one or a few individuals with instrumental reasons to convince observers of a particular explanation". I contend that drawing on informal Bayesianism in evaluating empirical observations is helpful to overcome or at least mitigate this potential fallacy.

4.3.2) Informal Bayesianism

Recent years have seen a growing interest in applying Bayesian techniques for the evaluation of empirical evidence. According to Beach and Pedersen (2016a: 169) "at the core of the Bayesian logic is the idea that science is about using new evidence to update our confidence in causal theories, either within a single case or across a bounded population". The main theorem of Bayesianism "states that our belief in the validity of a hypothesis is, after collecting evidence (posterior), equal to the probability of the evidence conditional on the hypothesis being true relative to other alternative hypotheses (likelihood), times the probability that a theory is true based on our prior knowledge (prior)" (Beach and Pedersen 2013: 83).

The Bayesian logic is based on two specific features that correspond well with a probabilistic ontology and epistemology: First, Bayesianism allows us to identify and mobilise both confirming and disconfirming evidence. However, "given the uncertain nature of empirical observation, we can never be 100 percent confident about either confirmation or disconfirmation" (Beach and Pedersen 2013: 83). One piece of evidence contrary to a hypothesised causal relationship thus might not be sufficient to disproof it. As specification and measurement errors can lead to biased empirical evidence, this approach seems reasonable to avoid refuting valid theories about the world. At the same time Bayesianism calls for caution to not overstate the confidence we have in any piece

of evidence that would confirm our hypotheses. It departs, however, from the now classical Popperian view, which centres on falsification as the main means to draw causal inferences (Beach and Pedersen 2016a: 169, see Popper [1935] 1959).

Second, Bayesianism gives us the possibility to distinguish between different pieces and types of empirical evidence in terms of their degrees of certainty, uniqueness, and likelihood when drawing causal inferences. As Bennett and Checkel (2015: 16) state, "central to Bayesianism (and process tracing) is the idea that some pieces of evidence provide higher inferential power than others." Van Evera (1997), for example, describes tests of empirical evidence based on the "four possible combinations of (non-)uniqueness and (un-)certainty" (Bennett and Checkel 2015: 17), namely hoop tests, smoking-gun tests, doubly-decisive tests and straw-in-the-wind tests.

It is possible to approach Bayesianism in a more formal and a more informal way. Humphreys and Jacobs (2015) and Benoît (2016), for example, propose to utilise a formal Bayesian logic. This entails assigning probabilities for the validity of our knowledge prior to the empirical analysis (the likelihood that a specific hypothesis is true) as well as for the evidence found during the empirical analysis (the likelihood that a specific piece of evidence confirms/disconfirms a specific hypothesis in relation to alternatives hypotheses). Both works draw on the four combinations of certainty and uniqueness discussed by Van Evera (1997) to define the probability values of different types of empirical evidence (see Benoît 2016: 12). In terms of priors both Humphreys and Jacobs (2015: 658) and Benoît (2016: 15) assign a value of 0.5 to their different theoretical assumptions, meaning that they are equally likely/unlikely to be true.

While the quantification of empirical evidence provides an interesting new way to make causal inferences in a case study setting, this formal version of Bayesianism has been repeatedly criticised. Beach and Pedersen (2016a: 172), for example, point out the difficulty to properly define the prior probability of the correctness of a specific hypothesis or mechanism, not really increasing the approach's supposed transparency. Beach and Pedersen (2016a: 173) also stress that "at the case level the probative value of empirical evidence is very difficult, if not impossible, to meaningfully quantify. Here we typically have heavily contextualized empirical and theoretical knowledge that only enables us to make qualified guesses about ranges of values at best. Therefore, assigning numbers to the priors and certainty and uniqueness would be very arbitrary at best, misleading at worst". Additionally, the quantification of complex empirical evidence might oversimplify the underlying data and thus undermine the case study approach per se (ibid.).

Agreeing with these concerns, I draw on a more informal Bayesian approach to weigh the found triangulated evidence for causal inference according to their certainty and uniqueness (see Bennett and Checkel 2015). Some evidence can thus be more important or telling than other evidence. And through Bayesian updating, the accumulation of evidence can render a theory plausible, where one 'weak' piece of counter-evidence does not immediately put a theory/causal mechanism into question, but where one 'strong' piece of counter-evidence might constitute a serious blow to its plausibility.

4.4) The cases you select affect the answers you get

4.4.1) How to maximise external and internal validity

A comparative case-study research design to study national fiscal framework reforms makes an appropriate case selection strategy particularly important, referring "to the method by which case(s) are chosen for an intensive investigation" (Gerring and Cojocaru 2016: 394). As Gerring and Cojocaru (2016: 394) stress, "case studies serve a wide variety of functions, and these functions rightly structure the case selection process". It is thus possible to justify a varied number of case selection approaches depending on the stated goals of a study. But this also means that one should not adapt his research goals depending on selected cases but rather vice versa.

In my view, the research interest should always guide case selection, may it be a hypothesis-generating or hypothesis-testing approach[6]. This dissertation is centred on explaining the variation in national fiscal frameworks across the eurozone. I am also keen on maximising the external and internal validity of different theories/hypotheses in explaining these empirical differences. As Slater and Ziblatt (2013: 1305, drawing on a definition by Gerring 2007) discuss, "internal validity refers to the robustness of the analyst's causal inferences within a sample, external validity refers to inferential robustness in that sample's broader population, and the representativeness of one's sample is of the essence in determining the external validity of one's hypothesis".

There is an intrinsic trade-off between internal and external validity (Gerring 2007: 43), which I try to balance in this research project. While process-tracing in case studies is typically a powerful tool to achieve internal validity, external validity is more difficult to achieve with a largely qualitative approach (ibid.). With an adequate case selection strategy, it should nevertheless be possible to generalise, with a significant degree of certainty, to a larger number of unstudied cases (see Slater and Ziblatt 2013: 1301).

In this study, the broader population of cases are the nineteen member states of the eurozone (as of 2021). For Gerring (2007: 43), the main difficulty for achieving external validity in a comparative case-study research design is the "problem of representativeness between sample and population (…) because it includes, by definition only a small number of cases of some more general phenomenon". This means that quantitative analyses covering all of the population are typically stronger in achieving external validity, however, often at the price of 'parsimony' over 'accuracy' in their theories (see Slater and Ziblatt 2013: 1306, quoting Przeworski and Teune 1970: 17).

Aiming for a balance between internal and external validity thus means that one needs to find a level of theoretical abstraction that is acceptable for both types of validity. Slater and Ziblatt (2013:

[6] Of course, some degree of pragmatism is acceptable when circumstances dictate it. As Gerring & Cojocaru (2016: 410-411) point out, "the availability of within-case evidence plays a critical role in decisions about which case, or cases to study. (…) [T]he availability of within-case evidence is partly a product of the case itself and partly a product of the researcher's personal attributes – his or her linguistic competences, connections, and previous acquaintances with a region, time period, or topic".

1301) argue that three guidelines can substantially support both internal and external validity in comparative case study research designs. First, researchers should "craft arguments with general variables or mechanisms", thereby ensuring that the analysis does not focus excessively on the idiosyncratic features of each case and allowing for a better generalisability of arguments. Second, scholars should "seek out representative variation", covering a broad range of cases inside a specific population. And third, academics should "select cases that maximize control over alternative explanations", which is helpful to establish both internal and external validity. Based on these guidelines, Slater and Ziblatt (2013: 1304) "question the presumed elective affinity between types of analysis and types of validity, suggesting that large-N analysis may not be as indispensable for attaining externally valid results – or even as geared for doing so – as commonly assumed".

4.4.2) Diverse case selection strategy

I argue that a so-called 'diverse case-selection' strategy as discussed by Gerring (2007) and Gerring and Cojocaru (2016) allows to achieve a balance of internal and external validity better than any other existing case selection strategies (see Gerring 2007, Seawright and Gerring 2008, Rohlfing 2012, Gerring and Cojocaru 2016, Herron and Quinn 2016 for overviews over different case selection procedures). I contend that such a strategy allows to evaluate competing causal theories and mechanisms in a particularly fair manner, while providing the strongest case for the generalisability of case-study findings among the available case selection options.

In a nutshell, a diverse case-selection strategy demands that cases are selected in a fashion that maximises the variation in both the central dependent and independent variables. It also has to include diverse contexts in which these variables occur and with which they interact. While this strategy would completely fail in an exclusively cross-case comparative approach, such as Mills's methods of difference or agreement, the within-case analysis of each single case – or at least of a representative share of selected cases – through detailed process-tracing allows to identify the causal mechanisms at work in each case. This resolves concerns about too many variables and too few cases that typically bedevil exclusively comparative approaches for causal inferences. At the same time, the selection of diverse cases across the population maximises the opportunities to evaluate the generalisability of the sampled cases to the population.

By definition, a diverse case-selection procedure demands the selection of at least two cases. These cases should have a high degree of variation on the relevant dimensions/variables of interest (Gerring 2007: 97, 98). Depending on the concrete research design, that might include only the dependent (Y) or a single independent variable (X1), but it can also be applied to both dependent and independent variables at the same time, as well as to "some particular X1/Y relationship" (Gerring 2007: 98).

Seawright and Gerring (2008: 300) point out that "diversity may also be understood in terms of various causal paths, running exogenous factors to a particular outcome. (…) Perhaps three different independent variables (X1, X2, and X3) all cause Y, but they do so independently of each

other and in different ways". Or in the words of Gerring and Cojocaru (2016: 400), "the chosen cases are diverse if they represent all potential factors (Z) including causal conjunctures, that might explain variation in Y. The assumption is that the true causal factors (X) are to be found among the putative causal factors (Z)". If one thus wants to evaluate several different potential independent variables/causal mechanisms simultaneously, more than two cases are useful to properly evaluate them.

Variation in variables can be at the categorical, ordinal or metric level. If a variable is categorical, the researcher simply chooses cases from all of the existing categories. Depending on the number of categories of a variable, this can mean that more than two cases may be necessary for the empirical analysis. Should there be more than one case of each category inside the population to which one wants to generalise the empirical findings, one has to select from among the members of each category. Seawright and Gerring (2008: 301) point out that "because of the small number of cases to be chosen, the cases selected are not guaranteed to be representative of each category". They stress that "nevertheless, if the categories are carefully constructed, the researcher should, in principle, be indifferent among cases within a given category".

While a random selection of cases from each group may be a valid strategy, it is important, however, that "a case study should not focus on an atypical member of a subgroup" (Seawright and Gerring 2008: 301). This means that a purposeful selection is generally preferable. In addition, as process tracing demands a lot of empirical data, selecting comparatively data-rich cases among available case study options is also a 'wise strategy' (see Beach and Pedersen 2016b: 22). If a variable is ordinal or metric, one chooses the most extreme cases in terms of variation. Should extreme cases be extreme outliers that do not really correspond to a studied population, one can also draw on the cases next to the most extreme ones. If more than two cases might be useful for the empirical study, one can try to identify break-points in the distribution of the variables (see Gerring 2007: 98). While "encompassing a full range of variation is likely to enhance the representativeness of the sample of cases chosen (…) the inclusion of a full range of variation[, however,] may distort the actual distribution of cases across this spectrum" (Gerring 2007: 100).

A way to further improve the representativeness of a diverse case selection is thus to analyse more than two cases along the full range of variation of the variables of interest, for example at the median, mean, or at the quartiles. More cases would equally make us "more confident about the external validity of our findings because we have studied a higher ratio of cases in the population" (Beach and Pedersen 2016b: 24). In addition to the variation in the key variables of interest across cases, it is helpful for the empirical analysis to look for within-case variation of these variables across time. Gerring and Cojocaru (2016: 396) point out that "generally, cases exhibiting change on key parameters of interest are more informative than cases that remain static. Wherever possible, researchers should administer case selection strategies using information about how cases perform through time, in addition to how they compare to other cases at a particular point in time".

4.4.3) Concrete case selection

Taking all these elements into account, the diverse case-selection strategy applied in this dissertation has led to the selection of a sample of six country cases from the broader population of the 19 current eurozone member states. The main objective of the case-selection procedures was to have representative variation on both the central dependent (fiscal framework stringency, design and timing) and independent variables (macroeconomic idea-sets, economic interests, public opinion, financial markets, external coercion).

In my view, the six chosen country cases, Germany, France, Austria, Slovakia, Ireland and Portugal are a very representative sample of the population of cases (see Table 4.1 for an overview). In the second chapter of this dissertation, I provided a detailed account of the fiscal framework differences across these countries. I am confident that the selected cases cover well the extremes (Slovakia and France respectively) as well as the whole range of variation in fiscal framework stringency, design and timing (Austria and Ireland, for example, in terms of stringency).

Regarding the different potential explanations for fiscal framework variation the six cases also vary strongly, containing both extreme and more intermediate cases all across the possible range of variables to have a maximum of diversity. As I will show in more detail in the empirical chapters, the studied cases include a variety of dominant national macroeconomic idea-sets, which differ according to the role they give to the state in the economy, and the role of rules and expertise in fiscal policy-making. Slovak neoliberalism and German ordo-liberalism favour a limited state role and stringent fiscal rules, while French post-dirigisme and Portuguese neo-developmentalism sees a larger role for the state in the economy and favours the use of expertise in decision-making. Austro-pragmatism and Irish pragmatism take on more intermediate and less coherent ideational positions.

In terms of economic interests, the cases cover the whole spectrum from coordinated market economies (Germany, Austria), over state-influenced (or mixed) market economies (France, Portugal) and liberal market economies (Ireland) to dependent market economies (Slovakia) (see Hall and Soskice 2001, Schmidt 2016b, Nölke and Vliegenthart 2009). The case selection includes countries with strong and influential economic interest groups such as Austria and Germany as well as countries where employers' organisation and trade unions play more marginalised roles, such as in France and Slovakia.

For public opinion, as I show in the empirical analysis, it is difficult to select a diverse set of countries as differences in citizen's attitudes across countries are quite minor. It nevertheless includes countries where one, at least from colloquial wisdom, would expect public preferences to be fiscally very conservative (Germany), and countries where the population is supposedly more open to public deficits and state intervention such as France and Portugal.

Table 4.1 – Overview of the six selected country-cases

	Slovakia	Germany	Austria	Ireland	Portugal	France
Fiscal framework stringency	very high	high	rather high	average	rather low	very low
Fiscal framework design (most important fiscal rule limits)	Nominal debt level	Structural deficit	Structural deficit Nominal and cyclical expenditure ceilings	Expenditure ceiling (based on structural deficit)	Structural deficit	Structural effort oriented toward medium-term planning
Fiscal framework timing	Debt crisis	Pre-debt crisis	Pre-debt crisis	Debt crisis	Debt crisis	(Pre-debt crisis)
Macroeconomic idea-sets	Slovak neoliberalism	German ordo-liberalism	Austro-pragmatism	Irish pragmatism	Portuguese (neo-) developmentalism	French post-dirigisme
Economic models	Dependent market economy	Coordinated market economy	Coordinated market economy	Liberal market economy	State-influenced market economy	State-influenced market economy
Interest group strength	Low	High	High	High/Low	-	Low
Public opinion	-	Critical of public debt?	-	-	-	Open to public debt?
Financial markets	Intermediate	Non-crisis country	Non-crisis country	Crisis country	Crisis country	Non-crisis country
External coercion	Donor	Donor	Donor	Financial assistance	Financial assistance	Donor
Country size	Small	Large	Small	Small	Small	Large
Country groups (representative of)	Eastern bloc (also Baltic states)	Northern bloc (also NL, FI)	Northern bloc / Intermediate	Peripheral	Southern bloc (also IT, ES, EL, CY)	Southern bloc / Intermediate
Centralism – Federalism	Centralised	Federalist	Federalist	Centralised	Centralised	Centralised
Aging	Decline	Decline	Growth	Growth	Decline	Growth

Source: Own depiction

Regarding sovereign bond yields/spreads and public bond ratings, the six cases contain a massive degree of variation, which, to a large extent, mirror the differences between the crisis and non-crisis countries of the Great Recession and European debt crisis. Countries such as Germany, Austria and also France did not suffer strongly increasing bond yields and public bond ratings remained relatively stable. With Ireland and Portugal, the case selection also deliberately includes countries that experienced strong financial difficulties, facing sharply increasing bond yields and strong deteriorating bond ratings.

To deal with potential external coercion by international organisations and powerful states, I included both large (Germany, France), and small countries (Austria, Slovakia, Ireland, Portugal). In addition, the sample contains two countries that received financial support and countries that were rather on the 'donor side'. Ireland and Portugal both needed help from external actors, however, suffering from two different types of crisis. While Ireland suffered from a severe housing bubble and related banking crisis (similar to Spain), Portugal's problems were linked to more structural economic factors (more similar to Italy and Greece). They are thus appropriate representatives for the broader group of crisis countries. On the other hand, the case selection also includes countries such as Germany that weathered the Great Recession well, which can be similarly said also to Austria and Slovakia, with France being a bit more ambiguous.

While not having been part of an in-depth analysis of primary data on national fiscal frameworks, the preliminary work based on secondary sources suggests that these countries generally also represent well specific country groups and types of countries to which they belong. Germany is characteristic for the so-called Northern Bloc which includes, among the eurozone member states, also the Netherlands and Finland. Slovakia is a typical representative of the Eastern Country Bloc, particularly for the Baltic States. Portugal and Ireland are key examples of the peripheral crisis countries. Portugal, however, is also part of the broader Southern Bloc which includes Spain, Italy, Greece, Cyprus, and to a certain extent also France, which has a slightly more ambiguous positioning. Austria finally is also in a more intermediate position, even if it generally shares many similarities with Germany. For most country groups, the six selected cases are not the only possible option for a sample of diverse case, but they generally represent them well.

In addition to variation on the main dependent and independent variables, I also considered some broader (control) variables for the concrete case selection, aiming to have some diversity also on these potential influence factors. The case selection strategy covered different political systems and institutions. The six selected cases include countries ranging from consociational policy-making in representative, federal parliamentary democracies (Austria) to centralist, majoritarian semi-presidential democracies (France) (see Lijphart 2012, 1969, Katzenstein 1987, Dachs et al. 2005, Schmidt 2016b). In between, there are cases corresponding more to the former (Germany) and cases leaning more towards the latter (Portugal). Regarding country-specific knowledge regimes, the chosen sample also contains the full range of different models, such as negotiated (Austria) and coordinated knowledge regimes (Germany), as well as statist (France) and competitive knowledge regimes (Slovakia) (see Campbell and Pedersen 2014, Fourcade 2009).

Beyond institutions, the case selection strategy also allowed to include countries that have experienced and will most likely experience population growth in the future (e.g. France, Ireland, Austria), countries that expect a decline of their population size in the next decades (e.g. Slovakia, Portugal, Germany). As demographic change, particularly, the ageing of societies puts pressure on public budgets, it might be the cases that countries that expect stronger ageing do more forceful fiscal consolidation and put into place more stringent national fiscal frameworks.

4.4.4) A reduced sample for the in-depth case studies

Due to time constraints, I have decided to include only three in-depth case studies of the six studied country cases as chapters in this dissertation. While having undertaken the same empirical work on all six countries, they will only feature extensively in the comparative chapters 6 to 9, while the Slovak, Austrian and French cases will be further developed in the processing chapters 10 to 12. The findings from the German, Irish and Portuguese nevertheless informed the overall empirical analysis and are – in a tentative fashion – included in chapter 13, which summarises the main findings of the empirical analysis.

I selected Slovakia, Austria and France because they are – on almost all dimensions – largely representative of the variation in dependent and independent variables in the six studied countries as well as the overall population of the 19 eurozone member states (see Table 4.1). The three cases include the most (Slovakia) and least (France) stringent of the analysed national fiscal frameworks as well as an intermediate case (Austria). Their fiscal frameworks also differ in their design and reform timing. In addition, each of these three cases corresponds well to the cases only studied in detail in the comparative analysis, and is thus, to a certain extent representative of the latter (Slovakia and Germany, Austria and Ireland, and France and Portugal).

The three cases chosen for the in-depth process-tracing exercise vary along the majority of independent and broader control variables, but given their small number cannot fully capture all of the dimensions highlighted in Table 4.1. Most importantly, the three case studies do not include any country which was a 'crisis country' during the European sovereign debt crisis. The most relevant theoretical explanations in this regard, the role of financial markets and external coercion, are nevertheless tested in a largely comparative manner with all six country cases, including the 'crisis countries' Ireland and Portugal.

In my view, under the light of the pragmatic need to reduce the overall workload, the decision to select 'representative' cases from the six country cases and to take into account some more tentative empirical findings from the three cases not covered by in-depth process tracing exercises allows to minimise the negative effects of this research design modification on the external validity of the findings.

4.5) Empirical materials and operationalisation

Before moving to the empirical part of this dissertation, a final task remains, namely to specify how to operationalise the different variables and causal mechanisms that are part of the analysis. The following sub-sections discuss the utilised data and information.

4.5.1) Empirical materials

A wide array of empirical evidence was gathered and analysed to test the explanatory power of the five theoretical approaches aiming to understand fiscal framework variation. First and foremost, these materials consist of semi-structured interviews with 81 national fiscal policy-makers and interest group representatives from diverse political backgrounds, high-level public officials from finance ministries and adjacent fiscal policy institutions, and experts from independent fiscal councils, central banks, research institutions, and international organisations such as the European Commission, the IMF, and the OECD. The objective was to get a comprehensive picture of the fiscal policy field in each country case, equally paying attention to the international level and the interactions that can arise between the intra-/supranational and the national level.

The analysed empirical materials also include the minutes of parliamentary debates, committee sessions and hearings, electoral programmes, party platform programmes and coalition agreements of political parties, legal documents such as constitutional amendments, statutory laws, and regulations. In addition, I studied reports issued by governments, fiscal councils, the European Commission, the IMF, the OECD, and different academic research projects. Finally, whenever it was useful, I also utilised newspaper articles and the data provided by different databases, mainly from international organisations.

The following subsections discuss the main empirical materials mobilised for the operationalisation and measurement of the dependent and independent variables in this dissertation. They provide only a broad overview, as the various empirical chapters using them provide more detailed information the materials, their sources, and highlight potential shortcomings and caveats for their interpretation.

4.5.2) Dependent variable(s)

As discussed in more detail in the introduction of this dissertation, to operationalise the stringency, design and timing of national fiscal frameworks I used the legal texts underlying each relevant national fiscal rule and institution in place and their reforms over time, with a focus on the last three decades. Where fiscal frameworks did already exist before, the analysis also included previous legislation. Annex A provides a list of each individual law that was used to study the variation in national fiscal frameworks.

To discern each framework's stringency, I drew on arguments from the literature (e.g. Schaechter et al. 2012, European Commission 2017b) and adapted them according to my own analysis to

identify the formal degree of discretion constraint that they exert on fiscal policy actors. For design matters I largely followed the distinctions made in the broader literature (Schaechter et al. 2012, Eyraud et al. 2018, Caselli et al. 2018). The timing of reforms can be analysed quite simply by looking at the dates when they are passed in parliament (and when they come officially into force according to the law). See the more in-depth discussion on these three elements of fiscal frameworks in chapters 2 and 5. For better calibration of the data, I also took into consideration the perceptions of interviewees from different countries and different institutions on fiscal frameworks and their actual functioning.

4.5.3) Independent variables

To operationalise the causal mechanisms of the different tested theoretical explanations and their observable implications I draw on a comprehensive number of sources, which allow me to triangulate data across individual reform episodes, actors and countries. These materials include interviews, parliamentary debates, electoral manifestos and party platform programmes, various reports by national and international institutions.

Ideational explanation

To identify the normative and causal beliefs of fiscal policy actors, I conducted semi-structured interviews with 81 political decision-makers, experts and high-level public officials. Annex D describes the selection process of potential interviewees, the design of the interview strategy and analysis, and provides a list of all interviews with more detailed information. I also studied parliamentary debates on fiscal framework reforms, fiscal governance reforms as well as public budgeting more broadly. Additional data included an exhaustive analysis of electoral manifestos and party platform programmes of each party represented in parliament, as well as different kinds of report, such as fiscal council and Article IV reports made by the IMF. Importantly, I drew also on secondary literature, which has already identified (dominant) national idea-sets in some of the studied country-cases. In particular, the analysis served to identify the meanings, national macroeconomic idea-sets give to the state's role in the economy, and the role of rules and expertise in fiscal policy-making.

Alternative explanations and control variables

The empirical data to operationalise different aspects of economic models and interest group preferences is diverse. It includes interviews with political decision-makers and interest group representatives, the analysis of parliamentary debates and electoral manifestos and quantitative data on elements such as the current account balance, economic openness (trade), exports (to GDP), as well as union density/membership.

To operationalise public opinion, I draw on a varied set of sources, spanning from Eurobarometer data, surveys commissioned by newspapers and political parties, public referenda on issues related to fiscal policy-making and fiscal frameworks, to semi-structured interviews to capture the perceptions of fiscal policy actors of public opinion.

To analyse the different elements of a causal mechanism linking bond interest rates and ratings to fiscal framework variation I study public finance ratings methodologies of different rating agencies, analyse country ratings and reports by the most important public bond raters, use data on bond interest yields and spreads, study press releases and parliamentary debates, and interpret semi-structured interviews with politicians and experts.

To study the effects of external coercion, as for the other explanations, I make use of a variety of different empirical sources. This includes interviews, parliamentary debates, electoral programmes, the fiscal surveillance reports made by the European Commission (stability and convergence programmes) and the IMF (article IV reports), as well as memoranda of understanding and letters of intent in the context of financial assistance.

To operationalise broader control variables, I fall back on the available literature and interviews (e.g. for the policy-making and knowledge regimes) and existing quantitative data (e.g. for demographics).

5) The empirics of national fiscal framework reforms in the eurozone

Based on the research design developed in the previous chapter, this chapter lays out the structure of the empirical part of this dissertation and introduces the individual country cases in more detail. This more in-depth look at the main dependent variable allows to better understand and interpret the findings of the cross-case and within-case evidence provided in the different empirical chapters.

5.1) The structure of the empirical chapters

The empirical theory-testing approach to understand the variation in national fiscal framework stringency, design and timing is structured in a way to reduce the complexity that the simultaneous analysis of six country cases based on five different theoretical explanations entails and to make it more legible for the reader. Especially given the interest in mobilising both cross-case and within-case analysis to maximise the internal and external validity of the findings, packing everything together in a series of country-specific case studies would have overloaded the chapters. The dissertation's empirical part is thus organised in the following fashion.

Chapters 6 to 9, which include all six studied country cases, engage each with one of the four alternative theories (economic interests, public opinion, financial markets, external coercion) to the ideational approach discussed in chapter 3. They focus mainly on cross-case evidence (comparative approach) but also make use of within-case analysis where deemed useful. As discussed in the methodological chapter, the comparison-based approach is not particularly apt to verify explanations. In the framework of this dissertation, it mainly serves to rule out the validity of individual arguments to explain the variation in the stringency, design and reforming timing of national fiscal frameworks. All four comparative chapters follow a similar structure which is grounded in the interest to identify whether a causal mechanism between the tested explanation and fiscal framework reforms actually exists. As the mobilised materials differ according to the theoretical argument under analysis, there is nevertheless some variation in the assessment design.

Each of the four chapters dedicated to a single alternative explanation provides the corresponding hypotheses to evaluate the existence and impact of the respective causal mechanisms on fiscal framework stringency, design and timing. To do so, the analysis of the empirical evidence is guided by three common questions that are adapted to each of the four different theoretical explanations. The first question is interested in the independent variable(s), their variation across countries and time, and how this variation corresponds to the variation in fiscal frameworks. It focuses on correlational evidence. The second question goes a step further and engages with the identification of potential temporal sequences between changes in the independent variable(s) and the dependent variable which could point to causality. The third question then serves to corroborate eventual evidence of causal relationships by looking at the perceptions and impressions of fiscal policy actors that were involved in individual reform episodes or more broadly in a country's fiscal policy sphere.

Chapters 10 to 12 then delve deeper into three of the six country cases. They engage particularly with the proposed ideational explanation for fiscal framework variation but also use the ample within-case evidence provided by the process-tracing of individual fiscal framework reforms to show the merits and limits of the alternative theoretical explanations. Due to time constraints, this dissertation does not present individual case studies on each of the six country cases. The findings of the empirical research undertaken on the three excluded countries has nevertheless informed the overall empirical analysis. Each of the three case studies starts out with an introductory section providing an overview of the chapter contents.

The chapters then develop the dominant macroeconomic idea sets – the main independent variable – present in the individual cases, showing their evolution over time. For each macroeconomic idea-set, the case studies detail the role they give to the state in the economy, the role they give to rules and expertise to guide fiscal policy-making and identify the principal policy entrepreneurs and translators of economic ideas into the country-specific context. Each chapter subsequently shows in which ways and to which extent macroeconomic idea-sets are embedded in and interacting with national political, economic and research institutions.

Based on this work, each of the three case studies then provides a detailed process tracing of national fiscal framework reforms since the early 1990s, equally looking at broader evolutions in macroeconomic and fiscal policy-making. For each reform episode, dedicated subsections aim to identify the actors involved in the process, the ideas they held and how they might have influenced fiscal framework outcomes. The process-tracing exercises aim to identify the causal mechanisms between national macroeconomic idea-sets and the variation in national fiscal frameworks, but also serve to check whether causal mechanisms linked to other theoretical explanations intervene. Each case study ends with a concluding section that summarises the main findings of the individual chapters.

Chapter 13 finally summarises the findings of the various empirical chapters, bringing together the results of the cross-case and within-case analyses to provide an overall appreciation of the explanatory power of the five tested theories, comparing them across countries and time. This chapter is thus a centrepiece of the overall dissertation and highlights the capacity of the ideational explanation to explain the variation in national fiscal frameworks, especially regarding their stringency and design.

5.2) Overview and analysis of national fiscal frameworks

The following subsections provide an overview and an analysis of national fiscal frameworks in the six studied countries. They are named either after the central legal act of a country's fiscal framework or according to the terms used in political discussions. The subsection thus engages with the German debt brake, the Austrian Stability Pact, the French fiscal governance and programming law, the Slovak Fiscal Responsibility Act, the Irish Fiscal Responsibility Act and the

Portuguese budgetary framework law (also referred to as LEO). The discussion of these national fiscal frameworks includes all fiscal rules, independent fiscal councils, and mechanisms to monitor, enforce and sanction fiscal rule (non-)compliance. Where relevant for the functioning of fiscal frameworks, the analysis also includes broader national budgetary frameworks. Annex A describes all of the legal acts that were included in the assessment of the national fiscal frameworks below.

The overview of each national fiscal framework traces its evolution over time, going back several decades where necessary, to understand the genesis of a particular set of fiscal rules and institutions. In the German case, for example, the starting point of the overview is the year 1949. The discussion covers each reform of a country's fiscal framework and highlights in which ways it modified the existing framework. The subsequent analysis of each fiscal framework moves from a rather descriptive to a more evaluative approach and aims to adequately identify especially the stringency and design of individual frameworks. It considers whether fiscal frameworks were based on national initiative (homegrown) or rather based on supra- and international requirements. The analysis looks at the relationship between the European fiscal framework and each national one and to which extent national fiscal frameworks copy the European requirements or diverge from them. It takes into account the complexity or simplicity of individual fiscal frameworks, on which legal base they are constructed and whether fiscal frameworks have grown over a long period of time or not.

Importantly, and in contrast to what most indices on fiscal frameworks do, the analysis looks particularly at the interplay of the different elements of fiscal frameworks. Stringent fiscal rules do not necessarily constrain the discretion of fiscal policy-maker if they lack accompanying enforcement mechanisms or independent institutions intervening in public debates. Equally, strong legal means to ensure rule compliance might not exert a strong discretion-constraint when the rule limits are lenient or vague. Based on such an integrative analysis of the various features of national fiscal frameworks, I have classified and ranked them according to their stringency, which I presented already in chapter 2 (tables 2.3 and 2.4). This chapter serves to provide a more in-depth analysis for the reader ahead of the empirical chapters that test various theoretical explanations for the variation in national fiscal frameworks.

5.2.1) The Slovak Fiscal Responsibility Act

Overview of the Slovak fiscal framework

Reform efforts towards a national fiscal framework in Slovakia got underway in the early 2000s. Focused on broader changes in fiscal governance towards international best-practice models, a major reform in 2004 also introduced constraining fiscal rules and correction mechanisms for the subnational levels of government (Acts No. 523/2004 Coll. And No. 583/2004 Coll.). These included a strict cap on debt accumulation, even allowing the finance ministry to take over control if it did not deem the consolidation efforts of subnational entities sufficient. This focus on strongly limiting debt rules and strict correction mechanisms subsequently found its way from the municipal and regional level up to the central government level.

Constituting the central reform of the Slovak fiscal framework, the Constitutional Act on Fiscal Responsibility of 2011 significantly extended the national set of fiscal rules and institutions. In terms of rules, the reform introduced a stringent nominal debt rule, preparatory legislation for an expenditure ceiling as well as a very detailed and quasi-automatic correction mechanism in case of non-compliance with the rules. The central debt rule fixed an upper limit of nominal debt to 50% of GDP and specified concrete and stepwise correction and sanction mechanisms that come into force gradually, as soon at public debt exceeds 40% of GDP.

In several steps (debt beyond 40%, 43%, 45%, 47% and 50%), the Fiscal Responsibility Act lays out detailed consequences for rule non-compliance. This includes – in an accumulative fashion, (1) the need for the finance ministry to submit a written justification and propositions for debt reduction measures to the national parliament, (2) the automatic freeze of the salaries of government members, (3) the freeze of public expenditures (with some exceptions) and budgetary reserves (constituting in principle, an automatic expenditure ceiling), (4) the need for the government to submit a budget without deficits (basically a strict balanced budget rule), and (5) an obligatory vote of (non-)confidence in parliament.

While being a quasi-automatic system to ensure rule compliance, the reform also included some escape clauses, such as exceptional situations (deep recessions, natural disasters, war), as well as temporal suspensions of the rules when a government's manifesto is approved and when a government has received a vote of confidence in parliament. The Fiscal Responsibility Act's debt limits apply from 2027 onwards, being 10% higher when the law went into force in 2012. Since 2018, these debt limits are lowered by 1% annually until they reach 40% of GDP. While the reform demanded the introduction of an expenditure ceiling via an ordinary law, such a ceiling has since not been implemented.

The most recent reform of the Slovakian fiscal framework took place in late 2013 with the amendment of the 2004 law on budget rules, to implement the requirements of the intergovernmental TSCG. Mirroring the requirements of the SGP, it contains a structural deficit rule of 0.5% (up to 1% if nominal debt is significantly below 60%). The law also introduced an additional correction mechanism, whereby the finance ministry has to identify significant deviations and propose corrective fiscal policy measures to the government. The latter can, however, choose not to apply the correction mechanism, being able to justify its decision to the national parliament.

Already in 2004, the major fiscal governance reform gave birth to the Institute for Financial Policy (IFP) inside the finance ministry. Its original and since extended remit was to provide 'reliable' analysis on macroeconomic and budgetary issues. The IFP did not constitute an independent fiscal council *per se* but was nevertheless given a higher degree of autonomy than other parts of the finance ministry. This meant a gradual change towards more independent monitoring and control of national fiscal policy-making. With the constitutional Fiscal Responsibility Act, a proper independent fiscal council, the Council for Budgetary Responsibility (CBR) was established.

Largely in line with international best practice guidelines, the CBR consists of three members selected by the government, the country's president as well as the Slovak National Bank (NBS). Financed from the NBS budget (similar to the Austrian solution), members can serve one seven-year term, supported by a secretariat managed by an executive director. Having a rather broad mandate, the CBR assesses the compliance with the nominal debt rules (since the 2013 reform also of the structural deficit rule), analyses fiscal transparency measures as well as legislative proposals, and produces long-term sustainability reports. In addition, the 2011 constitutional reform also established two advisory committees, the tax revenues forecast committee and the macroeconomic forecast committee. Their task is to improve the transparency on the production of macroeconomic and budgetary data and forecasts, producing their own forecasts at least twice per year.

Analysis of the Slovak fiscal framework

Overall, the Slovak fiscal framework is very stringent and for the largest part based on domestic initiative. The foundations for the transformation of the country's fiscal system were laid in the first half of the 2000s, starting with a set of fiscal rules at the subnational level alongside a broader reform of the country's fiscal governance, including multi-annual budgeting, programme budgeting, and improved transparency requirements for public budgeting (Interview Ódor). While heavily supported – particularly with technical assistance – by the World bank, this reform was, nevertheless driven by national fiscal policy makers and their advisors. It set already very narrow debt limits on municipalities and other sub-national government units.

The main reform of the Slovak fiscal framework was the 2011 constitutional fiscal responsibility act, which began as a domestic initiative of two high-level public officials/policy advisors. Finally supported by all parties represented in parliament, it introduced nominal debt ceilings that are significantly going beyond the European requirements. In addition, they are getting even more restrictive over time. By 2027, the debt-to-GDP limit of Slovakia – before the country's correction mechanisms go into force – will be at 40%, a full third lower than the 60% allowed under the Maastricht Treaty. In addition, the national debt ceiling is secured by the clearly most stringent correction mechanism of all the six studied cases, and most likely even among all eurozone member states (as it appears from a more superficial analysis of the key features of national fiscal frameworks across Europe).

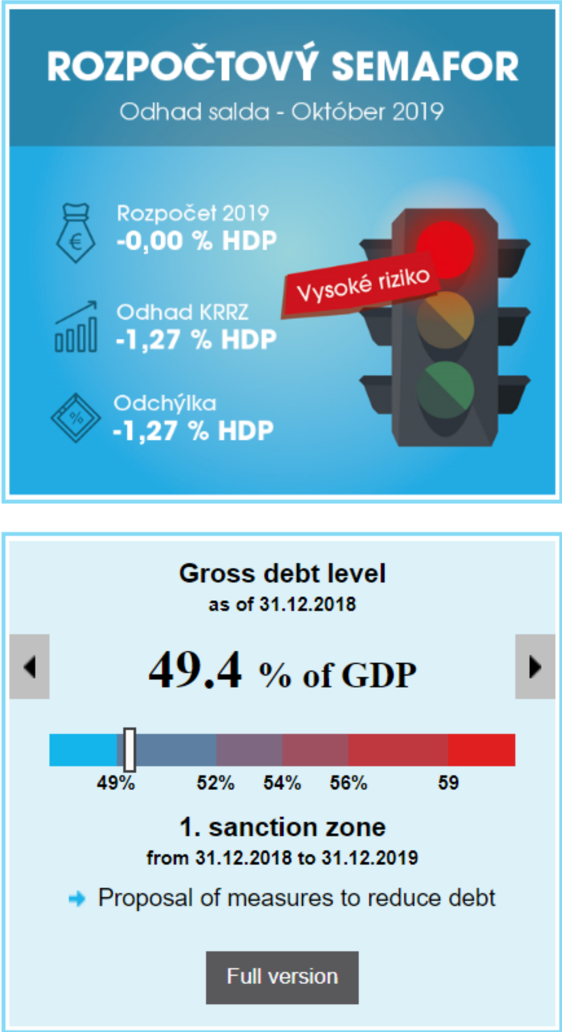
To comply with the European requirements, the Slovak government also implemented the structural deficit requirement of the Fiscal Compact. This national fiscal rule, however, closely follows the international obligations and did not get integrated into the previously existing correction mechanisms. Also the expenditure ceilings, as planned in the constitutional reform, never got specified in ordinary legislation. This shows that even in the prototypical case of a stringent national fiscal framework, not all planned – or even voted – features of fiscal frameworks get finally put into place.

In comparison to Germany, which also has a stringent national fiscal framework, Slovakia introduced a stronger independent fiscal council, the CBR. It has a broad mandate, analysing many features of fiscal policy from the compliance with the fiscal rules to the long-term sustainability of public debt. The CBR also has a significant degree of independence from political pressures and has sufficient resources at hand to conduct their own analyses. Council membership is not based on a representation of different domestic institutions relevant for fiscal policy-making, as in some of the other cases (e.g. in Germany and Austria). The main criterion for their selection is their economic expertise (at least de jure).

In terms of council membership, the two co-authors of the constitutional fiscal responsibility act – which also contained the requirement to set up an independent fiscal council – became council members following its establishment in 2012. Representative of the dominant actors in the Slovak fiscal policy field, L'udovít Ódor served as a financial market analyst, chief economist at the finance ministry's FPI and at the Slovak Central Bank before joining the council. Michal Horvath worked in the private banking sector and as an economic advisor to the Slovak government prior to his engagement at the CBR. In 2020, chairman Ivan Šramko also had his roots in the banking sector and council member Anetta Čaplánová was an economics professor, with a research focus "on public economics, new institutional economics and public choice" (CBR 2019).

Beyond the national level, Ódor and Horvath also were strongly involved in the establishment of the EU Independent Fiscal Institutions Network (EU IFIs). On a voluntary basis, any EU-based national fiscal council can join this network. It serves for the exchange of information and best practices among its members and as a platform to cooperate with the European Commission and the European Fiscal Board (EFB). Following international 'best practice' guidelines (OECD), the Slovak Fiscal council has also a 5-member advisory panel, which provides feedback on the procedures and methodologies applied by the council. The panel has included high-level academics such as George Kopits, Simon Wren-Lewis and Jeromin Zettelmeyer.

Figure 5.1 – Visual tools of the Slovak fiscal council on its homepage to show its analysis.

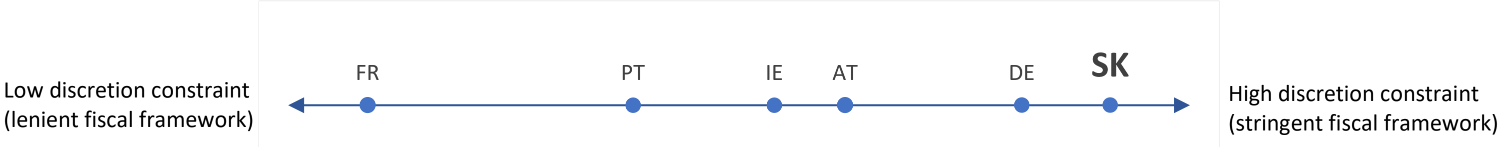


Source: CBR (2019)

Some of the features of the Slovak fiscal council are difficult to assess from a formal perspective. What seems nevertheless apparent is that the CBR has – since its inception – been very vocal in criticising political decision-making whenever it deemed it to not be in line with the country's fiscal framework. The quasi-automatic correction mechanisms in place surely help the CBR to take a confrontative stance to the government. As Figure 5.1 highlights, the council has a very visual public communication strategy which includes the use of graphical elements such as traffic lights and representations of the country's public debt-to-GDP level vis-à-vis the different steps of the country's correction and sanction mechanism.

Taken together, the comprehensive set of fiscal rules accompanied by quasi-automatic sanctions in case of non-compliance and an influential independent fiscal council makes for the most stringent national fiscal framework in comparison to the other five country cases (Figure 5.2). It leaves only little room for manoeuvre for political decision-makers.

Figure 5.2 – Comparison of fiscal stringency across the six country cases (Slovakia)



Source: Own depiction

5.2.2) The Austrian Stability Pact

Overview of the Austrian fiscal framework

Already since the 1970s, Austria has had some sort of informal public deficit limit in place. This limit was the so-called Seidel formula, named after the long-term head of the WIFO, head of the I, and finance state secretary, Hans Seidel. Rather constituting a guideline than a 'real' fiscal rule, it called for budget deficits not to exceed a nominal value of 2.5% of GDP. While being superseded by supranational norms in the 1990s, the Seidel formula served as a guideline for several different government programmes and coalition agreements over more than two decades.

In the 1990s, the Maastricht Treaty and the Stability and Growth Pact (SGP) introduced a more formalised set of supranational rules that required domestic compliance. Subsequently, and without any external obligation, the Austrian government implemented the Treaty's 3% nominal deficit-to-GDP limit into national legislation in 1999 (on an informal basis, it was already introduced in 1996). Its main objective was to specify how much the different levels of governments should contribute to rule compliance. It also determined the burden-sharing in case of non-compliance between the Bund, the Länder, and the municipalities. In correspondence to the SGP, this system was called the Austrian Stability Pact (Österreichischer Stabilitätspakt – ÖStP). For the first time since the beginning of the Second Republic it formalised a set of national fiscal rules in Austria. It did so via a so-called 15a-agreement – based on the constitutional article – which constitutes an intra-state

treaty between the central government and the federal states. In the Austrian legal order, such agreements stand somewhere between constitutional and ordinary legislation.

Since its inception, the ÖStP was tightly interlinked with the periodical renegotiations of the Länder fiscal equalisation mechanism (Finanzausgleich) that sets the sharing of public revenues and public responsibilities between the different levels of government. The ÖStP was also reformed periodically in the years 2001, 2005, 2008, 2011 and for a last time in 2012. With the ÖStP 2001, the stability pact began to diverge from the Maastricht criteria by prescribing a balanced budget in nominal terms, the highly mediated 'zero-deficit' (Nulldefizit) goal. The reform was driven by finance minister Karl-Heinz Grasser. Next to fixing a path towards a balanced budget, the ÖStP 2001 significantly strengthened the fiscal framework. It highlighted the importance of a 'stability orientation' of public finances, particularly for the medium-term, and reinforced transparency requirements.

The ÖStP 2001 also introduced a more detailed sanction mechanism in case of non-compliance of one of the contracting parties. An arbitration committee was to be set up in such a situation, following a set of fixed procedures to determine further action. The goal of the ÖStP 2001, achieving a balanced budget, was – at least seemingly at the time – achieved in 2001 and subsequently no longer given priority. The following ÖStPs (2005, 2008) nevertheless continued to lay out annual nominal deficit limits in terms of an adjustment path towards balanced budgets across the cycle. That approach resembled quite strongly the idea of balanced budgets as a medium-term objective. In practice, this linked the ÖStP again informally to the reformed SGP of 2005, which equally put a stronger emphasis on balanced budgets in the medium-term.

In parallel, and after several years of parliamentary negotiations, in 2007 a landmark constitutional budget law reform was voted by all political parties represented in the Austrian parliament at the time. Driven by the long-term head of the budgetary section in the finance ministry, Gerhard Steger, it introduced several significant changes in fiscal governance. Most prominently, the reform contained a medium-term budgetary framework with 'legally-binding' multi-annual expenditure ceilings. It also introduced accrual accounting and budgeting, performance budgeting, and gender budgeting (see Steger 2010). Different parts of this reform went into force in 2009 and 2013 respectively.

In 2011, the Austrian government also agreed upon a so-called debt brake for the federal government, with a 0.35% structural deficit limit. It borrowed largely from the model of the German debt brake, but rather in name than in substance, as no opposition party delivered a constitutional majority for a more comprehensive reform. The following year, the ratification of the TSCG required a final reform of the ÖStP for the time being. It integrated the Austrian debt brake with a 0.45% general government structural deficit limit into the so-called ÖStP 2012, fixing the obligations of the different levels of government on a permanent basis. To achieve the new annual structural deficit limit by 2017, an adjustment path based on nominal deficit limits was laid out for the period from 2012 to 2016. The ÖStP 2012 implemented additional expenditure and

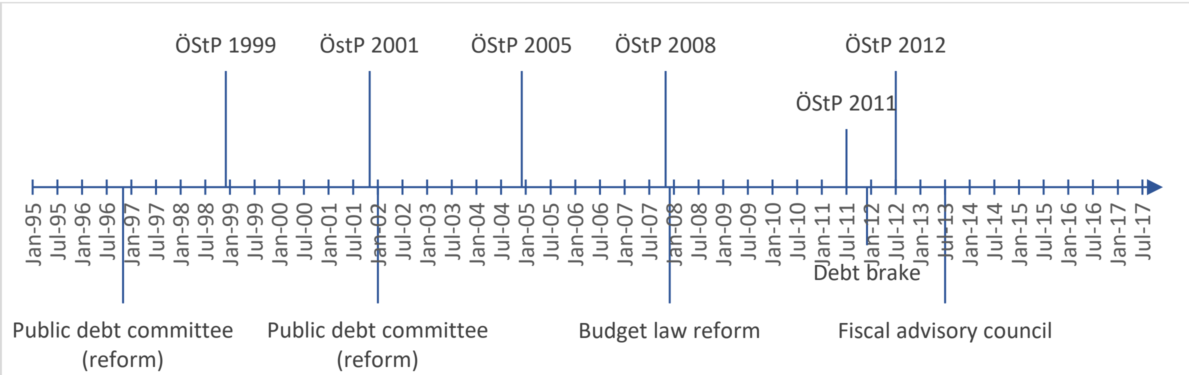
debt rules, contained in the TSCG and the reformed SGP, into domestic legislation. It also introduced a control account system in case of rule non-compliance, similar to the German debt brake model. It leaves, however, more leeway to politicians in its application. This is mainly due to the consensus-based nature of the arbitration committee that would be in charge of handling sanctions against non-compliant governmental bodies.

In terms of fiscal councils, already in 1970, the so-called public debt committee, a predecessor of today's Austrian fiscal advisory council, was created. Since its foundation, its members were selected according to a strongly corporatist logic (partly by the federal government and partly by the main social partners). Over time, the public debt committee was reformed several times, slowly reducing the voting power of the social partners vis-à-vis the executive from two-thirds to one-half of the votes, matching the general loss of influence of the social partners in fiscal policy-making over the last decades.

To comply with European legal norms stemming from the six-pack and two-pack, the public debt committee was transformed into the Austrian fiscal advisory council in 2013. The reform formalised the council's independence from governmental influence. It did, however, not substantially change the basic set-up of the council. While many 'young' fiscal councils across Europe recruited external and often international economists from academia or international organisations as council members, the social partners retained their central place inside the Austrian fiscal council. Notwithstanding, the Austrian fiscal advisory council has become a more central player in the field of Austrian fiscal policy-making in recent times, particularly through the evaluation of fiscal rule compliance and an increased academic output of its secretariat. The diminishing role of the formerly important corporatist advisory board for economic and social affairs has also created a space for the legally firmer-based fiscal council to constitute a privileged forum of exchange between the government and the social partners.

Figure 5.3 provides an overview of all relevant Austrian reforms that took place during the last three decades. It highlights the comparatively frequent changes to the national fiscal framework and its longer history vis-à-vis many other eurozone member states.

Figure 5.3 – Overview of all Austrian fiscal framework reforms of the last three decades



Source: Own depiction

Analysis of the Austrian fiscal framework

In summary, Austria has a rather comprehensive fiscal framework which is to a large extent home-grown. Particularly the reform efforts on the original Austrian stability pacts and the constitutional budget law reform were based on domestic initiatives, rather than externally imposed. Certainly, also these reforms were related to broader changes at the European and international level. But central elements of the Austrian fiscal framework were already in place when the European debt crisis broke out and was accompanied by additional institutional requirements. In comparison to most other cases analysed in this dissertation, the Austrian fiscal framework grew and was strengthened in a more incremental fashion and over a longer period. It also contains more and partly slightly more stringent fiscal rule limits than prescribed by the European Union. Mechanisms to ensure rule compliance are rather complex, however, and thus seem comparatively difficult to enforce. Complexity here seems to allow for greater flexibility.

Taking all the different reforms of the Austrian fiscal framework together, the ÖStP 2012 with its structural deficit rule is surely the central element of the Austrian fiscal framework. Interestingly, by serving as the main tool to ensure compliance with the requirements of the TSCG, the chosen institutional solution denationalised to a certain extent the previously existing system of the more temporary ÖStPs. This happened by linking the concrete fiscal rules and compliance assessments more explicitly and coherently back to the supranational level and abandoning the national adjustment paths set in nominal terms.

While additional expenditure and debt rules from the European level have been included into domestic legislation, the legal texts themselves point out their subordinate role in comparison to the Maastricht deficit criterion and the structural deficit rule originating from the TSCG. Equally, the lenient expenditure ceilings of the medium-term budgetary framework play only a minor role, as they can be simply revised in case of non-compliance undermining their – supposedly – legally-binding character. Compliance with the fiscal limits of the ÖStP 2012, in contrast, is officially evaluated by the Austrian fiscal advisory council. In addition, a control account has been legislated, and correction and sanction mechanisms are – at least formally – in place. The complicated institutional procedures to enforce these mechanisms with many different actors involved and the need for unanimity inside the arbitration committee however weaken the overall stringency of the fiscal framework. The Austrian fiscal advisory council, finally, does not possess particularly powerful tools to impose its will on the political system. It has, however, more resources at its disposal than some other councils in the eurozone.

This *ad hoc* flexibility is also discernible from how deficit and expenditure limits have evolved over the last two decades. There is a tendency among Austrian policy-makers to periodically adjust self-set deficits limits when they would risk non-compliance. To demonstrate this pattern, the following Tables 5.1 and 5.2 show the evolution of the different Austrian stability pacts and the nominal expenditure ceilings over time. In the case study chapter on Austria, I will argue that these patterns can be largely explained by the idea-set of Austro-pragmatism which is dominant among Austrian

fiscal policy actors. Looking at Table 5.1, the ÖStPs 2001 and 2012 introduced more 'ambitious' budgetary adjustment paths then what could have been expected beforehand.

Table 5.1 – Evolution of public deficit limits of the Austrian stability pacts

Year	Legal basis	Bund + SS	Länder	Municipalities	Overall	Actual deficit
1999	ÖStP 1999	-2.70%	-0.20%	-0.10%	-3.00%	-2.6%
2000		-2.70%	-0.20%	-0.10%	-3.00%	-2.4%
2001	ÖStP 2001	-2.05%	+0.75%	0.00%	-1.30%	-0.7%
2002		-0.75%	+0.75%	0.00%	0.00%	-1.4%
2003		-0.75%	+0.75%	0.00%	0.00%	-1.8%
2004		-0.75%	+0.75%	0.00%	0.00%	-4.8%
2005	ÖStP 2005	-2.40%	+0.60%	0.00%	-1.80%	-2.5%
2006		-2.20%	+0.60%	0.00%	-1.60%	-2.5%
2007		-1.40%	+0.70%	0.00%	-0.70%	-1.4%
2008	ÖStP 2008	*-0.75%* | - 1.33%	*+0.75%* | +0.45%	*0.00%* | 0.00%	*0.00%* | -0.88%	-1.5%
2009		-0.68%	+0.49%	0.00%	-0.19%	-5.3%
2010		-0.14%	+0.52%	0.00%	+0.38%	-4.4%
2011	ÖStP 2011	*-0.14%* | -3.10%	*+0.52%* | -0.75%	*0.00%* | 0.00%	*+0.38%* | -3.85%	-2.6%
2012	ÖStP 2012	*-2.70%* | -2.47%	*-0.60%* | -0.54%	*0.00%* | 0.00%	*-3.30%* | -3.01%	-2.2%
2013		*-2.40%* | -1.75%	*-0.50%* | -0.44%	*0.00%* | 0.00%	*-2.90%* | -2.19%	-2.0%
2014		*-1.90%* | -1.29%	*-0.50%* | -0.29%	*0.00%* | 0.00%	*-2.40%* | -1.58%	-2.7%
2015		-0.58%	-0.14%	0.00%	-0.72%	-1.0%
2016		-0.19%	+0.010%	0.00%	-0.18%	-1.6%
2017	ÖStP perm	-0.35%*	-0.10%*	0.00%*	-0.45%*	-0.8% | -0.5%*

Source: Public deficit limits taken from the legal texts of the Austrian stability pacts, nominal deficit data from Eurostat (2019), structural deficit data from Fiskalrat (2018)
Note: *Deficit limits and data defined in structural terms

The ÖStPs 2005, 2008, and 2011, however, revised the stringency of the deficit limits downwards. This is particularly striking for the 2008 and 2011 reforms, where the previous pacts had laid out less lenient deficit limits. Looking at the actual budgetary outcomes in nominal terms, we can suspect that the binding character of the Austrian stability pacts, at least until 2017, has been rather weak. In overall, it seems that adjustment paths were loosened when real budgetary data seemed to deviate from the original ones towards non-compliance and were tightened when public deficits were lower than originally demanded by the different ÖStPs.

Based on available data, general government deficits complied with the respective annual deficit limits seven times from 1999 to 2017. This happened during the phase of strong economic growth in the late 1990s, in the aftermath of the European debt crisis, and – tentatively – also in the phase of strong economic growth in 2017. Twelve times, public deficits surpassed the prescribed deficit rule limits, with most of the larger outliers due to tax reforms (2004-2005, 2016), and crisis measures such as anticyclical policy-making and the rescuing of banks (2009-2010, 2014). Of course, there is need for caution with such an ex-post analysis because of changes to accounting methods and corrections of budgetary data. Politicians might have thought that they had complied with the public deficit limits during budgetary execution (see Reuter 2017: 7). Considering the

broader economic conditions and tax reforms undertaken by successive governments during the analysed period, rule compliance nevertheless seems to have been rather weak, even if the deficit limits might have had a mediating effect on budgetary results.

Similar to the ÖStPs from 1999 to 2017, the annual expenditure ceilings required by the budget law reform and implemented through the multi-annual budgetary framework law have been frequently amended, sometimes even three times for a given year (see Table 5.2). The formally binding character of the expenditure ceilings can be undermined by such changes. Since its first introduction in 2009, annual expenditure ceiling limits have been subsequently lowered 11 times and increased 15 times.

Table 5.2 – Nominal expenditure ceilings of successive budgetary framework laws in Austria and their annual adjustments over time

Framework law	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
2009-2012 | 2010-2013	77.52	70.82	71.27	73.37	74.73									
2011-2014			69.10	70.14	70.93	72.25								
2012-2015 | 2013-2016				75.63	74.25	73.89	73.93	76.51						
2012-2015* | 2013-2016				76.53	75.15	74.34	73.93	76.51						
2014-2017						74.34	73.93	76.51	78.58					
2014-2017* | 2015-2018						75.20	74.39	77.70	78.99	80.52				
2016-2019								76.54	77.51	78.99	80.39			
2015-2018* | 2016-2019							75.07	76.64	77.51	78.99	80.39			
2016-2019* | 2017-2020								78.11	78.20	78.81	80.41	83.04		
2016-2019* | 2017-2020*								78.11	78.20	78.81	80.41	83.04		
2016-2019* | 2017-2020*								78.11	77.63	78.81	80.41	83.04		
2017-2020*									77.63	78.81	80.41	83.04		
2018-2021 | 2019-2022										78.25	78.98	80.72	82.56	85.24

Sources: Legal texts of the budgetary framework laws
Data in billion euros

The recurring changes of the set expenditure ceilings reflected, to a certain extent, adaptations to changes in the economic cycle. Following a logic based on structural balances, expenditure growth should be kept rather stable. Again, a closer look reveals that some of the changes correspond closely to rescue measures for the banking sector (particularly for the period from 2012 to 2014), tax reform (2016) and changes to social expenditures (period starting from 2019).

In addition, the composition of fiscal councils allows us to learn something about the structure of national policy-making, production, and knowledge regimes. It helps us to understand whose ideas are represented and debated in domestic contexts (see Table 5.3). Since its inception, the public debt committee was strongly shaped by a tripartite corporatist logic, with a central role for the Bund and the social partners, giving a share of two-thirds to the AK and WKO. Across consecutive reforms, this did not change substantially. It was the 2002 reform which significantly moved influence from the social partners to the government. During a time of ÖVP-FPÖ government, the Bund increased its share of council members to the half of the whole committee.

Table 5.3 – Evolution of members and voting rights inside the Austrian fiscal advisory council (including its predecessor, the Austrian public debt committee)

Years	Voting Rights			No Voting Rights		
	Federal government	Austrian Federal Economic Chamber	Austrian Chamber of Labour	Austrian Association of Municipalities	Austrian Association of Cities and Towns	Federal heads of government conference
1970 – 1995	2	2	2			
1996 – 1997	3	5	5			
1998 – 1999	4	5	5			
2000 – 2001	4	5	5			
2002 – 2012	6	3	3	1	1	1
2013 –	6	3	3	1	1	1

Source: Legal bases of the Austrian fiscal advisory council/Austrian public debt committee

The 2002 reform, however, also broadened membership by including the association of municipalities, the association of cities and towns, and the federal heads of government conference (Landeshauptleutekonferenz). Without giving them voting rights this nevertheless meant that the sub-national levels of government were included more formally. And as the associations representing municipalities and cities are dominated by conservative and social-democratic actors respectively, this gave back some voice to their representatives. The most recent reform transforming the public debt committee into the Austrian fiscal advisory council did not change anything on that matter.

Taken all together (see Figure 5.4), this makes for a national fiscal framework, which is considerably less stringent in comparison to the Slovakian and German ones. It is, however, slightly more stringent than the Irish and Portuguese fiscal frameworks, and considerably more constraining than the set of French fiscal rules and institutions. The Austrian fiscal framework puts a considerable focus on the setting of rules and tools to allow for rule compliance, but the enforcement mechanisms leave significant leeway to politicians for non-compliance. While clearly going beyond the European requirements in several regards, the Austrian debt brake nevertheless gives more discretion to fiscal policy-makers than the German or Slovakian debt brakes.

Figure 5.4 – Comparison of fiscal framework stringency across the six country cases (Austria)

Source: Own depiction

5.2.3) The French fiscal governance and programming law

Overview of the French fiscal framework

Since the instauration of the Fifth Republic in 1958, the French government had had a disproportionately strong role and almost complete discretion in defining the state's public budgets. There were basically no rules in place constraining the executive from using public deficits and debt in the conduct of fiscal policy-making. In 2001, a landmark reform of the French budgetary framework – called the LOLF – was passed by a cross-party majority. While being an organic law, it was nevertheless considered to amount to a new fiscal constitution of the French state. While not introducing any fiscal rules in the narrow sense, it substantially modified the budgetary process. It gave the parliament more powers to examine the annual budget laws, increased budgetary transparency, required the government to provide a more medium-term outlook of public finances and its underlying hypotheses. In line with new public management reforms in other countries, it also aimed at rendering public officials more responsible and introducing a performance orientation in public budgeting.

A key requirement of the LOLF was to require the government to provide 'sincere' budget plans, with an honest portrayal of the state's financial situation and prudent macroeconomic forecasting. The reform also increased the role of the court of auditors in evaluating this 'sincerity'. In parallel, two reforms of the social security sector aimed at improving governmental control over its expenditure growth. In 1996, a constitutional reform gave the government the right to pass annual social security financing laws (LFSS), providing guidelines for the various sectors. Another reform (LOLFSS) extended the core objectives of the LOLF to the social security financing laws in 2005.

In 2008, a broader constitutional reform included a few new requirements for fiscal policy-making. In Art. 34, a new category of law was introduced, the so-called programming laws. These laws were to provide a multiannual budgetary framework for the conduct of fiscal policy. According to the reform, the programming laws were also to orient themselves towards the goal of balanced public budgets. This requirement was, however, formulated in such vague terms that it did not constitute a 'real' fiscal rule, but rather a very general guideline. The 2008 constitutional reform, however, further strengthened the 'sincerity' obligation for public budgets by lifting it into constitutional status and further empowering the court of auditors to control governmental action.

In 2011, a constitutional reform proposal on balanced budgets went far in the legislative process before being finally abandoned by the government. Building on the idea of programming laws as laid out in the previous constitutional reform, the project proposed the introduction of so-called framework laws for balanced budgets which would be binding for the annual budget laws and the social security financing laws. The framework law would, for a period of at least three years, determine multiannual guidelines for the public budget, setting expenditure ceilings for the annual budgets. An additional organic law was to be introduced. Only based on the conditions provided in this law, the framework law could be modified during their execution. The organic law would have also defined how budgetary deviations from the framework laws would be compensated.

This reform proposal would have considerably strengthened the French fiscal framework. At the same time, it would have further pushed for a medium-term orientation of public budgeting. Additionally, the framework law with its annual expenditure ceilings would have put more pressure on compliance with pre-defined budgetary paths. But while the constitutional reform project put more focus on balanced budgets, again it did not contain any concrete numerical limits. It also did not oblige the government to reach a balanced budget in a specific time frame, nor was the term of a balanced budget detailed.

In response to the European requirements stemming from the six-pack measures and the TSCG, the French parliament adopted an organic law reform called LOPGFP in 2012, which – for the first time – introduced fiscal rules in the proper sense. It also created an independent French fiscal council, the High Council of Public Finances (HCFP). The LOPGFP resorted back to the multiannual programming laws as laid out in the constitutional reform of 2008. In practice the reform specified the goal of balanced budgets referring to the structural deficit rule contained in the Fiscal Compact. The programming laws were to be defined in a way that complied with the medium-term objective of structurally balanced budgets. They have to contain concrete trajectories for the nominal and structural budget deficit, as well as for public indebtedness.

The reform puts a particular focus on the (annual) structural effort undertaken by the government to improve its budgetary situation. The LOPGFP demands the multiannual programming laws to formulate the exact norms according to which significant deviations from the planned budgetary trajectory are identified and corrected. The HCFP is charged with the identification of significant deviations. Like previous reforms, an important aspect of the organic law reform was to further improve budgetary transparency, demanding the provision of detailed information on the drafting of the budget and highlighting once more the importance of 'sincerity' in fiscal policy-making. Among the passed measures is a compulsory introductory article in the annual budget laws, which is supposed to strengthen the legibility of the budget documents for parliamentarians and the broader public.

Regarding fiscal councils, France did not have an independent fiscal institution until it was required by the European level. Earlier reforms of the budgetary framework had strengthened the control rights of the French parliament and – in particular – of the court of auditors, which became the central institution to evaluate the 'sincerity' of the public budgets and the hypotheses underlying its macroeconomic forecasts. As the principle of 'sincere' public accounts was lifted into constitutional rank, as the last authority, even the Constitutional Council can examine the compliance of the government with this principle.

With the LOPGFP in 2012, an independent fiscal council, the HCFP was introduced. Following the institutional path taken in previous reforms of the budgetary process, it was established inside the court of auditors, with the First President of the court of auditors also serving as the president of the HCFP. Council members are partially public officials of the court of auditors and partially experts appointed by the presidents of both parliamentary chambers and their respective finance

committees. The general director of Insee and a representative nominated by the economic, social, and environmental council are also part of the council. The LOPGFP required the fiscal council to be constituted equally by men and women. This was hailed as an important institutional innovation during the negotiations. The main tasks of the HCFP are to provide expert opinions on the government's macroeconomic forecasts and to evaluate the coherence of the programming laws and the annual budgets with the medium-term objective as set out by the European fiscal rule requirements.

Analysis of the French fiscal framework

There have been substantial efforts in the last three decades to transform the French budgetary process and to improve both the transparency and 'sincerity' of public budgeting. At the same time, annual budgeting has been embedded into an increasingly medium-term outlook on public finances. Reform processes to the fiscal framework have not necessarily been smooth. A vague constitutional reform of 2008 has been followed by a failed reform effort in 2011. Only with the external requirements stemming from the European level, France introduced an elaborate national fiscal framework.

The LOPGFP institutionalised the TSCG's structural deficit limit in multiannual programming laws and installed an independent fiscal council inside the court of auditors. The contents of the 2012 reform were partially based on the failed constitutional reform attempt of 2011 and are in line with a comparatively lenient approach to fiscal frameworks. The LOPGFP, in contrast to reforms in other countries, stresses very much the medium-term nature of the structural deficit requirement which is not even mentioned in numerical terms in the law. Rather, it merely refers to the Fiscal Compact and requires the multiannual programming laws to be drafted in line with its norms. Interestingly, the programming laws, which serve to lay out a budgetary path for the annual budgets in line with the TSCG's requirements, can be replaced before the end of their validity. The passing of an adapted programming law is sufficient to change the annual deficit and debt limits for the coming years.

Since the programming laws have been introduced in the French legal order, five of them have been voted by the parliament for the following periods: 2009-2012, 2011-2014, 2012-2017, 2014-2019, 2018-2022 (by mid-2022). Programming laws have thus been repeatedly replaced before reaching the end of their validity. This also means that the existing monitoring of the HCFP and the correction mechanism can be simply circumvented if the government does not want to comply with its original budgetary path. Additionally, the setup of the rule compliance monitoring rather focuses on the evaluation of annual budgets' compliance with the programming law than on the compliance with the actual numerical deficit limit. If a programming law is passed, for example for a period of five years, the fiscal council only examines its compliance with the Fiscal Compact, while annual evaluations are focused on the coherence of the valid programming law and an annual budget.

Table 5.4 shows this overall tendency of French programming laws to relax the constraint of fiscal rules, both regarding nominal and structural deficits. Across the five different programming laws that have been passed in parliament since 2009, deficit limits have been loosened basically for all the covered years in subsequent programming laws. In principle, it is the programming laws that must comply with the fiscal rule requirements from the European level. Since 2012, they should be in line with the structural deficit rule of the TSCG and the deficit reduction obligations when this rule is not complied with (an annual structural deficit reduction of at least 0.5% of GDP as long as the limit of -0.5% is not achieved).

Table 5.4 – Nominal and structural deficit trajectories as laid out in the different French programming laws

Programming law	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
2009-2012 (nom)	-3.2	-4.4	-3.1	-2.3	-1.5										
2011-2014 (nom)		-7.5	-7.7	-6.0	-4.6	-3.0	-2.0								
2012-2017 (nom)					-4.5	-3.0	-2.2	-1.3	-0.6	-0.3					
2014-2019 (nom)							-4.4	-4.1	-3.6	-2.7	-1.7	-0.7			
2018-2022 (nom)										-2.9	-2.8	-2.9	-1.5	-0.9	-0.3
2012-2017 (str)					-3.6	-1.6	-1.1	-0.5	0.0	0.0					
2014-2019 (str)							-2.4	-2.1	-1.8	-1.3	-0.8	-0.2			
2018-2022 (str)										-2.2	-2.1	-1.9	-1.6	-1.2	-0.8

Sources: Legal texts of the programming laws

Interestingly, however, while the first programming law (2012-2017) laid out – at least in theory – such a fiscal consolidation path, the subsequent programming laws for the periods 2014-2019 and 2018-2022 did not comply with the European rule requirements. Instead of containing a structural effort of at least 0.5% per year, the latter programming laws contain considerably lower consolidation plans. As the constitutional objective of 'sincere' public budgets is considered more important than the organic law obligation to produce programming laws in line with the TSCG, French fiscal policy-makers choose to set out what they consider 'realistic' deficit reduction plans. This has allowed policy-makers to provide a better coherence between the annual budget laws and the programming law but has also given them leeway to loosen the stringency of the fiscal framework requirements repeatedly.

The importance of state institutions and the legitimacy of their expertise in the development and evaluation of fiscal policy-making is mirrored in the composition of the French independent fiscal council. As the president of the HCFP and almost half of the council members are public officials from the court of auditors, they play an important role in the council. In 2018, all HCFP members from the court of auditors have completed ENA. Most of the other council members have also been educated in the French elite schools (e.g. Sciences Po, ENA, Polytechnique, ENSAE, ENS, Supélec, Ecole centrale) and either serve or have served as university professors in economics or as high-levels economists at international organisations, large national enterprises, or research institutions. This focus on expertise feeds into the general focus of the French fiscal framework of leaving a leeway for discretionary decision-making.

Taken together, the French fiscal framework then leaves fiscal policy-makers with a considerable degree of discretion to run fiscal policies of their liking. The element of the framework which exerts a more consistent effect on public budgeting is the 'sincerity' requirement, as it is evaluated by the court of auditors. It can be even treated by the Constitutional Council who might sanction a government which is providing false or strongly inaccurate budget and forecast numbers. As it is difficult, however, to discern if macroeconomic or tax forecasts, for example, have been willingly overestimated by the government, or if discrepancies are due to external factors out of the influence of decision-makers, this also reduces the power of controlling authorities. Most importantly, the 'sincerity' requirement thus not constitute a fiscal rule in the proper sense of the term.

In comparison to the other five studied cases in this dissertation (see Figure 5.5), the French fiscal framework is – by far – the most lenient one. While formally bound by the same rules stemming from the Fiscal Compact, the implementation of structural deficit rule requirement was made in a fashion that gives ample room for non-compliance. As the fiscal rule limits for any given year have to be specified in the multi-annual programming laws, which can be modified annually however, the fiscal framework allows for base shifting: even when laying out a deficit trajectory in line with the European rule requirements, actual fiscal policies can deviate over time without necessarily being non-compliant with the fiscal framework itself. There is no correction mechanism as in some of the other studied cases when actual deficits go beyond the initially planned limits or the rule requirements themselves. In addition, the French independent fiscal council does not have any strong means to push governments to comply with fiscal rules.

Figure 5.5 – Comparison of fiscal framework stringency across the six country cases (France)

Source: Own depiction

5.2.4) The German debt brake

Overview of the German fiscal framework

Of all the six country cases, Germany had a fiscal rule in place for the longest period. Enshrined in Art. 115 of the Grundgesetz, the constitutional deficit limit established in 1949 only allowed the federal government to incur public deficits to finance revenue-yielding or profitable objects (Der Spiegel 1982). Art. 109 of the post-war constitution also determined the Bund and Länder budgets to be independent from each other and giving the respective authorities autonomy of the management of their budgets.

In 1969, the 20th constitutional amendment significantly changed both the fiscal rule and the degree of fiscal federalism. The central deficit rule was loosened, allowing for deficits to finance public investment. This was a more encompassing category of expenditures than the previous definition.

The amended rule was also more flexible in terms of rule compliance. It allowed for deviations from the deficit limits when there were disturbances to the overall economic equilibrium. The definition of economic equilibrium was defined in the 1967 stability and growth law, but nevertheless left considerable leeway for interpretation. The constitutional amendment also softened the strong fiscal federalism, giving legal possibilities for fiscal coordination and more common fiscal governance across the different levels of government.

After more than three years of negotiation, another constitutional reform significantly changed and extended the German fiscal framework in 2009. Responding to different events and demands, the reform centred on the introduction of the so-called German debt brake, but also brought several further innovations. The constitutional changes allowed to strengthen the monitoring of Länder public finances via the newly established stability council, set out mechanisms on how to deal with budget emergency situations, and included fiscal consolidation helps for five Länder. It also specified the burden sharing between the different levels of government in the case of EU sanctions.

The new fiscal rule removed the previous possibility to use public deficits to finance public investment and established a balanced budget requirement in structural terms. This requirement was deemed to be fulfilled when the annual deficit did not surpass 0.35% for the Bund and 0.0% for each of the Länder. The reform further restricted the flexibility of the deficit limit by removing the possibility for non-compliance when the economic equilibrium was disturbed. It determined that temporary deviations from rule compliance were only allowed to deal with natural disasters and extraordinary emergency situations which lay outside the control of the state. Even in such situations, the federal parliament had to approve deficits beyond the rule limits based on a simple majority of parliamentarians. Additionally, a control account system was set up, accumulating 'excessive deficits' of the Bund, which had to be compensated in periods of economic upswing. These two last points were not extended to the Länder, however.

The 2009 reform set a transitional period for its application, with the main parts coming into force in 2011, and the debt brakes fully applying for the Bund in 2016, and the Länder in 2020. 9 of the 16 German Länder additionally implemented debt brakes in their sub-national legislation, setting partly more restrictive requirements than the general debt brake.

In 2013, finally, the German fiscal framework was amended a last time. Following the ratification of the Fiscal Compact and the reforms of European fiscal governance, the country was obliged to adapt the existing framework to accommodate additional requirements. A 0.5% structural deficit limit for the general government was introduced, and an independent advisory board was installed at the stability council, making it responsible for the surveillance of rule compliance.

Regarding fiscal councils, several (independent) institutions are relevant. Already in 1963, the German government established the German council of economic experts, whose role was to periodically assess macroeconomic developments in Germany. This council which still exists today,

consists of five members. While officially nominated by the federal government, the peak business and labour organisations each can informally recommend one council member. With the 1969 constitutional reform, the so-called financial planning council was introduced. In line with the newly created budget framework laws, which were to improve fiscal coordination and harmonise fiscal governance across the different government levels, the role of this council was to provide recommendations for the coordination of the financial plans of Bund, Länder, and municipalities. The financial planning council was composed of the Bund and Länder finance ministers, the federal economy minister, as well as four representatives of the municipalities.

In 2009, the next constitutional reform of fiscal institutions abolished the financial planning council and replaced it with the stability council. In terms of membership the new council largely resembled the previous one, however excluding the municipalities. The stability council received additional missions. Its central goal was the prevention of budget emergency situations, which had previously been an issue for specific Länder. This was to be achieved through continuous monitoring of the public finances at the Bund and Länder levels. The law defined the procedures for determining impending budget emergencies and set-up the principles that guide restructuring programmes in such cases. It also specified the decision-making processes inside the council, establishing the need for a 2/3 majority among the members. The Bund was given a veto power concerning decisions on individual Länder. In 2013, the competences of the stability council were further expanded with the addition of an independent advisory board. This board fulfils the requirement of the European Six-Pack legislation to install independent fiscal councils. Together with the stability council itself, the board became responsible for monitoring the compliance of the general government budget balance with the 0.5% structural deficit limit. In case of non-compliance, the fiscal council has to recommend measures that could help to eliminate the excessive deficit. The law determined that the independent advisory board of the stability council consists of 9 members. Two members each are nominated by the Bund and the Länder, and one member each by the municipalities and social security. Additionally, the advisory board includes a representative of the Bundesbank, the council of economic experts and the leading national economic research institutes.

Analysis of the German fiscal framework

Taken together, the German fiscal framework is highly stringent and overwhelmingly 'homegrown'. While the original fiscal rule of the 1949 constitution already put a very strict limit on public deficits, it was subsequent reforms that implemented and extended monitoring and correction mechanisms. Under the impression of Keynesian ideas, the national fiscal framework was partly flexibilised in 1969, when the central fiscal rule gave more room and flexibility for public deficits. With the 2009 constitutional reform, however, the set of fiscal rules and institutions was made significantly more restrictive, representing one of the most constraining fiscal frameworks across Europe.

The German debt brake, the central fiscal rule applying for the Bund and the Länder, sets annual structural deficit limits which are more stringent than those demanded by the European treaties and norms. Importantly, the balanced budget requirement applies to each individual Land, which

makes it more stringent than the deficit limit for the Austrian Bundesländer, which can share surpluses and deficits for rule-compliance among them. In contrast, the country's official independent fiscal council, the advisory board of the stability council, plays a comparatively minor role in the German fiscal framework. This is, however, largely compensated by the function of the more political stability council itself, as well as the restrictive monitoring and enforcement mechanisms that were established to reduce the likelihood of rule non-compliance. This includes the necessity for the federal parliament to have an additional vote on each budget surpassing the existing fiscal rules as well as the control account system, which was established to ensure the correction of 'excessive' deficits over the medium-term.

The central anchor of the German fiscal framework is the 2009 debt brake, with its 0.35% structural deficit limit for the Bund, and balanced budget requirements for each of the 16 Länder. In contrast to some other studied cases, subsequent European requirements did not lead to a denationalisation of ownership. These supplementary obligations were merely added to the existing framework rather than replacing it and play a considerably less central in the overall set of rules and institutions. The focus on the debt brake also leads to a comparatively simple fiscal framework, where additional criteria such as public indebtedness and expenditure growth only play a minor role. This minimises situations of ambiguity, where fiscal policy actors could choose between different norms.

While Austria has based its fiscal framework largely on the German system, the latter is, nevertheless, more stringent regarding its enforcement mechanisms. There are less points of intervention for political decision-makers, which could affect the implementation of corrective measures. In contrast to Slovakia, however, the German fiscal framework lacks direct and quasi-automatic sanctions when the government does not comply with the rules. In comparison to Austria, the German fiscal framework has been considerably more stable over the last two decades. While the different Austrian Stability Pacts have repeatedly amended deficit limits in the period from 1999 to 2012, the German rule set was not continuously adapted to the country's fiscal situation. This lower degree of flexibility is also due to the constitutional nature of the German debt brake.

The composition of the different (independent) institutions dealing with fiscal policy-making reflects the structure of the national policy-making, production, and knowledge regimes. Across the relevant councils, the composition differs in an interesting fashion. The German council of economic experts, for example, contains a corporatist element, as both the peak business and labour organisations have the possibility to recommend one member each. Constituting an informal practice, it is difficult to evaluate this feature from a formal point of view. It has, however, been quasi-institutionalised over the course of the last decades. The other three members of the council of economic experts are generally well-renowned university professors or high-level personnel of the main semi-public research institutions.
In contrast, the stability council and its predecessor, the financial planning council, have been strictly political in the sense that they have been composed overwhelmingly with politicians from the federal and Länder level (in the financial planning council also from the municipal level). The

ideational orientation of the stability council is thus mainly defined by the political majorities present in the Bund as well as in the individual Länder. The independent advisory board of the stability council, finally, follows a broader approach which includes many of the most important players in the field of German fiscal policy-making. In addition to members appointed by the Bund, Länder, the municipalities and the social security organisations, the advisory board also includes representatives of the German council of experts, the national central bank, and the main economic research institutes. In contrast to the council of experts, and the Austrian case, for example, the peak business and labour organisations are not part of the German fiscal council.

In comparison with the other five country cases, the German fiscal framework is (next to the Slovak one) one of the most discretion-constraining ones (Figure 5.6). The most binding fiscal rules go beyond the European requirements and constrain fiscal policy-making both on the Bund and Länder level. Monitoring and enforcement mechanisms such as the control account make base shifting difficult. If governments accumulate 'excessive' deficits, they are obliged to compensate with more fiscal consolidation in economic boom periods. This makes the German fiscal framework significantly more stringent than, for example, the French framework. While the main structural deficit rule in the German case has a bigger effect on fiscal policy discretion in normal times than the constitutional debt rule in Slovakia, the quasi-automatic sanction mechanisms and the powerful fiscal council make for a more stringent overall fiscal framework of the latter.

Figure 5.6 – Comparison of fiscal framework stringency across the six country cases (Germany)

Source: Own depiction

5.2.5) The Irish Fiscal Responsibility Act

Overview of the Irish fiscal framework

The introduction of the Irish fiscal framework, as well as significant reforms of fiscal governance, started during the country's debt crisis in 2011, when the Troika Institutions were already active in the country. The Ministries and Secretaries (Amendment) Act 2011 substantially reformed domestic fiscal policy institutions and procedures. It created a completely new ministry, the department of public expenditure and reform, taking the forecasting and management of expenditure out of the portfolio of the finance ministry.

Following the international agreement on the TSCG in early 2012, Ireland held a compulsory public referendum for the ratification of this intergovernmental treaty. The TSCG was supported by a majority of the Irish population leading to the Thirtieth Amendment of the Constitution. To translate the requirements of the TSCG into ordinary legislation, the Irish parliament passed the so-called Fiscal Responsibility Act 2012. The law included the domestic implementation of the

Fiscal Compact's structural deficit rule (0.5% of GDP, up to 1% of GDP when public debt levels were significantly below 60% of GDP), explicitly introduced the debt reduction rule included in the SGP (and mentioned in the Fiscal Compact), established an independent fiscal council, and put into place a correction mechanism.

The Fiscal Responsibility Act referred strongly to the international requirements (TSCG, Six-Pack measures), but while mentioning the medium-term orientation of the structural balance, the law nevertheless demanded that the structural deficit rule was to be applied on an annual basis. It also included an escape clause for 'exceptional circumstances' and situations in which the failure to meet the fiscal rules "does not endanger fiscal sustainability in the medium-term". The correction mechanism of the Fiscal Responsibility Act is comparatively weak. In case of rule non-compliance, and to be triggered by a warning of the Commission or of the government itself, the government has to prepare and present a plan of policy measures of how to ensure rule compliance and in which time frame. There is, however, no concrete enforcement mechanism to ensure the execution of such plans. In addition, the government can declare the existence of exceptional circumstances, which means that 'the things specified in the plan are no longer required to be done'.

The Ministers and Secretaries (Amendment) Act 2013 amended the Fiscal Responsibility Act, introducing multi-annual expenditure ceilings. The law demanded the government to provide upper limits for public expenditures for a 4-year period. It did, however, not specify any numerical limits and also did not mention the numerical fiscal rule limits of the European or national fiscal frameworks as the benchmarks for such expenditure ceilings.

The Irish Fiscal Advisory Council (IFAC), the country's independent fiscal council was established with the Fiscal Responsibility Act 2012. It consists of five members, which are appointed by the finance minister. They can hold up to two consecutive four-year terms. The mandate of the IFAC includes the assessment of fiscal rule compliance and macroeconomic and budgetary forecasts, the evaluation of the country's fiscal stance and the existence of exceptional circumstances, as well as the study of the progress towards rule compliance when the correction mechanism is active. In 2013, the Ministries and Secretaries (Amendment) Act broadened and further specified the remit of the council regarding its assessment and endorsement of macroeconomic forecasts prepared by the finance ministry, as well as the analysis of the budget's fiscal stance. In 2015 finally, a reform proposal to further extend the mandate of the IFAC to analyse and cost policy proposals of political parties did not find a majority in the Irish parliament.

Analysis of the Irish fiscal framework

Overall, Ireland has an intermediate national fiscal framework in terms of stringency. While being safeguarded constitutionally by a public referendum, which amended the Irish constitution, the Irish set of fiscal institutions is not home-grown, but rather imposed from the exterior. There were no influential domestic policy entrepreneurs who brought about institutional change. Rather, the main reforms of the fiscal framework were the consequence of international requirements, most

importantly from the Fiscal Compact, as well as the broader requirements of the rescue programme for the Irish state during the European debt crisis. Overall, the national fiscal rules are closely in line with European obligations, neither going beyond them nor falling short. The correction and sanction mechanisms of the fiscal framework are rather vague, while the country's independent fiscal council, the IFAC has an important role and is based on international best-practice principles.

Surprisingly, and in contrast to most of the other studied cases, the most important fiscal rule in Ireland is, in practice, not a domestic one, but rather the expenditure benchmark, which is part of the EU's fiscal framework. A key element of the preventive arm of the SGP, this expenditure ceiling was introduced with the six-pack reform measures in 2011. Constituting a very complex fiscal rule, it sets medium-term limits to expenditure growth, based on 10-year averages of estimated potential GDP growth (IFAC 2015: 4). In the Irish case, the expenditure benchmark has been linked with the concept of 'fiscal space' and subsequently entered the political debate.

While having many different meanings across actors and countries, in Ireland, 'fiscal space' refers to "an estimate of the scope for future spending increases or tax cuts possible while complying with the domestic and EU fiscal rules" (IFAC 2016: 79). The idea of 'fiscal space', in the Irish meaning of the term, came to prominence with the 2016 budget document, which identified both a gross and a net available 'fiscal space' for a period until 2021. As the IFAC (2016: 79) has pointed out, it was the Irish finance ministry's "interpretation of the maximum permitted spending under one of the fiscal rules – the Expenditure Benchmark". The reason for this preference among the public officials of the finance department was that the expenditure benchmark is less prone to significant revisions over time than the structural deficit rule (ibid.: 80).

In practice, the expenditure benchmark is linked to the structural deficit rule of the SGP, and thus also to the national deficit rule following from the implementation of the Fiscal Compact. It nevertheless differs from it due to numerous supplementary clauses, concerning the categories of spending included in the expenditure ceiling and how the budget's structural position is derived. In practice, the focus of Irish political decision-makers on the concept of 'fiscal space' (which is based on the SGP's expenditure benchmark) in the years following the end of the European rescue programmes has led to little ownership of the country's national fiscal framework. The national fiscal council has thus repeatedly pointed out the need for the government to "be cognizant of all of the fiscal rules", not only of a limited set stemming from the European level (see IFAC 2016: 80). The multiannual expenditure ceilings (without a fixed numerical limit) introduced with the Ministers and Secretaries (Amendment) Act 2013 have, in practice become closely linked to the SGP's expenditure benchmark, being used by the government to inform the setting of the expenditure limits for its domestic budget plans (see IFAC 2015: 4, footnote).

At the same time the IFAC has criticised the expenditure benchmark, as well as other fiscal rules, if it deemed them to be inconsistent with the principles of 'sound' fiscal policy-making (see IFAC 2015: 3). Given the highly cyclical nature of the Irish economy, the fiscal council has pointed out the potential inadequacies of fiscal rules to guide fiscal policy-making, tending towards procyclical

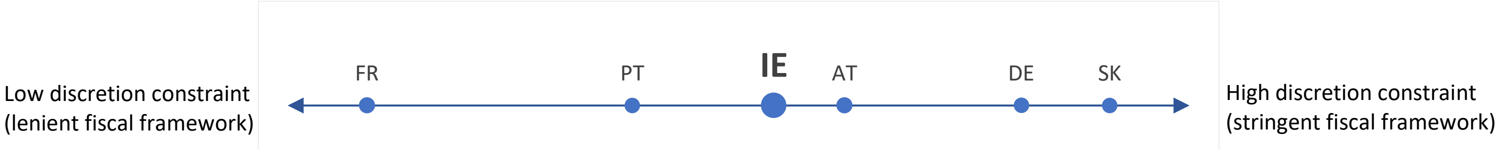
(either too lenient or too restrictive) fiscal requirements. As the IFAC pointed out in 2015, "an overly rigid application of the rules could itself impose an inappropriate fiscal policy in the near term and also inadvertently undermine public support for a framework that should serve Ireland well over the long term" (ibid.: 5). In addition, the sharp increase in national GDP linked to the relocation of patents and aircraft leasing in 2015 (see Taylor 2016) further undermined the meaningfulness of fiscal rules.

The Irish fiscal council with its broad mandate was established in the immediate vicinity of the country's most important independent economic research institute, the Economic and Social Research Institute (ESRI). Put into place on an interim basis in July 2011, it was formally set-up by the 2012 Fiscal Responsibility Act. The IFAC was not based on a domestic initiative but rather part of external requirements, "benchmarked under the Programme for Government 2011 and the EU/IMF Programme of Financial Support for Ireland" (IFAC 2019). A further reform in 2013 was also based on European obligations. The IFAC's council members are generally selected amongst academic economists, economists with links to central banking, international organisations (OECD, IMF, World Bank) and the ESRI. Several appointees have a strong background in macroeconomic modelling and forecasting. Exemplifying the central role taken on by the IFAC in the Irish fiscal policy field, former chairperson of the council, John McHale, for example, was also president of the Irish Economic Association, while former member Alan Barrett is the current director of the ESRI.

The Irish fiscal council plays an important role for the overall degree of stringency of the country's national fiscal framework. While having 'correctly' implemented the European and international requirements for the domestic set of fiscal rules, there is little ownership of them, with the finance ministry rather focusing on the supranational fiscal framework, particularly on the expenditure benchmark. The Irish government also did not implement any restrictive correction mechanism, leaving considerable room for political decision-makers to not abide by the fiscal rules, even if subsequent government since the debt crisis have largely done so far.

In comparison to the other five studied cases, the Irish fiscal framework takes on an intermediate position in terms of stringency (see Figure 5.7). It is slightly more lenient than the Austrian set of fiscal rules and institutions due to its close implementation of the European requirements in the domestic context. There is more domestic ownership (with a longer history of its domestic fiscal framework), more stringent fiscal rules, and more detailed enforcement mechanisms in the Austrian case. In contrast, the Irish fiscal council has a broader mandate and a more important role in domestic politics than the Austrian one.

Figure 5.7 – Comparison of fiscal framework stringency across the six country cases (Ireland)



Source: Own depiction

5.2.6) The Portuguese budgetary framework law (LEO)

Overview of the Portuguese fiscal framework

In 2001, the Portuguese government undertook the first in a long series of reform to the country's fiscal governance and fiscal framework. The Lei de enquadramento orçamental (short LEO), the budgetary framework law, aimed at reducing the fragmentation of budgeting across different levels of government and institutions, also unifying the budgetary cycle and setting requirements for budgetary responsibility and control.

After a number of minor amendments during the 2000s, the first significant change to the LEO took place in 2011, with its fifth amendment. This reform was the first to gradually implement a national fiscal framework by introducing a budgetary stability principle. While indirectly referring to the European requirements from the SGP, the amendment did not introduce a clear numerical fiscal rule limit into national legislation. The 2011 LEO established the concepts of medium-term objective and structural balance in the national legal order but left some ambiguity about the actual imposed discretion constraint for fiscal policy-making. In addition, it also introduced an independent fiscal council, the Public Finance Council (Conselho das Finanças Públicas, CFP), which was part of an embryonic monitoring and correction mechanism.

With a number of subsequent amendments in 2013 and 2014, all of these elements became gradually better specified. The 2013 reform set out to strengthen the national fiscal framework by transposing the requirements of the TSCG and the Six Pack-measures (Council Directive 2011/85/EU) into national legislation. The law implemented a structural deficit rule, whose "medium-term budgetary objective is the one defined in the scope and in accordance with the SGP" with the "annual convergence path towards the medium-term objective (…) set out in the Stability and Growth Programme". While being less ambiguous than the previous LEO amendment, the law nevertheless never mentioned the TSCG's 0.5% structural deficit limit in numerical terms. It only stated that the "limit for the medium-term objective may reach a structural deficit of up to 1% of GDP" when the country's public debt level was significantly below 60%. It also specified that – in the absence of non-compliance with the country's MTO, the annual adjustment of the structural balance should not be lower than 0.5% of GDP, clearly referring to the requirements of the TSCG and the SGP.

Beyond the structural deficit rule, the 2013 Amendment of the LEO also transposed the public debt reduction rule of the European fiscal framework into national legislation, stating concrete numerical ceilings. It, however, also added that these requirements were to be reviewed according to the economic cycle. The law further specified and extended the correction mechanism included in the national fiscal framework. In case of non-compliance with the fiscal rules, the government had to provide a plan for how to correct the excessive deficit subsequently. Interestingly the amendment contained detailed requirements for the adjustment path but did not include any binding mechanism that could force the government to comply with its own plans. The 2013 amendment also included an escape clause through which the government was able to suspend the

fiscal rules in the case of deep economic recessions, natural disasters and if it undertook structural reforms with a long-term effect on economic activity.

The 2014 amendment of the LEO finally included a concrete numerical value for the structural deficit rule, stating that the limit "shall not be lower than the medium-term objective of the Stability and Growth Programme, with the aim of reaching a structural deficit threshold of 0.5% of GDP".

In 2015, after numerous amendments, the budgetary framework was completely rewritten, making the contents of the law more legible. Importantly, the new law loosened the public debt reduction rule, removing the numerical requirement to annually reduce public debt by $1/20^{th}$ of the debt level beyond 60% of GDP (as written in the SGP and the Fiscal Compact). It merely referred to the existing European regulations, stressing that the reduction was rather a benchmark than a rule and that the economic cycle was to be considered to decide on debt reduction objectives. The 2015 budgetary framework law, however, also brought some additional requirements. It made preferential provisions for the use of budgetary surpluses either to repay public debt or to build up fiscal stabilisation reserves. Following a number of tentative changes over the years, it finally became also more specific on a multi-annual public expenditure framework. The expenditure ceiling was, however, only binding for the following year.

The statute of the country's Independent fiscal council, the CFP was detailed in a proper law (Lei N° 54/2011) building on the 2011 amendment of the LEO. It set up a governing board consisting of five members with different term lengths, allowing explicitly for up to two non-national fiscal council members. Legislation gave a comparatively broad mandate to the CFP, including the assessment of compliance with national fiscal rules and the evaluation of the government's macroeconomic scenarios, the dynamics of existing budgetary commitments (e.g. inside the pension and health care system, public-private-partnerships, concessions), the financial situation of the autonomous regions and municipalities, and the economic and financial situation of corporate public sector entities. The law also required the CFP to publish reports on the country's stability and growth programmes, the multi-annual budgetary framework and the proposed state budgets.

Analysis of the Portuguese fiscal framework

All in all, the Portuguese fiscal framework is rather lenient in comparison to the other five analysed fiscal frameworks. It is to an overwhelming extent not homegrown. Instead, it was driven by external pressures, mainly linked to the European public debt crisis. Similar to the Irish case, there haven't been any crucial domestic policy entrepreneurs that pushed for fiscal framework reform. In contrast, the reluctance of Portuguese policy makers to introduce a fiscal framework in line with the requirements of the TSCG and the Six Pack is visible from the successive and rather incremental reforms to the country's budgetary framework law (LEO).

It took several reforms from explicitly inscribe the 0.5% structural deficit requirement into national legislation. The 2015 reform of the LEO attempted to reduce its fragmented nature, making the

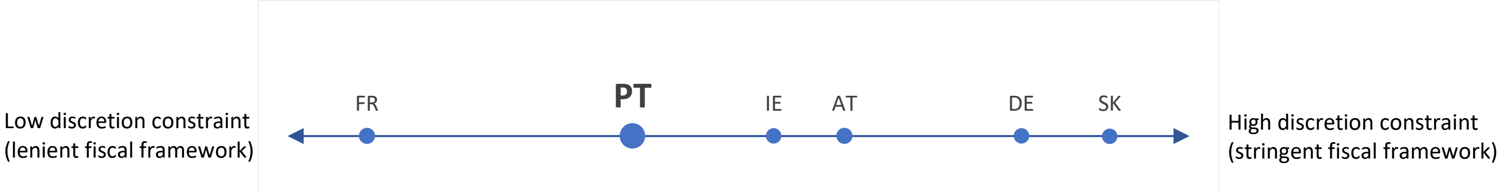
Portuguese fiscal framework more legible but also included a modification of the debt reduction rule that was previously transposed into national legislation, making it more lenient. Overall, this makes for a set of domestic fiscal rules that are largely in line with the European requirements, without going beyond them and in a few aspects actually being a bit more lenient. Monitoring and enforcement mechanisms lack binding means, giving comparatively large room for manoeuvre for non-compliance with the rules.

As for the Irish fiscal framework, the Portuguese fiscal council (CFP) is largely based on international best-practice principles which are promoted by actors such as the IMF, the World Bank and the OECD, giving it a rather broad remit to control governmental action. Similar to Ireland, Portugal was quite quick during the 2008-2012 crisis to put in place its national fiscal council. From the beginning it was staffed with internationally renowned economic experts, such as George Kopits, Jürgen von Hagen and Paul de Grauwe. Interestingly, while Kopits has been a strong supporter for the implementation of stringent fiscal frameworks in his works, von Hagen and de Grauwe are known for a more sceptical approach especially towards fiscal rules.

Von Hagen has long been a supporter of fiscal governance reforms rather than fiscal rule reforms and Paul de Grauwe has, at least in recent years, become a supporter for government intervention in the economy, in line with a more Keynesian world view. In addition, an interview with a member of the CFP regarding rule compliance in Portugal revealed that "we prefer a clever interpretation (…) because sometimes good reasons do exist to cross the line and not comply but if you, after one or two years can come back, like in better shape then that's more powerful" (Interview Gomes Centeno). "Fiscal rules in Portugal don't seem to be viewed, and I guess also actually by the CFP, as something that would need to be followed at all costs actually, so there should be a more sensible approach to fiscal policy-making if fiscal rules don't really make sense in a certain moment in time" (ibid.). All of these elements are somewhat revelatory about the role of the Portuguese fiscal council in the domestic fiscal framework and which sort of ideas are dominant inside it.

Viewing all of these elements in comparison (Figure 5.8), this makes for a fiscal framework which is slightly more lenient than the Irish fiscal framework – both countries that experienced a deep economic and budgetary crisis in period of 2008 to 2012. The Portuguese set of fiscal rules and institutions is, however, considerably more stringent than the French one, where the transposition of the European rule requirements was done in a fashion that gives considerably more space to fiscal policy actors to prepare budgets that are not in line with the European requirements.

Figure 5.8 – Comparison of fiscal framework stringency across the six country cases (Portugal)



Source: Own depiction

5.3) Summary of the discussion of national fiscal frameworks

The six sub-sections above have shown to which extent national fiscal frameworks vary across six studied country cases among eurozone member states despite manifold convergence pressures on national fiscal policy actors. The analysis has highlighted the variation in the stringency, design and timing of national fiscal framework reforms and lays the groundwork for the subsequent empirical chapters aiming to identify which theoretical explanations are best able to explain this variation. In chapter 2, which discusses the various puzzles that motivate this dissertation, I have already provided several tables and figures summarising the more in-depth assessment of national sets of fiscal rules and institutions undertaken here. They can be found in subsections 2.4.1 (stringency), 2.4.2 (design) and 2.4.3 (timing) of national fiscal framework reforms. To bring together these findings without duplicating the respective tables and figures, Table 5.5 shows the various dimensions of variation in fiscal frameworks.

Table 5.5 – Variation in national fiscal framework stringency, design and timing

Country	Fiscal framework stringency	Most important fiscal rule	Pre-TSCG fiscal framework
Slovakia	very high	Nominal debt	Yes (2011)
Germany	high	Structural deficit	Yes (1969/2009)
Austria	rather high	Structural deficit and expenditure ceilings	Yes (1999/2001)
Ireland	average	Expenditure ceiling (based on structural deficit)	No
Portugal	rather low	Structural deficit	No
France	very low	Structural effort oriented toward medium-term	No

Source: Own analysis (see also Tables 2.4 and 2.5 and Figure 2.5 in chapter 2 of this dissertation)

6) Economic interests

6.1) Introduction

A first theoretical approach to explain the variation in national fiscal frameworks, focusing on the role of economic models and interest groups, is analysed in this chapter. Based on the existing literature that I discussed in the theory chapter of this dissertation we can evaluate three different but related hypotheses. The first one suggests that different varieties of capitalism lead to the establishment of different types of national fiscal frameworks. We can hypothesise that countries with coordinated and dependent market economies implemented more constraining national fiscal frameworks. The opposite should be the case for liberal and state-influenced market economies. The second hypothesis postulates that, in countries with an export-led growth model, policy-makers should introduce comparatively more stringent national fiscal frameworks, while the opposite should be true in countries with a consumption-led growth model. The third hypothesis states that in countries with dominant export-oriented sectors, interest group lobbying will lead to the implementation of more stringent national fiscal frameworks. Again, the opposite should be the case in countries, where dominant interest groups represent sectors that depend on private and public consumption. These hypotheses intervene at different levels of generality regarding the functioning of national economies and the economic actors that play a decisive role inside them.
To assess the effects of economic models and interest group preferences on the variation in national fiscal frameworks, the following analysis is guided by a series of interrelated research questions. First, can we identify a relationship between patterns of specific economic models and fiscal framework reforms? Second, were there changes or stability in economic models or interest group preferences over time that could be causally linked reforms of fiscal rules and institutions or to their absence? And third, which views do fiscal policy-makers and interest group actors have on the potential relationship between economic models, interest groups and fiscal frameworks?

The following subsections draw on diverse empirical materials to analyse whether economic models and interest group preferences can account for the variation in national fiscal framework stringency, design and timing. The second section makes use of existing academic literature and macroeconomic data to figure out whether there is correlational evidence for a theoretical explanation of fiscal framework variation based on economic interests. Indeed, in line with theoretical expectations, a look at typologies of and numerous indicators on national economic and growth models revealed a quite consistent correlation, especially for the four non-crisis countries Germany, France, Austria and Slovakia.

The third section then looks in more detail at interest groups which are potential key carriers of the interests entailed in specific economic/growth models. It starts out with a discussion of the difficulties to adequately measure the influence of interest groups and argues that the employed methodology in this dissertation should be capable to address these issues. Drawing on interviews with fiscal policy actors, public officials, experts and interest group representatives this section serves to identify causal links corroborating the correlational evidence found in the second section.

The empirical results of this more process-tracing based approach, however, does not find any clear-cut causal relationship between economic interests and the variation in national fiscal frameworks. The findings presented in the third section rather suggest that interest groups have had only a minor influence due to the abstract and complex nature of macroeconomic policy-making and fiscal institutions, a lack of prioritisation of such issues over more sectoral policy preferences and an increasing lack of economic expertise and power among interest groups.

Subsequently, the concluding fourth section summarises the main findings of this chapter, focusing on the discrepancy between correlational and causal evidence and tentatively suggests that a common third variable – macroeconomic idea-sets – might be responsible for the variation in both economic/growth models and national fiscal frameworks.

6.2) Economic and growth models and national fiscal frameworks

6.2.1) Varieties of Capitalism

A first – and rather simplistic – option for evaluating the potential role of economic models and interest groups on national fiscal framework reforms is to evaluate whether existing country classifications of varieties of capitalism correspond to the stringency of national fiscal frameworks. As discussed in the theory chapter, the politico-economic set-up of coordinated market economies (CMEs) and dependent market economies (DMEs) might allow for or even foster more constraining fiscal rules and institutions in comparison to liberal market economies (LMEs) and state-influenced market economies (SMEs).

In the case of CMEs, the need for state-based macroeconomic management might be reduced due to the coordinative actions of employer's and employee's organisations, making room for discretion-reducing fiscal frameworks. In the case of DMEs, the introduction of stringent fiscal rules and institutions might follow from the dependence on foreign direct investment, which could lead fiscal policy-makers to constrain themselves to ensure investor confidence about attractive investment conditions. For LMEs and SMEs, we can hypothesise that political actors want to have more flexibility in their domestic fiscal frameworks to be able to intervene in situations of broad market failures (in the case of LMEs) or to be able to mobilise the necessary budgetary means for state-driven macroeconomic policy-making (in the case of SMEs).

To evaluate whether these theoretical expectations fit with the actual picture of the six studied cases, we can simply draw on existing classifications from the varieties of capitalism literature. Table 6.1 organises the countries according to their fiscal framework stringency from high to low. It shows that the discretion constraint of fiscal rules and institutions is more pronounced in the DMEs and CMEs than in the LMEs and SMEs under analysis. This suggests indeed that economic models in the form varieties of capitalism might affect the outcomes of fiscal framework reforms.

While providing a first hint about the role of economic systems and actors in defining fiscal frameworks, the rather static nature of varieties of capitalism makes it difficult to use existing classifications to explain especially the timing of national fiscal framework reforms as well as the exact design choices taken by fiscal policy actors. It might also have difficulties in understanding the variation between different countries that follow the same variety of capitalism, such as Germany and Austria in the analysis. Additional empirical evidence is thus necessary to corroborate this correlation between economic models and fiscal rules and institutions.

Table 6.1 – Varieties of Capitalism in the six studied country cases

Country	**Varieties of Capitalism**	**Fiscal framework stringency**
Slovakia	Dependent market economy	very high
Germany	Coordinated market economy	high
Austria	Coordinated market economy	rather high
Ireland	Liberal market economy	average
Portugal	State-influenced market economy	rather low
France	State-influence market economy	very low

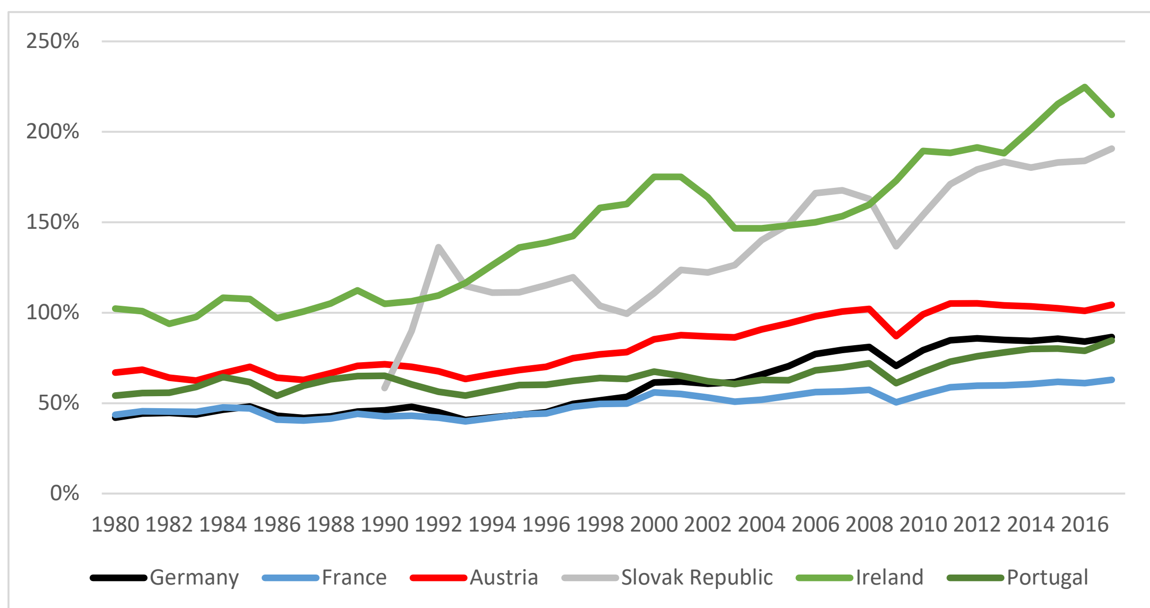
Sources: Hall and Soskice 2001, Hall and Gingerich 2004, Nölke and Vliegenthart 2009, Schmidt 2016b, own analysis

6.2.2) Economic openness

A second broad indicator for the type of economic model is a country's economic openness, typically measured as the extent of trade to GDP. This indicator is more dynamic than the classification provided by the varieties of capitalism approach. There are several lines of reasoning linking the degree of economic openness and the stringency of national fiscal frameworks. First, countries with a higher extent of economic openness might be more concerned about international competitiveness (the export argument) and thus should be more likely to put into place comparatively more stringent fiscal frameworks. Second, according to Bluth (2016: 154), fiscal policy multipliers in more open economies tend to be smaller, making the smoothing of the business cycle through budgetary policy less effective. That would allow for the implementation of more discretion constraining fiscal frameworks. Third, "open economies are more easily affected by international economic crises. (…) In order to be able to respond and withstand exogenous shocks, they need healthy public finances", which, in the view of Bluth (2016: 154) can be ensured through the implementation of more stringent national fiscal frameworks. Related to this, in open economies there might be "changes [in] the political culture in economic policies to the degree that people are more willing to accept any form of external constraints" (ibid.).

Figure 6.1 shows the extent of economic openness, measured as trade to GDP, for the six studied country cases. To appropriately interpret the data, it is important to take into account that smaller countries tend to have higher export and import shares than larger countries, as the latter can draw on a bigger internal market for various goods and services. It thus makes sense to mainly compare countries with similar sizes, i.e. Germany with France, and Austria with Slovakia, Ireland and Portugal. While the data shows a general trend towards an internationalisation of national economies over the course of the last 40 years, there a nevertheless significant differences in the extent and growth of economic openness between the six countries under analysis.

Figure 6.1 – Trade (to GDP)



Source: World Bank (2019)

Comparing the extent of economic openness of Germany and France we see that data for both countries was similar until 1999. From that moment onwards, French trade to GDP remained largely stable, while economic openness grew significantly in Germany, almost doubling in the following decade. This pattern seems to correspond rather well, with the implementation of a stringent fiscal framework in Germany in the second half of the 2000s, while France introduced a comparatively lenient set of fiscal rules and institutions when required by the Fiscal Compact.

Looking at the smaller cases under analysis, the overall share of trade in relation to GDP equally coincides rather well with the stringency of national fiscal frameworks for Slovakia, Austria and Portugal. Slovakia, which introduced the most stringent set of fiscal rules and institutions among the six studied cases, has had a comparatively high extent of economic openness and, in addition, increased strongly in the period up to the adoption of the Slovakian Fiscal Responsibility Act. Ireland, however, is not line with expectations. Rather than implementing a very stringent fiscal framework linked to its very extent of economic openness, the country rather put into place an intermediary set of fiscal rules and institutions.

6.2.3) Growth models

Allowing for more instability and dynamism than varieties of capitalism, and a higher granularity than the economic openness approach, the 'growth model' perspective (Baccaro and Pontusson 2016) provides another entry point for studying the effect of national economic models on fiscal frameworks. This view considers "sectoral and class interests" to be organised in country-specific dominant 'social blocs', which support and co-evolve with national growth models, such as export-led and consumption led-growth models (Baccaro and Pontusson 2019: 0).

We can hypothesise that in countries with export-led growth models, fiscal policy-makers implement comparatively more stringent national fiscal frameworks (similar to the argument regarding CMEs and DMEs). In contrast, the dominance of consumption-led growth models should go in line with no or more lenient fiscal frameworks (as for LMEs and SMEs). Hybrid growth models could have more intermediate forms of fiscal frameworks in terms of stringency. Baccaro and Pontusson (2016) use Germany as an example for an export-led growth model (see also Höpner 2019), while the UK serves to illustrate a more consumption-led growth model in their analysis. For evaluating the growth model hypothesis, we can draw on more dynamic data that can serve as proxies for export-led and consumption-led growth models, such as data on the current account balance, exports, household spending, household debt, economic openness and union density/membership.

Export and household spending growth

Table 6.2 shows the average growth in GDP, exports and household spending across the six studied country cases during the period 1999-2012, from the beginning of the entry into force of the SGP until the approximate end of the European sovereign debt crisis. This helps us to understand to which extent export sectors and domestic consumption sectors have contributed to economic growth. Following, Baccaro and Pontusson (2016), strong export growth would indicate the presence of an export-led growth model while strong increases in household spending would hint towards a consumption-led growth model. The bigger the differences between the two, the more pronounced a national growth model should be. Similar values for export growth and consumption growth would signal the presence of a more hybrid growth model. Based on this data I classified the six country cases for the period 1999-2012. To better understand the evolution of national growth models, Table 6.2 also contains data on the period 1990-1998.

Table 6.2 – National growth models in the six country cases

Period 1999-2012	Germany	France	Austria	Slovakia*	Ireland	Portugal
GDP growth	1.29%	1.59%	1.86%	4.02%	3.58%	0.66%
Export growth	4.22%	0.94%	2.67%	5.23%	1.69%	2.58%
Household spending growth	0.81%	1.81%	1.55%	3.27%	3.44%	0.81%
National growth model	Strongly export-led	Moderately consumption-led	Moderately export-led	Moderately export-led	Moderately consumption-led	Strongly export-led
Period 1990-1998	*Germany*	*France*	*Austria*	*Slovakia**	*Ireland*	*Portugal*
GDP growth	*2.23%*	*1.84%*	*2.61%*	*5.90%*	*6.59%*	*3.36%*
Export growth	*2.04%*	*2.18%*	*1.10%*	*11.86%*	*4.21%*	*-0.70%*
Household spending growth	*2.04%*	*1.58%*	*2.22%*	*4.58%*	*4.28%*	*3.31%*

Sources: OECD 2022, IMF 2022
Notes: * Data on Slovakia partly only available from the year 1994 onwards.

According to the data on GDP, export and household spending growth, the German economy has been driven by a clearly export-led growth model in the period 1999-2012. To a more limited extent this was also the case for Portugal, Slovakia and Austria. The data indicates that, in comparison,

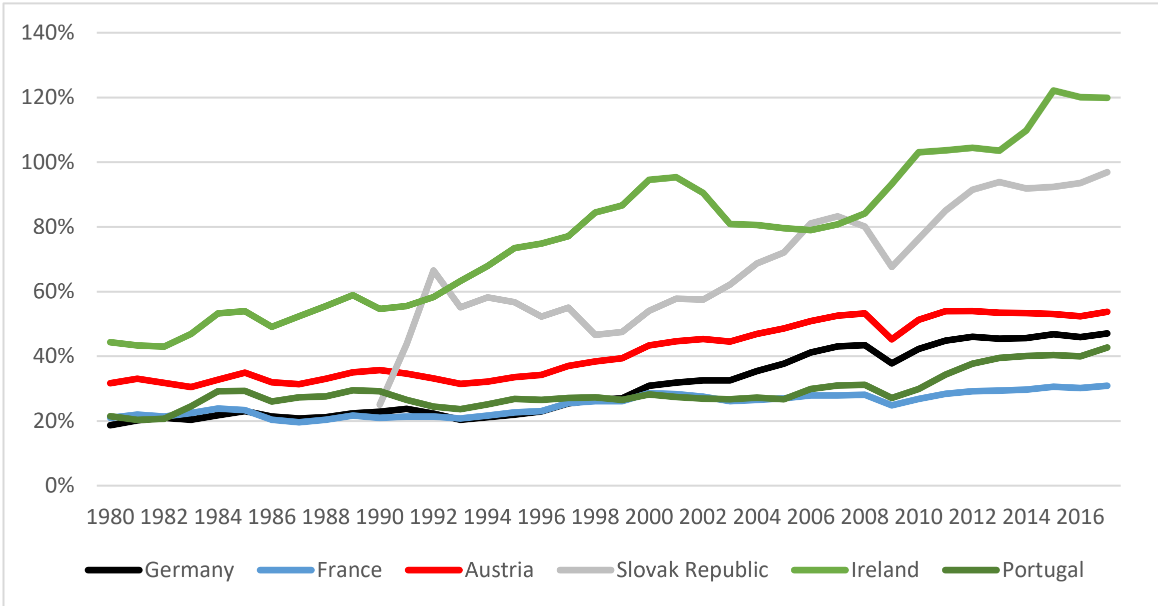
the French and the Irish economy were driven more by a consumption-led growth model during this period. Based on the data, I classify the German and Portuguese cases as strongly export-led growth models, the Austrian and Slovakian cases as moderately export-led growth models and the French and Irish cases as moderately consumption-led growth models.

Comparing the period 1999-2012 with the period 1990-1998, we see significant changes in the relation between export growth and household spending growth. This illustrates the more dynamic nature of the growth model perspective vis-à-vis the more static varieties of capitalism approach. In Portugal, for example, the economic growth model switched starkly from a consumption-led one in the 1990s to an export-led growth model in the 2000s. This has also been the case for France and Austria. In Germany and Ireland, national growth models moved from hybridity towards a stronger focus on exports and consumption respectively.

The classification of growth models based on export growth and household spending growth correlates at least partly to the stringency of national fiscal frameworks. It works well for the German, French and Austrian cases, supporting the hypothesis that export-led growth models should lead to the implementation of more discretion-constraining fiscal frameworks than consumption-led growth models. While not fitting equally well, also the data on the Slovakian and Irish cases seem to be broadly in line with the predictions of the growth model hypothesis. In contrast, however, the Portuguese case seems to contradict the findings for the other cases.

Exports

Figure 6.2 – Exports of goods and services (to GDP)



Source: World Bank (2019)

For evaluating the role of country-specific growth models on national fiscal framework reforms, it can be useful to not only look at export growth but also at the overall level of exports of goods

and services and its evolution among the six studied country cases. This data is shown in Figure 6.2. Differences in absolute levels of exports might be more important than relative changes for understanding whether a country follows an export-led or a consumption-led growth model.

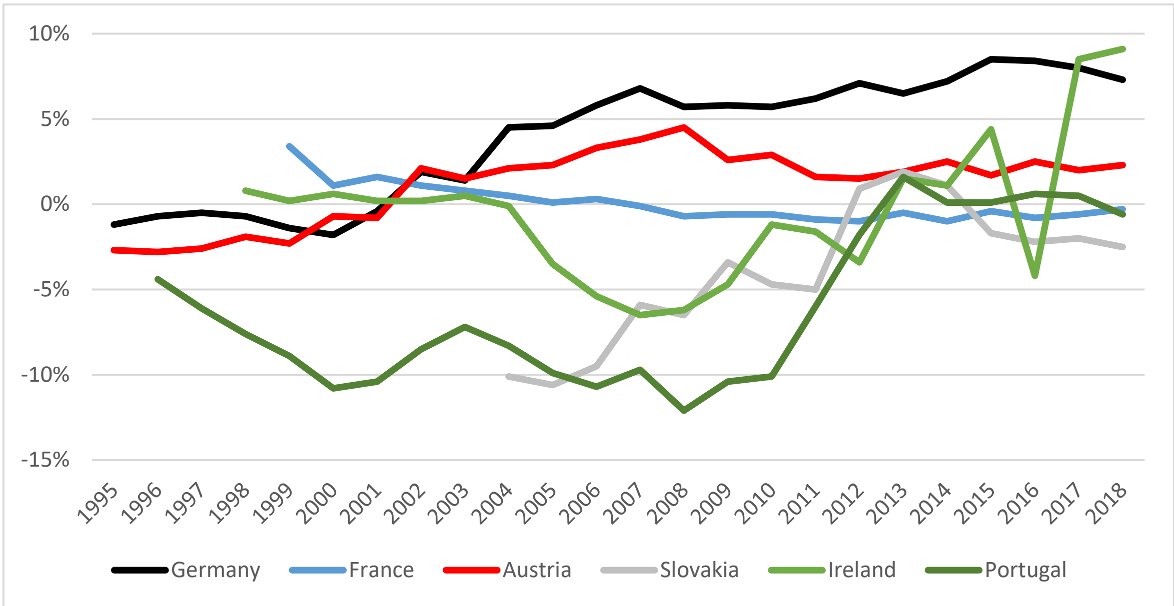
As the data on exports very closely tracks with the data on economic openness (see Figure 6.1), also the findings correspond to the analysis made in subsection 6.2.2. The argument that export-led growth models lead to the implementation of comparatively more stringent fiscal frameworks tracks well for the majority of cases, with Ireland being a considerable outlier.

Current account balance

As the analysis of export growth and household spending growth provides only a partial picture of national economic (growth models) it is useful to also look at other relevant indicators and show their evolution over time. A key variable in this regard is the current account balance, which describes the balance of exports and imports of goods, services and international capital transfers. The current account balance is typically a good indicator for evaluating the export orientation of a national economy.

Figure 6.3 shows the evolution of the current account balance for the six studied country cases from 1995 to 2018. The data highlights large variation across the different countries, but also quite substantial changes within the majority of cases. The country with the most stable current account balance is France which – for almost the whole period under analysis – has remained close to a balanced current account. Both Germany and Austria had a current account surplus since the early 2000s. Particularly the former consistently achieved very high surpluses beyond 5% of GDP which is rather remarkable given the size of the German economy.

Figure 6.3 – Current account balance (to GDP)



Source: Eurostat (2019)

In the run-up to the Great Recession and the European sovereign debt crisis, Portugal, Slovakia and Ireland had significant current account deficits. Portugal experienced the most prolonged and strongest current account deficits, reaching roughly -10% in the 2000s, but rapidly moved towards a balanced current account in the early 2010s. The Slovakian current account balance equally improved strongly from the mid-2000s to the mid-2010s, before moving into a small deficit again towards the end of the analysed period. The Irish current account balance, finally, has been highly volatile since the early 2000s, switching between current account deficits and surpluses.
Regarding the hypothesis on growth models, the German case seems to correspond well to the introduction of a comparatively very stringent national fiscal framework. Superficially, this is also the case for Austria, but some domestic fiscal framework reforms, such as the Stability Pact reforms of 1999 and 2001 do not fit particularly in a temporal sequence with the current account data. It rather seems that the fiscal consolidation efforts of the 'zero deficit' in 2001 led to the development of a more positive current account balance.

Also in the Slovakian case, current account surpluses followed rather than preceded fiscal framework reform. In 2011, when one of the most stringent national fiscal frameworks in the eurozone was introduced, the country still had a considerable current account deficit. Also here, it seems that it was fiscal consolidation efforts in line with the new requirements of the Slovakian fiscal framework which – through the reduction of consumption – produced current account surpluses in the years 2012 to 2014. Equally the rapid changes from current account deficits to surpluses in Portugal and Ireland are most likely linked to the fiscal consolidation measures in both crisis countries, in line with the twin deficits hypothesis (see Nickel and Vansteenkiste 2008, Bluedorn and Leigh 2011, Vamvoukas and Spilioti 2015).

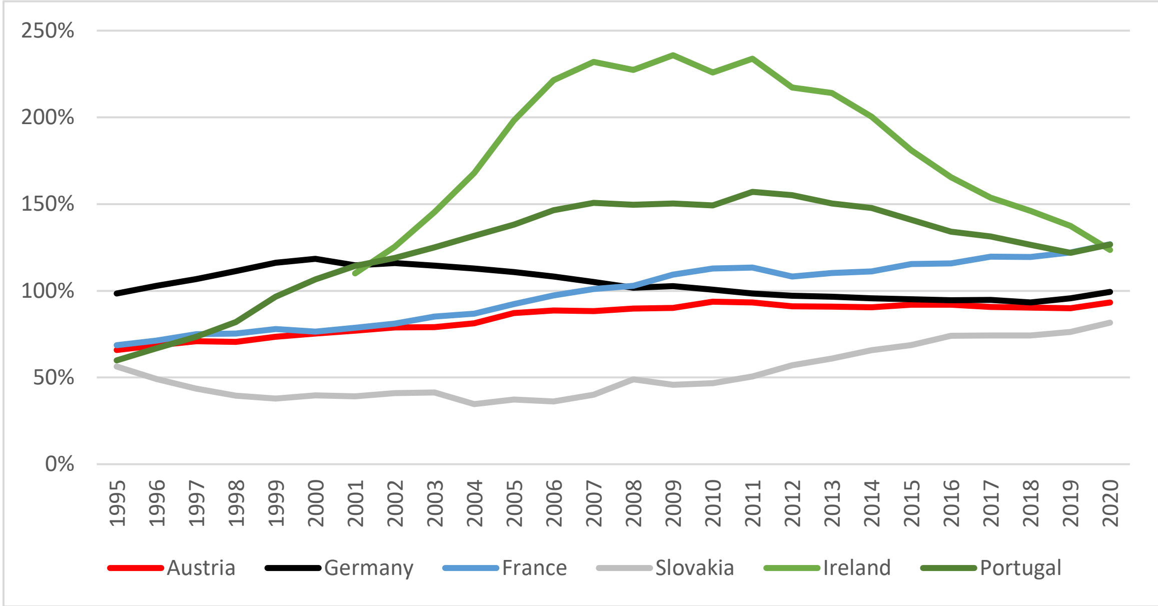
Household debt

To analyse the propensity of an economy to be based on a consumption-led growth model, one of the most readily available data is household debt to GDP (see also Baccaro and Pontusson 2016). A high and especially a rapidly growing level of household debt could be an indicator for the presence of a consumption-led growth model. According to the hypotheses proposed above, such countries should have implemented comparatively more lenient fiscal frameworks.
Figure 6.4 shows data on household debt to GDP for the six studied countries cases. It highlights major variation in both the level and the change of household debt during the period from 1995 up to today.

While most countries had a similar starting point in 1995 (other than Germany), huge differences appeared, especially until the early 2010s, which have since reduced again. Considering especially the period before and around major national fiscal framework reforms, we see that particularly the Slovakian and German cases would fit well with the growth model hypothesis. Slovakia with a consistently low level of household debt and Germany, where household debt reduced steadily from the year 2000 do clearly not fit into the logic of a consumption-led growth model. In line with expectations, politicians have subsequently introduced stringent national fiscal frameworks in these

countries. If household debt and its growth is a good indicator for the dominance of a consumption-led growth model then Ireland and Portugal should have implemented the most lenient fiscal frameworks as they experienced a very strong growth in household debt until the early 2010s. This is, however, not the case, as the two countries put into place more than intermediary fiscal frameworks in terms of stringency. For France, which has shown persistent but relatively moderate growth in household debt, the argument works better.

Figure 6.4 – Household debt (to GDP)



Source: OECD (2022)

6.2.4) The influence of economic and growth models on national fiscal frameworks

Taking together the findings of the previous subsections on economic and growth models, we find that the proposed hypotheses fare rather well. This means that correlational evidence supports, for the most part, the argument that certain varieties of capitalism (liberal and dependent market economies) and more export-oriented and -led economies lead to the implementation of comparatively more stringent national fiscal frameworks. It works especially well for Germany, France, Austria and Slovakia, to a limited extent for Portugal but not for Ireland. Table 6.3 shows a summary of these interpreted results based on a simple coding of whether the proposed argument works well (1), to a limited extent (0.5) or not at all (0).

These findings seem to suggest that hypotheses explaining variation in national fiscal frameworks based on economic and growth models work well especially for those countries that were not in need of an international rescue package during the European sovereign debt crisis. Additional empirical evidence is, however, needed to ascertain whether these largely correlational findings are actually of a causal nature. The uncertainty of these results is rather high, so we need supplementary

data to evaluate whether these correlations are coincidental, whether there could be reversed causality or if a third variable is causing variation in both economic/growth models and national fiscal frameworks. Especially interviews with fiscal policy makers, experts and public officials – discussed further below in this chapter – can be useful to discern whether causal mechanisms in line with the theoretical expectations are actually at work.

Table 6.3 – Evaluation of influence of economic and growth models on national fiscal frameworks

Country	Varieties of capitalism	Economic openness	Export/household spending growth	Exports	Current account balance	Household debt	Overall fit
DE	1	1	1	1	1	1	**6**
FR	1	1	1	1	0.5	1	**5.5**
AT	1	1	1	1	0.5	0.5	**5**
SK	1	1	0.5	1	0	1	**4.5**
IE	1	0	0.5	0	0	0	**1.5**
PT	1	1	0	1	0	0	**3**

Sources: Own analysis

6.3) The role of interest groups

Moving from a rather high level of generality to a more intermediate level, the third hypothesis evaluated in this chapter focuses on the roles of interest groups. It postulates that in countries with dominant export-oriented sector, interest group lobbying will lead to the implementation of more stringent national fiscal frameworks. More lenient sets of fiscal rules and institutions should be introduced in countries where dominant interest groups represent sectors that depend more on public and private consumption.

6.3.1) How to measure the influence of interest groups on fiscal framework reforms

Before looking at the empirical materials to test this hypothesis, we need, however, to acknowledge that there are a number of difficulties in measuring the influence of interest groups on political decision-making and institutional reforms. These problems are, according to Dür (2008: 561), (1) "the existence of different channels of influence, (2) the occurrence of counteractive lobbying, and (3) the fact that influence can be wielded at different stages of the policy process", such as "in the agenda-setting phase, when final decisions are taken or when decisions are implemented" [7]. To deal with these issues, Dür (2008: 562ff) discusses a set of different research strategies: process tracing (based on semi-structured interviews, the 'attributed influence' method (based on surveys), as well as the approach to assess the degree of preference attainment (typically based on quantitative methods).

[7] The influence of lobbying on policy outcomes can be based on "direct lobbying of policy-makers", "outside lobbying (…) aimed at influencing public opinion", or could be achieved by affecting "the selection of decision-makers" or by wielding structural power (Dür 2008:561, see text for the literature on these individual influence channels).

In his view, process-tracing allows "to take into consideration several rival explanations of an outcome before determining whether or not the influence exercised by specific interest groups had an independent effect on the outcome" (ibid.: 563). There are, however, also difficulties with a process-tracing approach, such as finding a complete causal chain from interest group lobbying to political outcomes, the potential unreliability of interviewees, problems to properly "assess the degree of influence", the danger to put too much weight onto the "level of interest group activity in making inferences about influence", as well as difficulties to generalise beyond the studied cases (ibid.: 563-564).

The 'attributed influence' method, in contrast, is considerably easier to conduct than process tracing, typically done through surveys whereby interest group actors are "asked to provide a self-assessment of [their] influence or a peer assessment of the influence of other groups" (ibid.: 565). Similar to interviews though, survey results might be biased due to deliberate or unconscious misrepresentation of lobbying influence of interest groups on political outcomes. As Dür (2008: 566) has stressed, such an approach tends to measure perceptions of influence, rather than actual influence. Assessing the degree of preference attainment, finally, consists of comparing the ideal policy outcomes of interest groups with actual policy outcomes. The advantage of this approach is to be able to "detect influence even if nothing visible happens, for example because all lobbying is secret or because structural power is at work" (ibid.: 567). It is, however, difficult to determine these policy preferences, and due to the black-boxing of the causal mechanisms of lobbying influence it is also "difficult to control for alternative factors explaining a coincidence between preferences and outcomes" (ibid.: 568).

To deal with these issues and to combine the benefits of the different approaches to study the influence of interest groups on political outcomes, Dür (2008: 569-572) suggests methodological triangulation, method-shopping and larger-scale data collection. In line with these suggestions, this chapter gathers various types of data from a range of different sources and analyses them together. This also allows to be less demanding regarding the need for process tracing to identify complete causal mechanisms. Beyond various indicators, I draw mainly on interviews with fiscal policy-makers, public officials, experts and interest groups representatives. By not only speaking with interest groups, but with a broader set of stakeholders, I aimed at reducing the risk of over- or underestimating their influence in national fiscal framework reforms. Triangulating evidence stemming from actors active in employers' organisations, employees' organisations, various political parties, independent fiscal or research institutes helps to control for potentially unreliable accounts of reform processes and the role of interest groups inside them.

To evaluate the influence of interest groups on the variation of national fiscal frameworks, the subsequent subsections look at several features. First, if interest groups are to play any significant role, they should have clear policy preferences and public positions on public deficits/debt as well as on discretion-constraining fiscal rules and institutions. In the absence of such positions, it is unlikely that interest groups have any impact on national fiscal framework reforms. Second, even if interest groups position themselves regarding macroeconomic policy making, these might be

second-order preferences in comparison to more sectoral policies. Especially if these sectoral policies are in contradiction to positions on public deficits/debt and fiscal rules the latter will be subordinate and pushed less by interest groups. Third, even if interest group have clear and ordered policy preferences towards public deficits/debt and fiscal frameworks, they might not be considered as sufficiently competent on questions of macroeconomic policy-making and thus ignored by other policy actors. Competence should at least partly be related to the number of employed persons as well as their track record of publications and interventions. Fourth, the influence of interest groups on national fiscal framework reforms depends also on their political strength. Even if interest groups show competence, have clear and ordered policy preferences towards fiscal frameworks, they might lack the power to affect the decision-making of fiscal policy actors.

6.3.2) Policy preferences and priorities of interest groups

If interest groups should be an influential actor in national fiscal framework reforms, then they need to have clear policy preferences on broad macroeconomic and fiscal policy-making. They also need to prioritise those policy preferences relative to other positions they hold, especially when they might be contradictory. While interviews with representatives of employers' and employees' organisations showed that most of them held policy positions on public deficits/debt and fiscal frameworks, interviews with other fiscal policy actors highlighted a limited role of interest groups in fiscal framework reforms. They stressed that key interest groups in the respective national contexts often seemed to lack coherent views on a country's fiscal stance, rather focusing on sector-specific policies than on an integrated macroeconomic view of public finances. This applied to both employers' and employees' organisations. Many interviewees saw the 'abstract' nature of macroeconomic policy-making as the reason for this situation, which subsequently also influences the ordering of their policy priorities when lobbying for the interests of their members. The fact that there are peak organisations for employers' and employees' organisations in many of the studied country cases which have to aggregate the policy preferences of various sectoral organisations also makes it difficult for key interest groups to formulate and forcefully push coherent macroeconomic policy positions subsequently rather focusing on key sectoral demands.

Interest group preferences and national differences between employers' and employees' organisations

Interviews allowed to discern the policy preferences for many of the major employers' and employees' organisation and the differences between them. Generally, employers' organisations tended to support more restrictive fiscal policies and national fiscal frameworks than employees' organisations. In the German case, for example, the BDA and the IW supported a balanced budget norm with corresponding fiscal rules (Interview Koller, Interview Hentze), while the trade union DGB suggested the introduction of a 'golden rule', allowing exceptions for public investment from the scope of fiscal rules (Interview Payandeh, Moritz and Didier). In Austria, employers' organisations such as the WKO and the IV were supportive of the existing fiscal framework stressing the importance of budgetary discipline and rule compliance (Interview Kronberger,

Interview Oliver), while the employees' organisations AK and ÖGB were critical of fiscal rules and supportive of more discretionary fiscal policy-making (Interview Marterbauer, Interview Tüchler).

In contrast to most other cases, in Ireland, this distribution of roles seemed to be less clear or even reversed. The main employers' organisation IBEC supported the fiscal compact ahead of the national referendum (Interview O'Brien) but subsequently has urged to outdo the fiscal space provided by the existing fiscal framework (Interview McDonnell). But while the Irish Congress of Trade Unions (ICTU) has equally called for more flexibility in fiscal rules, such as the introduction of a 'golden rule', it nevertheless did not want to surpass the fiscal rule limits in actual fiscal policy-making (ibid.). As highlighted by the economist John FitzGerald, also during the 2000s, IBEC has been more supportive of pro-cyclical fiscal policies than at least some of the labour unions. SIPTU, the largest trade unions inside the ICTU, "were very concerned about competitiveness at a time where the employers weren't" which "was slightly the opposite to what you would expect" (Interview FitzGerald).

The Abstract nature of macroeconomic policy-making and its consequences for interest group priorities

But while many interest groups have voiced policy preferences regarding fiscal policy-making and fiscal rules, interviewees did not see a strong reform influence of interest groups due to what they considered the 'abstract' nature of macroeconomic policy-making. Gerhard Steger of the Austrian Ministry of Finance, for example, argued that budgetary and fiscal framework reforms were – for the most part – too abstract for strong lobbying activities from interest groups. Instead they would rather focus on more concrete reforms in policy areas such as health, pensions or social security. Regarding the 2007 reform which introduced a "medium-term budgetary framework, accrual accounting and performance-oriented administrative management" he stated that "these are not the ghosts where the lobbies are being scared up".

Xavier Timbeau of the OFCE equally stressed that in the French context, both the main employers' organisation, the MEDEF, as well as the various trade unions were not really present on broad macroeconomic and fiscal policy questions but rather focused on specific sector policies such as labour law. Similarly, in the Slovakian case, several interviewees pointed out the minor role that economic interest groups were playing in the formulation of overall fiscal policy-making. A public official of the Slovakian Finance Ministry stated that trade unions and employers' organisations don't "play a big role when it comes to fiscal targets", while acknowledging that they would be more "interested in specific budgetary lines". This line of argument was shared by an economist of the Slovakian central bank saying that, for example, "trade unions usually look at the (…) negotiations about wages and also changes in the law and regulation, but [the] so called 'big picture' about public finances could be a problem for these institutions". This suggests that interest groups and the firms they represent do not necessarily know how to translate their interests into clear policy preferences regarding fiscal frameworks (see Woll 2008).

Even for those interest groups that were identified to have a comparatively strong stance on fiscal discipline, interviewees questioned whether it would prioritise such fiscal discipline over other and potentially contradictory policy preferences. In the Austrian case, for example, Steger considered the Federation of Austrian Industries (IV) as the strongest proponent for fiscal discipline among Austrian interest groups (Interview Steger). He, however, qualified this statement saying to be "not sure whether it is about fiscal policy or simply about a lowering of the level of taxation, deregulation, so, I am not quite sure in terms of motives what is really in the foreground. I would assume that it is rather the deregulation and tax cute side, less the fiscal policy side" (ibid.).

Difficulties for peak interest groups to aggregate diverse demands from its sectoral member organisations

Another reason that could explain that interest groups prioritise sectoral rather than macroeconomic policy preferences is linked to how interest group representation is organised at the national level. In many of the six studied country cases, there are peak organisations that bring together the policy positions of different employers' and employees' organisations that represent various economic sectors. As these organisations might have different macroeconomic and fiscal policy preferences this creates also challenges for the main employers' and employees' organisations to adequately aggregate different preferences into a coherent common macroeconomic position. Interviewees highlighted that particularly public sector trade unions, construction sector trade unions and employers' organisations representing sectors strongly affected by digitisation and domestically-focused sectors in general would tend to be in favour of more public spending/investment, while organisations representing the export-focused sectors (and thus often large enterprises) would support more restrictive fiscal policies (Interview Payandeh, Moritz and Didier, Interview Koller, Interview O'Brien, Interview Cunha). As peak organisations have to take these different preferences into account and transmit them to the political arena, they might find it difficult to formulate a coherent macroeconomic policy position and rather focus on making sectoral policy suggestions and leaving it to political decision-makers to make them work in macroeconomic terms.

6.3.3) The macroeconomic expertise of interest groups

Beyond the question of policy preferences and priorities, another issue that frequently came up in interviews with fiscal policy-makers, public officials and experts was whether interest groups had sufficient expertise on macroeconomic issues to be taken seriously in debates among policy elites. Several interviewees considered that the macroeconomic expertise of interest groups has reduced over the last decades and with it also their influence in macroeconomic policy-making. They especially mentioned the declining role of trade unions.

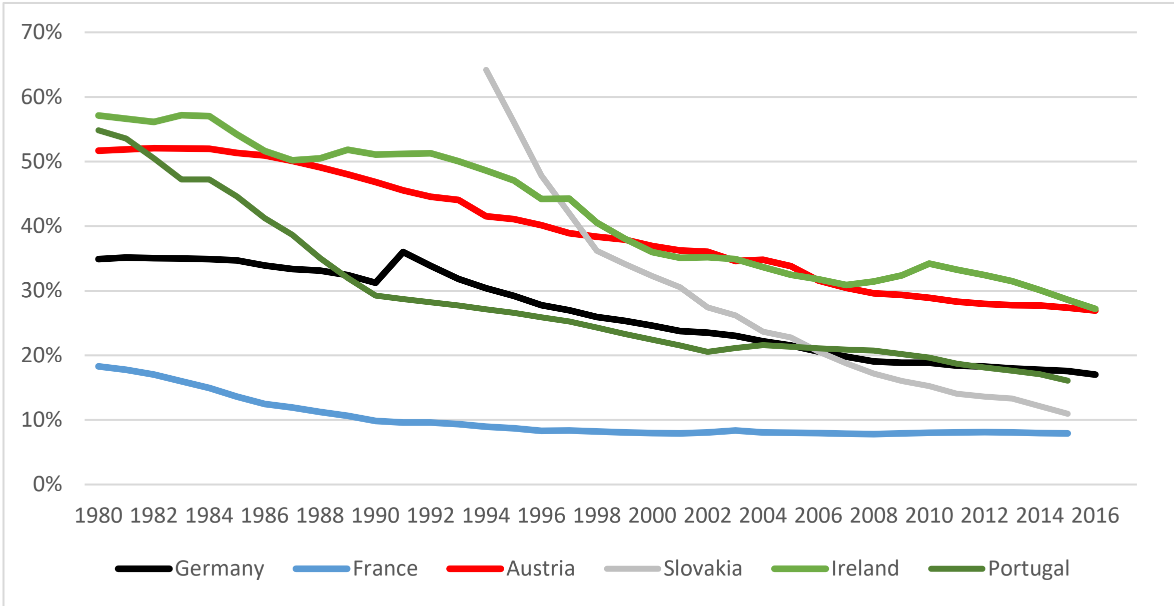
In the French case, Timbeau argued that trade unions where spending too little time and resources on macroeconomic and budgetary issues and would not know them well as a result (Interview Timbeau). As one of the reasons for their low degree of engagement with these issues he identified the growing disconnect between the French state administration and the trade unions. In his view,

privatisation processes over the course of the last decades led to an increasing alienation between these actors. Trade unions were subsequently not able to reconstruct the links with the influential administration. Rather, according to Timbeau (ibid.), their relationship was marked by mutual mistrust. Also in the Austrian case, interviewees saw a changing relationship between the social partners but equally changes in their focus. Schratzenstaller, stressed that in Austria, for a long time, there has been a balance "between the individual, quasi-individual interest group interests and the overall economic model, which really distinguishes the Austrian model" but that this balance was "shifting a little. So, we are moving towards actual aspects of interest group representation, to put it in laymen's terms" (Interview Schratzenstaller).

6.3.4) Strength of interest groups

Even if interest groups do not have very strong policy priorities regarding fiscal policy-making and fiscal frameworks nor the expertise to make them legitimate fiscal policy actors, the pure political power of interest groups could nevertheless be sufficient to give them a considerable role in the reform of fiscal rules and institutions. One of the most readily available proxies in this regard, at least for the side of employees' organisations, is union density. Figure 6.5 shows the evolution of union density – the percentage of overall employees that are part of a trade union – for the six studied country cases.

Figure 6.5 – Trade union density



Source: OECD (2019)

The data shows that union density has gone down since the 1980s among all countries, but with different starting and end points. While roughly halving over the course of the last four decades, Austria and Ireland have nevertheless retained the highest level of union density with more than 25% of the workforce. In contrast, trade union membership in France has been very low for a very long time period and had stabilised at below 10%. Union density has particularly plummeted in Slovakia and Portugal, but the high initial levels of union membership in both countries are likely

a remnant of their respective pre-democratic economic models, leading to a subsequent recalibration process. But while Slovak union density has fallen to close to 10% by 2015, Portuguese union density has reduced less rapidly, standing now close to German union density at slightly below 20% of all employees.

In the subsection on interest group preferences, I found that in most of the six cases, there was a consensus that – overall – employers' organisations would be in favour of more restrictive fiscal policies and frameworks while employees' organisation would be supportive of more flexible fiscal policies and frameworks. This could imply that in countries where union density is the lowest, we should see the implementation of the most stringent domestic sets of fiscal rules and institutions, as weak trade unions might find it more difficult to block fiscal framework reforms than strong ones. The pattern of trade union density, however, does not correspond well to the pattern of fiscal framework stringency, with France and Slovakia having similar trade union densities but widely different fiscal frameworks, which also applies when comparing Germany and Portugal.

6.3.5) Overall evaluation of influence of interest groups

The interviews with political decision makers, public officials, experts and interest group representatives aimed at corroborating the correlational evidence between economic/growth models and national fiscal frameworks presented in the previous section. Looking at the carriers of particular economic interests, this section attempted to identify causal links between them and concrete fiscal framework reform outcomes based on process-tracing evidence. But overall, there is little evidence from interviews that interest groups would have played a significant role in the various analysed national fiscal framework reforms.

While most employers' and employees' organisations across the studied cases had policy positions on macroeconomic policy-making and fiscal frameworks, many interviewees suggested that those positions were less of a priority than more sectoral policies such as tax cuts to improve the external competitiveness of enterprises or more public spending/investment to support more domestically-oriented sectors. They pointed out that the abstract and technical nature of macroeconomic policy-making and fiscal frameworks played a role in this process of prioritisation as well as difficulties for peak organisations to adequately aggregate the policy preferences of sectoral member associations. In addition, many fiscal policy actors stated that the macroeconomic expertise of interest groups had diminished in recent decades, giving them a less legitimate role in fiscal policy negotiations.

All of this might have contributed to the fact that causal evidence between economic interests and national fiscal frameworks remained scarce. Exemplarily, interviewees in both France and Slovakia considered domestic interest groups to play only a marginal role in macroeconomic policy-making, raising the question why their national fiscal framework stringency differs so strongly. Even in countries such as Austria and Germany, where interest groups have played a more central role in

macroeconomic policy-making for a long time, fiscal policy-makers did not find that they had a decisive role in domestic fiscal framework reforms.

6.4) Overall evaluation of the influence of economic models

Among the various alternative explanations for the variation in national fiscal frameworks, the theoretical approach focusing on economic/growth models and interest groups has been the most challenging one to adequately address and analyse empirically. To a large extent this is due to the fact that the results of the cross-case and within-case analysis differ strongly. On the one hand, the more comparative analysis of macroeconomic data showed a quite consistent correlations between economic models and the stringency of national fiscal frameworks, especially for the four non-crisis countries among the six studied country cases. On the other hand, the process-tracing exercises, based on in-depth studies of the origins of national fiscal framework reforms and interviews with various fiscal policy actors, could hardly find any causal links between economic interests and fiscal frameworks.

This poses the question why we see such discrepancies between correlational and causal evidence. One reason for this discrepancy could be that there simply is not a causal relationship between economic/growth models and the variation in national fiscal frameworks. Instead, both variables could be driven by the same underlying third variable, a possibility which I will discuss in more detail at the end of this concluding section. Another reasons could that the found correlational evidence is coincidental, which I consider, however, less plausible than the influence of a third variable. A third reason for the found discrepancy could be that I was not able to identify the appropriate empirical materials or that I misidentified the relevant actors carrying economic interests related to macroeconomic policy-making and fiscal institutions. Given the applied methodology in response to the potential difficulties in measuring interest group influence discussed in the beginning of section 6.3, I, however, believe that this is not the most likely explanation for the discrepancy between correlational and causal evidence. What needs to be acknowledged though is that it is difficult to measure the strength of interest groups or to find readily available indicators other than for union density.

Bringing together the empirical findings of this chapter, I suggest that economic/growth models and interest groups did not affect national fiscal framework reforms in any significant or consistent manner. The absence of any clear-cut process-tracing evidence, especially when discussing the genesis of individual reforms with key policy entrepreneurs and other involved actors, leads me to the conclusion that economic interests were not the driving force of fiscal framework reforms across the six studied country cases. To make sense of the existence of the quite clear-cut correlations between economic/growth models and the stringency of national fiscal frameworks, I suggest to consider this relationship driven by a common third variable, affecting the variation in both variables.

While constituting a rather tentative argument, I think that dominant national macroeconomic idea-sets might affect – over the long term – both domestic sets of fiscal rules and institutions and broader economic/growth models. In this regard, it is useful to analyse the theoretical foundations of the growth model approach proposed Baccaro and Pontusson (2019), which is based on structural power and sectoral/class interests held by dominant social blocs. Interestingly, their interest-based theory shares several features with the ideational explanation that I propose in this dissertation to explain the variation in national fiscal frameworks. This includes that they "hypothesize that the policy preferences of economic elites are more coherent and more influential than those of 'ordinary voters' " and that electoral politics is less important for policy results than elite-driven politics (Baccaro and Pontusson 2019: 15).

Adopting a Gramscian approach on hegemonic ideas/ideology, Baccaro & Pontusson (2019: 18) see economic ideas promoted by 'intellectuals' as a means deployed by the governing elite to create consent among the broader population for the concrete policy measures it supports. They "see the formation of the social bloc as being accompanied and protected by the construction of a dominant discourse about the definition of the 'national interest' and policies that further the national interest" (ibid.). In their view, ideas are a means to assert the sectoral/class interests of those actors possessing structural power.

The key question then is, whether economic ideas are always just a mechanistic consequence of or a tool employed by underlying powerful interests, or whether ideas can themselves influence interests and the power of these interests (see Jacobs 2015). Looking at the overall empirical evidence provided by this dissertation I tend to argue that the latter might be the case, with macroeconomic idea-sets having had a long-term impact on both national economic/growth models and the outcomes of fiscal framework reforms. If a dominant macroeconomic idea-set postulates that the role for the state in the economy should be small and that rules should guide fiscal policy-making, this will affect the structure of and growth trajectories of national economies differently than a macroeconomic idea-set which carries different normative and causal beliefs.

I acknowledge that – in the real world – ideas and interests are always situated in a web of complex causal relationships. Because of that I consider the line of reasoning brough forward in this concluding section to remain a tentative attempt to explain the absence of clear-cut causal evidence between economic interests and the variation in national fiscal frameworks while having found quite consistent correlational evidence. Further research is definitely needed to address this issue, also to analyse whether the role of interests and ideas might depend on the specificities of the policy field underlying specific institutional or policy reforms.

7) Public opinion and fiscal framework reforms

7.1) Introduction

As discussed in the theory chapter of this dissertation, public opinion could affect fiscal framework reforms. We can hypothesise that stronger public preferences for budgetary restraint and discretion-constraining fiscal rules and institutions result in comparatively more stringent national fiscal frameworks. Differences in public support for fiscal consolidation and strict fiscal frameworks across countries which correspond with actually observable policies and institutions can be a preliminary indicator for the validity of the public opinion hypothesis. The eventual correlation between public preferences and fiscal framework stringency would, however, not be sufficient to verify the hypothesis. Rather, the eventual absence of a link would help to rule out the public opinion hypothesis. More conclusive findings can be drawn from studying the effect of changes in public opinion on the introduction and/or strengthening of national fiscal rules and institutions in individual countries across time. In addition, the analysis of the motivations of policy-makers can be useful to ascertain whether public opinion on fiscal policy and institutions played in role in particular reform efforts.

To evaluate the public opinion hypothesis, we need to gather empirical data on public opinion across countries and time, typically collected through surveys undertaken by public or private institutions. While opinion polling has become a standard tool in politics and political science over the course of the last decades, several empirical challenges remain that should be discussed at least briefly before delving into the empirical materials themselves. Importantly, it is not always certain that public opinion and its evolution is independent or can be clearly distinguished from the views of politicians. In some cases, public preferences can be "mere artifice, where politicians mobilize preferences and then apparently act in line with them" (Soroka and Wlezien 2010: 140, see Jacobs and Shapiro 2000). As Soroka and Wlezien (2010: 141) have pointed out, politicians might "use opinion polls to carefully select the theme, frame or language that is most likely to engender support for a given proposal, and then set about creating an opinion environment that is conductive to the kind of policy that politicians want to pursue" (see also Chong and Druckman 2007b, 2007c, 2007a, Bolsen et al. 2014).

A related difficulty for the analysis of public preferences on policy-making lies in the instrument of surveys and opinion polling itself. A number of response biases can lead to inaccurate measurements of public opinion. It has been shown conclusively, that the answers of respondents are often highly sensitive to the concrete wording of questions (Soroka and Wlezien 2010: 70, see also Blinder and Holtz-Eakin 1983: 4 and Observatoire des sondages 2011)[8]. For the evaluation of opinion polls, particularly the so-called 'acquiescence bias' is relevant, whereby respondents tend to agree with statements posed by the survey conductors. Also widely used questions on the 'most

[8] Soroka and Wlezien (2010:70) provide an example for the effects of different wordings on responses: "When asked about 'welfare', a majority of the United States public prefers less spending and a small minority favours more. But when asked about 'the poor', the numbers are reversed, and a very large majority actually favours more spending".

important problems' according to survey participants might suffer from difficulties to measure public preferences accurately, as the "measure confuses at least two different characteristics of salience: the importance of issues and the degree to which issues are a problem" (Wlezien 2005: 555). Wlezien (2005: 555) argues "that most of the variation in ['most important problem'] responses reflects variation in problem status, rather than the importance of an issue itself."

When evaluating the effects of public opinion on fiscal framework reforms, we thus need to be careful not to misinterpret the available data and identified relationships. These issues are unfortunately further aggravated by the scarcity of consistent and time-varying data on public attitudes concerning public debt. This makes it from the outset challenging to properly analyse their role in explaining the variation of national fiscal frameworks. The ensuing analysis thus makes use of as many empirical sources as possible, triangulating evidence across scholarly research, Eurobarometer data, surveys published in newspapers, public referenda and interviews.

Drawing on these diverse materials, I address a number of related questions to evaluate the effect of public opinion on fiscal framework reforms. First, what are the public preferences on public debt and fiscal institutions across countries and time and how do they correspond to the variation in national fiscal frameworks among the six studied countries? Second, can we identify temporal sequences between changes in public opinion and reform efforts? And third, can we spot causal links between public opinion and fiscal frameworks by analysing how fiscal policy actors actually perceive and assess the role of public attitudes in making fiscal policy decisions? The following sections provide answers to these questions, discussing different aspects of public opinion as an explanatory variable for fiscal framework reforms. The responses help us to evaluate whether public preferences and their variation can explain differences in national fiscal frameworks across the six studied cases.

The following second sections gathers and assesses primary data compiled by the Eurobarometer, data on public preferences from different surveys published in newspapers and the results of public referenda. It aims at establishing or excluding correlational links between public opinion and fiscal framework reforms and looks at the temporal sequences between these two variables. Importantly, I find little meaningful variation in public preferences on public debt and fiscal institutions across time and countries and cannot discern any strong links between public opinion and fiscal framework reform efforts.

Drawing on the discussion of scholarly research on public opinion in the theory chapter of this dissertation, the third section discusses the (in)consistency of public attitudes towards fiscal policy-making identified in the first section, and highlights important findings of recent survey experiments. Multi-dimensional survey questions allow to move beyond the caricatural observation that citizens always want lower taxes, more spending and lower public deficits and show that – faced with trade-offs – the population cares comparatively little about public indebtedness.

The fourth section goes a step further, analysing the perceptions and motivations of fiscal policy-makers related to public opinion across all six studied cases, finding no clear evidence that public opinion would in itself affect fiscal policy decisions. A final section brings the different findings together and uses them to critically evaluate the influence of public opinion on fiscal framework reforms in the six studied country cases.

In a nutshell, my findings suggest that public opinion has played a negligible role in determining fiscal framework reforms among Eurozone member states. Given the abstract nature of public debt and fiscal institutions, there does not seem to be a lot of variation in public opinion across countries, which could explain the different stringency, timing and design of fiscal framework reforms. More broadly, the patterns of fiscal framework stringency and public preferences do not seem to correspond well with data from the Eurobarometer, other surveys and process-tracing evidence. This should strengthen the confidence in an ideational explanation, focusing on fiscal policy elites, especially if other alternative influence factors also have low explanatory power.

7.2) Opinion polling and referenda on fiscal policy-making and frameworks

A first means to study the link between public opinion and fiscal framework reforms is to analyse the data on public attitudes available from surveys and public referenda. The following subsections engage, in particular, with data from the Eurobarometer, surveys published in newspapers and public referenda that concern issues related to fiscal policy-making and institutional constraints.

7.2.1) Eurobarometer

The Eurobarometer, carried out by the European Commission on a bi-annual basis, provides arguably the most encompassing and consistent survey data on public attitudes on public deficits and debt in different Eurozone member states[9]. In the context of the rapidly rising public debt levels in relationship with the Great Recession and the subsequent European debt crisis, several questions on public finances, public deficits and public debt (both at the national and European level) were included in the standard questionnaire of the Eurobarometer in 2010 and 2012 respectively. Since then, these questions are asked to citizens all across Europe twice a year.

The resulting survey data can help us to analyse public preferences on fiscal policy-making and their evolution across different states, and to study the relationship between public opinion and fiscal framework reforms (and budgetary outcomes). The relevant questions of the Eurobarometer ask respondents about (1) the two most important issues at a given moment in time in the national and European context, (2) the need for the reduction of public deficits and debt (through two

[9] Other recurring big surveys conducted by institutional actors such as the European Social Survey or the World Values Survey do not contain questions on this specific topic, only touching on broader issues of taxing and spending in the field of fiscal policy-making. They are, thus, excluded from this analysis.

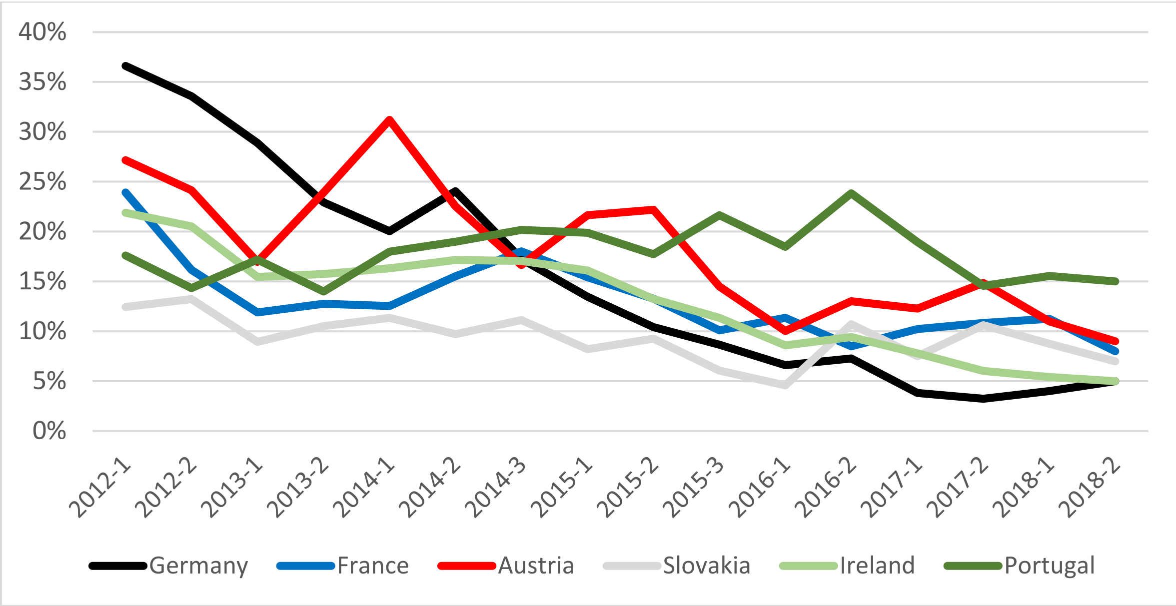
different questions to address the acquiescence bias), and (3) a trade-off question on whether public deficits should be increased to create jobs. The responses to these questions are presented and analysed in the following subsections.

Two most important issues

The Eurobarometer asks citizens what they consider to be the two most important issues facing their home country (since 2005, with 'government debt' being an item since 2012) as well as the EU (since 2010, including the option 'the state of member states' public finances'). Figures 7.1 and 7.2 show the percentages of respondents who believed government debt, in the national context, or the state of member states' public finances, in the European context, were among the two most important issues at the time they were interviewed.

If we hypothesise that public attitudes have an effect on fiscal framework reforms, then we should see the following patterns for these two questions. First, in the national context, countries where a higher percentage of the population views public debt as being among the most important issues (thus problematic or at least salient) should introduce comparatively more stringent fiscal frameworks. Second, and following an argument of external coercion, countries where a bigger share of the population is concerned about the state of other member states' public finances should aim at forcing, in particular, crisis countries to adopt comparatively more stringent fiscal frameworks. The empirical pattern shown in Figure 7.1 shows quite substantial differences in viewing public debt as one of the two most important issues across countries. Interestingly, the observed pattern does not seem to correspond well with the stringency of fiscal frameworks in the six country cases.

Figure 7.1 – Eurobarometer results on the two most important national issues (government debt)

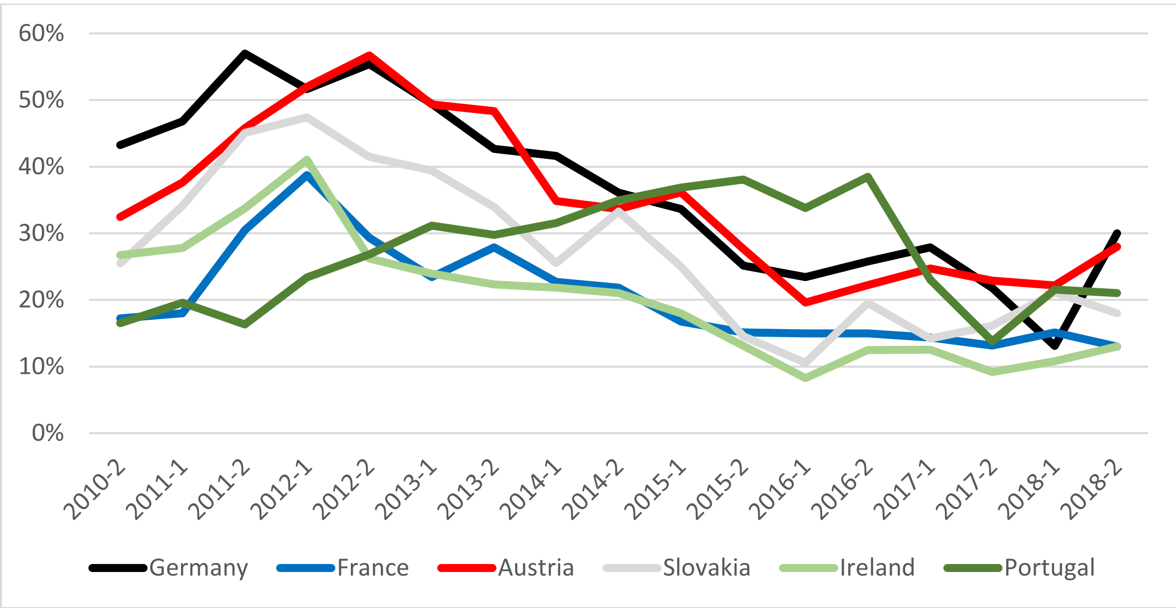


Source: Eurobarometer 2019
Notes: The shown data is based on the responses to the following Eurobarometer question: What do you think are the two most important issues facing (OUR COUNTRY) at the moment? (government debt).

While the comparatively high degree concern among German respondents would be in line with the implementation of the stringent German debt brake, Slovakian respondents have, for the most part of the period of study, been least concerned about public debt. This is in a stark contrast with the very stringent Slovakian fiscal framework which was implemented in late 2011. In France, finally, public concern about public debt was substantially higher than in Slovakia, even if the French fiscal framework is the most lenient one among the six studied cases. This suggests that public perceptions of the most important issues facing their country at a given moment in time were not a driver of fiscal framework reforms and their contents. Unfortunately, data is only available since 2012, so it is difficult to ascertain if, e.g. in the German case, public attitudes might be actually the result rather than the driver of the German fiscal framework reform of 2009. Across cases, it does however not look like that changes in public opinion on government debt as an important issue have been a driver for fiscal framework reforms.

Figure 7.2 shows the public perceptions of respondents concerning the two most important issues facing the EU. Here, the empirical pattern shows a clear distinction between countries that have implemented more stringent fiscal frameworks and those that have introduced more lenient ones. Among German, Austrian and Slovakian respondents, the state of member states' public finances was, particularly from 2010 to 2014, a bigger concern than in France, Ireland or Portugal. Answers to this question can serve as a test for the presence of a coercion mechanism that I analyse in a subsequent chapter in more detail.

Figure 7.2 – Eurobarometer results on the two most important issues at the European level (state of member states' public finances)



Source: Eurobarometer 2019
Notes: The shown data is based on the responses to the following Eurobarometer question: What do you think are the two most important issues facing the EU at the moment? (state of member states' public finances).

Policy-makers of countries where the domestic public is worried about public debt in other member states, could put pressure on these countries to do something about their public indebtedness and the stringency of their fiscal framework. We should thus expect that France,

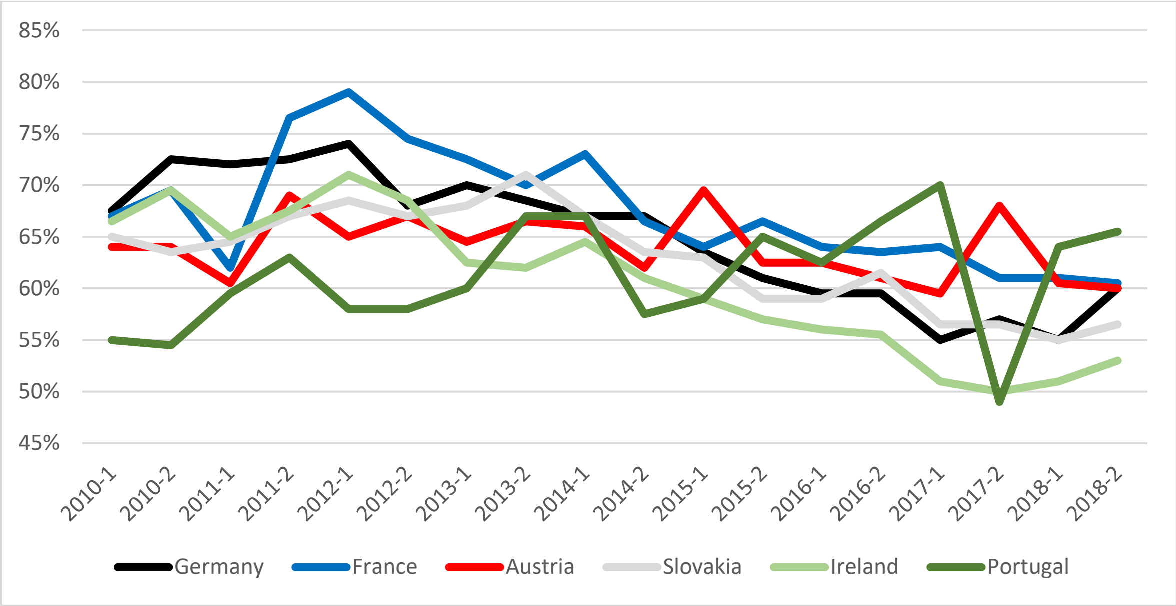
Ireland and Portugal would have implemented comparatively more stringent fiscal frameworks. Empirically this is, however, not the case, putting doubt on the existence of a coercion mechanism as an explanation for the variation in national fiscal frameworks.

If a causal relationship between the public perceptions shown in Figure 7.2 and fiscal frameworks does exist, then a signalling hypothesis would seem more plausible. Governments in countries, where there is more concern about member states' public finances could use fiscal framework reforms to signal to their own population, the governments of other countries, and financial markets, that they care about containing public deficits and indebtedness. The existence of a signalling mechanism would, however, be largely independent from the effect of public opinion, as it is not well-captured in Figure 7.1.

Need to reduce public deficits and debt

Since 2010, the Eurobarometer asks two related questions about the need to reduce public deficits and debt in the respondents' own country. The respondents were confronted with the two following statements: Split A: "Measures to reduce the public deficit and debt in (OUR COUNTRY) cannot be delayed."; and Split B: "Measures to reduce the public deficit and debt in (OUR COUNTRY) are not a priority for now."

Figure 7.3 – Eurobarometer results on the need to reduce public deficits and debt



Source: Eurobarometer 2019
Notes: This Figure merges the 'agree' responses to the statement "Measures to reduce the public deficit and debt in (OUR COUNTRY) cannot be delayed" with the 'disagree' responses to the statement "Measures to reduce the public deficit and debt in (OUR COUNTRY) are not a priority for now". The data was calculated by averaging the percentages of the responses for each country.

The statements on deficit reduction were asked to half of the respondents each to see if the phrasing of the question would lead to any substantial differences in answer patterns. This can help to overcome the so-called 'acquiescence bias' in survey research (see Wright and Marsden 2010).

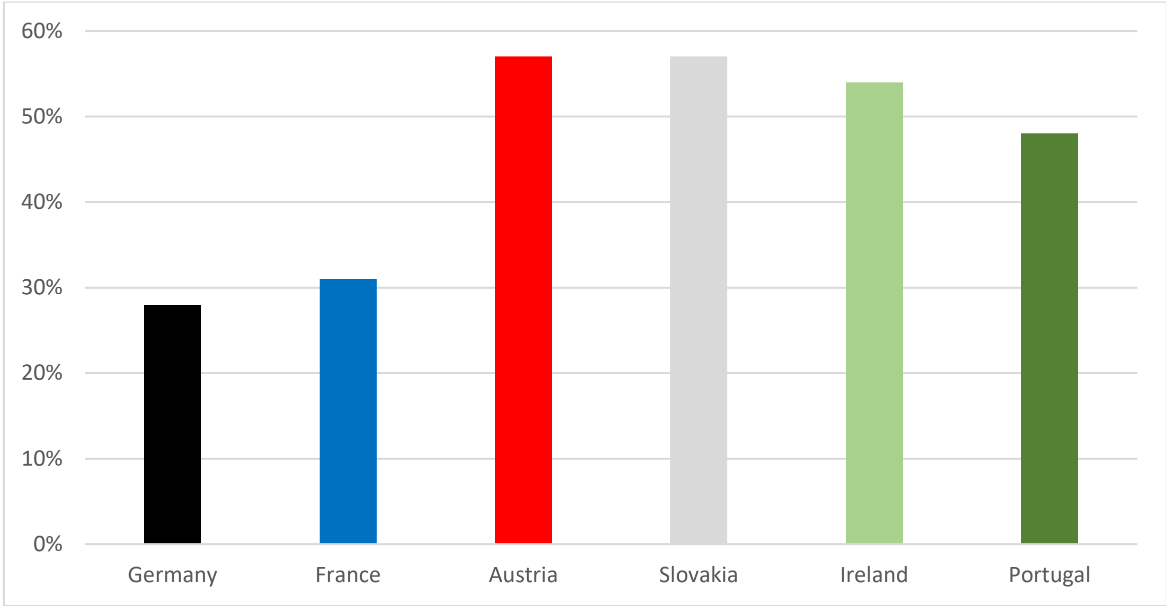
Indeed, the differences in the responses between the two questions are striking. For a better presentation and interpretation, I have decided to merge both questions in Figure 7.3. If public preferences would have an effect on fiscal framework reforms, we should theoretically expect that stronger agreement with the need for the reduction of public deficits and debt (or stronger disagreement with the absence of a need to reduce them) should lead to more stringent national fiscal frameworks.

Similar to Figure 7.1, however, there is no clear pattern in the empirical data. While Germany and France are very much on the opposite sides of the spectrum in terms of fiscal framework stringency, there do not seem to be any significant differences in terms of public preferences towards public deficit and debt reduction between them. The failed constitutional fiscal framework reform of mid-2011 in France, happened under conditions of very high support for the reduction of public debt, which puts a causal mechanism based on public opinion strongly into doubt. Additionally, we see a quite consistent pattern of strong public support for the need to reduce public deficits and debt across all cases. In any case, this empirical data provides little leverage to argue that public preferences would impact on fiscal frameworks in terms of stringency, design or timing.

Public deficits and job creation

Finally, Eurobarometer (2019) also asked a trade-off question, in late 2010 and early 2011 respectively, posing the statement that "the economic crisis means we should increase public deficits to create jobs". The answers to this proposition are shown in Figure 7.4.

Figure 7.4 – Eurobarometer results on the trade-off between public deficits and employment



Source: Eurobarometer 2019
Notes: The shown data is based on the responses to the following Eurobarometer statement: "The economic crisis means we should increase public deficits to create jobs". I show only data for the year 2010 as the data for 2011 are very similar.

Theoretically, lower support for the increase in public deficits to create jobs should correspond with more stringent fiscal frameworks and lower budget deficits. Again, however, there is no clear pattern visible in the response data. In Slovakia, for example, which has introduced the most stringent fiscal framework among the six studies country cases, there is ample support for increasing deficits to create jobs. In Germany, which has a similarly stringent framework, there is considerably less support for using public deficits to achieve other policy goals. In contrast to theoretical expectations, however, also in France, support for the increase in public deficits to create jobs is low, and at a similar level to Germany. All of this suggests that there is no significant relationship between public preferences towards public debt and the stringency of fiscal frameworks. Only the responses to the question of the two most important issues facing the EU could be perceived as some evidence for a signalling mechanism at work. Just looking at this Eurobarometer data, the effect of public preferences on fiscal framework reforms in six studied cases seems, however, to be negligible.

7.2.2) Surveys published in newspapers

Another source for data on public preferences towards public debt and fiscal institutions are surveys published in newspapers. These opinion polls can be commissioned by the newspapers themselves but also by other organisations such as political parties, think tanks and interest groups, which forward results to the newspapers. In contrast to the Eurobarometer data, public opinion polls on the issues relevant in this dissertation are typically not commissioned and published on a regular basis. Rather, their publication depends on the salience of fiscal policy issues in the political discourse and whether concrete legislative measures to reform fiscal policy-making are discussed or implemented. Surveys published in newspapers are generally not consistently interested in the same questions nor are periodic surveys necessarily made public in a systematic manner. This applies especially to surveys commissioned by political actors. While they might be interested in forwarding survey results in line with their own views to the media for broader diffusion, they might not release results in odds with a party's political positioning[10].

This means that there are a number of challenges for the interpretation of surveys published in newspapers. First, as survey findings are normally published only in times of public and political interest in these issues, it is difficult to know if public attitudes would be different in times were public debt and fiscal frameworks are not on the radar of the public or political actors. Second, and related to the first point, surveys published in newspapers seldomly have sufficient variation available across time, making it hard to assess trends in public preferences and how they might drive reform efforts or are affected by undertaken reforms. Finally, survey questions are often inconsistent over time and across cases, with strongly varying wordings and taking into account the specificities of individual reform efforts, which complicates temporal and spatial comparisons.

[10] Survey results which contradict a party's stance, might, however, lead to changes in its positioning in the medium- to long-term, especially if surveys provided consistent results across several survey waves and if a party is interested in vote- and office-seeking (see Müller and Strom 1999).

The empirical materials discussed in this subsection thus serve mainly to triangulate findings from different sources, helping to further corroborate (or to put into question) the findings from the Eurobarometer analysis. I have gathered surveys of interest published in daily and weekly newspapers of the six studied cases since the early 1990s. To identify all relevant articles, I entered a number of different search terms related to surveys on public debt and fiscal institutions in several databases and query tools, such as Factiva, Google, as well as the search functions of the most-circulated national newspapers of the different country cases[11]. Tables 7.1 and 7.2 summarise all of those surveys I could identify with this research strategy. Table 7.1 gathers surveys that were done just shortly before important fiscal framework reforms (or reform attempts). Survey findings show that across Germany, France and Austria, there has generally been a high level of public support, backing individual reforms with at least 60%.

Table 7.1 – Surveys ahead of (attempted) constitutional fiscal framework reforms

Country	Year	Support	Institute	Issue
Germany	2009	66%	TNS Emnid	Constitutional 'debt brake'
Germany	2009	62%	TNS Emnid	Constitutional 'debt brake'
France	2011	60%	CSA	Constitutional 'golden rule'
France	2011	78%	Ifop	Constitutional 'golden rule'
Austria	2011	68%	OGM	Constitutional 'debt brake'

Sources: Statista (2009), N24 (2009), Le Figaro (2011), Seidl (2011)

Interestingly, while a constitutional reform passed in Germany, similar constitutional reform efforts failed in both France and Austria, even if the level of support ahead of the final decision was similarly high. This suggests that, in the absence of significant variation between countries in terms of public preferences, they should not have had a decisive effect on the introduction of constitutional fiscal frameworks. Interestingly, the survey on French public preferences conducted by Ifop in August 2011 (see Le Figaro 2011), in addition, found only little differences between self-identified leftists and rightists.

Table 7.2 gathers survey findings on broader issues related to fiscal policy-making and fiscal institutions. While treating rather specific questions, and having been asked in different periods of time, public opinion seems, with broad majorities, to support the reduction of public deficits towards balanced budgets and to keep such policies in place once a balanced budget is achieved. At the same time, however, survey respondents tended to seriously doubt whether politicians are actually able and/or willing to achieve such goals.

The data presented in Tables 7.1 and 7.2 shows that there seem to be stable majorities in public preferences across time and countries for the reduction of public deficits and the introduction and strengthening of national fiscal frameworks. I interpret this observed lack of variation as a sign that reforms were not driven by public opinion.

[11] These search terms included combinations of the words 'poll', 'survey' and 'study' with terms such as 'public finance', 'public deficit', 'public debt', 'fiscal rules', 'fiscal council', 'fiscal framework', and 'debt brake'. The list was adapted to the respective countries' language and to the terminology used in each country to describe fiscal policy-making and specific fiscal institutions.

Table 7.2 – Survey data on issues related to fiscal policy-making

Surveys	Year	Support	Institute	Issue
France	2012	72%	CSA	Referendum on Fiscal Compact
Austria	2002	77%	Market	Continuation of 'zero deficit' and reforms
Austria	2002	74%	Der Standard	Continuation of 'zero deficit' and reforms
Austria	2002	23%	market	Plausibility of 'zero deficit' for 2002
Austria	2011	22%	OGM	Plausibility of debt reduction in coming years

Sources: 20 minutes (2012), Der Standard (2001), Seidl (2002), Kurier (2011)

7.2.3) Referenda

Another source for discerning public preferences on public debt and fiscal frameworks are public referenda. Table 7.3 gathers relevant referenda that have been realised in Ireland, German federal states and Switzerland. As discussed further in the theory chapter of this dissertation, studies (see Dafflon and Pujol 2001, Krogstrup and Wälti 2008) particularly make use of the Swiss case, as public referenda are a part of the 'normal' political process at all different levels of government.

While Switzerland is neither an EU nor a eurozone member state, I consider the comparative empirical evidence nevertheless useful. In 1998, Switzerland held a referendum on the so-called budgetary target 2001 ('Haushaltsziel 2001' – "Maßnahmen zum Haushaltsausgleich") which laid out a budgetary path towards a balanced budget by the year of 2001 (Schweizerische Bundeskanzlei 1998). In 2001, another national referendum allowed citizens to vote on the implementation of a federal-level 'debt brake' (Schweizerische Bundeskanzlei 2001). In the German context, the federal states of Hesse and Bavaria also held referenda (Statistik Hessen 2011, Bayerisches Landesamt für Statistik 2013), in their cases to vote on federal-state specific constitutional debt brakes, which were based on the federal debt brake. In Ireland finally, the national constitution made it necessary for the Irish government to submit the ratification of the TSCG to a public referendum.

Table 7.3 – Public referenda on fiscal policy-making and fiscal institutions

Referenda	Year	Support	Turnout	Issue
Switzerland	1998	70.7%	40.9%	Consolidation path and balanced budget target
Switzerland	2001	84.7%	37.8%	Federal 'debt brake'
Hesse (Germany)	2011	70.0%	48.9%	Sub-national 'debt brake'
Bavaria (Germany)	2013	88.6%	63.1%	Sub-national 'debt brake'
Ireland	2012	60.4%	50.5%	Ratification of Fiscal Compact

Sources: Schweizerische Bundeskanzlei (1998, 2001), Statistik Hessen (2011), Bayerisches Landesamt für Statistik (2013), RTE (2012)

Similar to surveys on public debt and fiscal frameworks, the results of the available public referenda (Table 7.3) show a high degree of support for lower public deficits and implement institutional constraints on fiscal policy-makers. It reached at least 60% of the citizens participating in the respective referenda. These findings provide some further support for the generalised public preferences towards fiscally conservative positions, even if variation is slightly higher than in some of the other data identified for this analysis.

7.3) The (in)consistency of public attitudes towards public finances

Especially the data on opinion polls published in newspapers and public referenda shows large public preferences for balanced budgets and institutional constraints on fiscal policy-making (see Kohut 2012) that seem to be quite stable over time and across countries. Interestingly, however, studies that go beyond the uni-dimensional questions of most surveys and referenda and that have jointly surveyed public attitudes towards different elements of fiscal policy-making such as taxing, spending and debt have found that the public seems to have conflicting and contradictory policy preferences on public finances.

Across many different studies, public opinion tends to favour, simultaneously, lower taxes, higher spending and lower public debt (see Blinder and Holtz-Eakin 1983, Tabellini and Alesina 1990). Under 'normal' economic circumstances, these different fiscal policy goals are mutually exclusive. To reduce public deficits and debt, governments cannot at the same time lower taxes and increase spending. Rather, they would need to implement some mixture of higher revenues and lower expenditures to achieve, for example, the goal of balanced budgets. Different scholars have subsequently described these incoherent attitudes of the public on fiscal policy-making as a 'paradox' (Welch 1985), a 'dilemma' (Kohut 2012), an 'inconsistency' (Bluth 2016), or 'schizophrenia' (see Bremer and Bürgisser 2018: 1). I consider it to be useful to discuss this potential inconsistency in public attitudes in more detail, as it might affect how policy-makers integrate public opinion in their decisions on fiscal policy-making and the implementation of fiscal institutions.

A number of different explanations for this apparent Inconsistency of public preferences, and how it could be overcome, have been proposed by the academic literature. Based on the idea of time-inconsistency, Tabellini and Alesina (1990, see Bluth 2016: 70), for example, provide a 'classic' public choice argument. They claim that "voters are not able to bind future voters to a certain spending model or path". Current voters would hence 'tie the hands' of future citizens and governments by supporting additional spending in the present, even if they, in principle, had a preference for long-term fiscal sustainability. Contradictory preferences for higher spending while supporting lower deficits (and lower taxes) would thus mainly be the consequence of an inadequate set-up of fiscal institutions.

Tabellini and Alesina (1990) subsequently view fiscal rules as an institutional solution to overcome the conflict between short- and long-term horizons in fiscal policy-making. Ultimately, this would mean that in countries with stringent fiscal frameworks the observed contradictions in preferences towards lower taxes, higher spending and lower public debt should disappear. Instead, concerns of fiscal sustainability (related to public deficit and debt) should outweigh taxing and spending preferences. While it might be difficult to discern when a fiscal rule would actually be stringent enough for such a 'natural' outcome to occur, survey data does not seem to support such claims.

Particularly evidence from a recent survey experiment by Bremer and Bürgisser (2018), which I will detail further below, puts the assumptions of Tabellini and Alesina (1990) into question.

Another explanation for the potential inconsistency of public preferences across different aspects of fiscal policy-making is provided by recent studies of Hayo and Neumeier (2014) as well as Bremer and Bürgisser (2018). Both papers argue that surveys need to move beyond uni-dimensional questions on fiscal policy preferences and rather present respondents with trade-offs between tax, spending, and debt policies. Making survey participants aware of potential trade-offs between different fiscal policy goals and demand them to choose between different fiscal policy packages might reveal more coherent public preferences.

Hayo and Neumeier (2014: 18) examine "the demand for public spending in several policy areas using a unique dataset from a representative household survey carried out in Germany at the beginning of 2013". Their survey required respondents to specify how they would finance increased spending in a specific policy area (e.g. by cutting spending in other policy areas, raising taxes or increasing public deficits), or how they would use liberated funds from spending cuts in a specific policy area (e.g. by increasing spending in other policy areas, lowering taxes or decreasing public deficits) (Hayo and Neumeier 2014: 5). In their view this would circumvent the 'more for less paradox' identified by Welch (1985). Using this survey strategy, Hayo and Neumeier (2014: 19) find that, in the German context, "preferences for public spending are almost unaffected by consideration[s] of the public budget constraint". This means that spending preferences are substantially more important than preferences on public indebtedness, contradicting the argument of Tabellini and Alesina (1990).

In a similar vein, Bremer and Bürgisser (2018: I) argue that uni-dimensional survey questions, which ignore trade-offs between different elements of fiscal policy-making, are "unrealistic and risk[ ] misrepresenting the underlying preferences that citizens have towards fiscal policies". In methodological terms, they go one step further than Hayo and Neumeier (2014) and make use of conjoint survey and split-sample experiments across four European countries (Germany, Italy, Spain and the UK) to evaluate public preferences towards taxation, spending, and public debt.

In theoretical terms, Bremer and Bürgisser (2018: 6) point out two crucial features of public debt. First, they "suppose that the public reacts least sensitively to changes in public debt". They argue that "public debt is very abstract and its impact on citizens is less direct than taxes (which they pay regularly) or spending on public benefits or services (which many receive/use constantly)". This means that, "compared to other dimensions of fiscal policy, government debt has little direct consequences for citizens" (Bremer and Bürgisser 2018: 6). Second, referring to the literature on inter-temporal trade-offs (see e.g. Jacobs 2008, Jacobs 2016), Bremer and Bürgisser (2018: 6) highlight that "citizens are strongly myopic, i.e. when voters evaluate government policy programmes, they give less weight to long-term policy consequences than to those that emerge in the short-term. They have rather high discount rates and, as a result, they should care relatively little about government debt". For the authors this does, however, not mean that the broader public

is ignorant of public debt. Rather, "given the abstractness of public debt and the uncertainty how public debt might have an impact on citizens in the future, we assume that taxation and government spending are more salient and more important to voters" (Bremer and Bürgisser 2018: 6-7).

In line with the insights of the broader literature, Bremer & Bürgisser's (2018: 14ff) findings – based on uni-dimensional questions – show an inconsistent picture of public fiscal policy attitudes. Testing two- and multi-dimensional trade-offs between public preferences for taxing, spending and public debt, they however identify a strong change in public preferences. Importantly, Bremer and Bürgisser (2018: 17) find that

> "government debt does not influence the evaluation of fiscal packages at all. Neither increasing nor decreasing government debt has a statistically significant effect, suggesting that respondents are not as fiscally conservative as the existing literature assumes. Instead, government debt is essentially irrelevant for the evaluation of the packages that we presented to respondents".

Interestingly, the authors do not find any significant country differences in public views towards government debt, with some minor qualifications for the case of Italy[12]. Additionally, the survey experiments reveal that not only differences between countries are small, but also that there is very little variation across different income groups or ideology (Bremer and Bürgisser 2018: 20, 22, see also Kohut 2012). Relating their findings to the broader literature, Bremer and Bürgisser (2018: 25) thus conclude that "voters care little about government debt. Neither increasing nor decreasing government debt influences the probability that voters support a given package of fiscal policies, indicating that government debt is not a priority for them". Interestingly, interviews that I conducted with fiscal policy-makers, public officials and experts corroborate the findings of this subsection to a large extent.

7.4) What role for public opinion according to policy-makers?

As part of the within-case analysis to identify the causal mechanisms driving the variation in national fiscal frameworks, interviews with politicians, public officials and experts from the six studied cases provided insights in their perceptions on public attitudes towards fiscal policy-making and to which extent these attitudes play a role in their decision-making.

[12] "The only exception is Italy, where government debt is also the highest. Here increasing government debt has a very small negative effect on the overall support for the package of fiscal policies that respondents were presented with, which also points to a ceiling effect" (Bremer and Bürgisser 2018: 23)."

7.4.1) Perceptions of fiscal policy-makers on public preferences and competences

Related to the contradictory public preferences identified in different surveys based on uni-dimensional questions (simultaneous support for reducing deficits, lowering taxes and increasing spending), also a number of interviewees from different studied cases highlighted this phenomenon. A former member of the Slovakian fiscal council, for example, pointed out that among the Slovakian public, there would be an aversion to public debt but that it would equally support neither tax increases nor spending cuts to reduce public deficits (Interview Horváth). Similarly, a high-level official of the French court of auditors, Raoul Briet, highlighted the ambivalence of the French population on this matter: while agreeing that there was a need to reduce public expenditure, there was no support for spending cuts in any of the major sectors either (Interview Briet).

Interestingly, inside different countries, there were also contradictory views of interviewees on the overall public opinion on public indebtedness. In Slovakia, for example, the former fiscal council member saw the fiscally conservative preferences of the population as one of the reasons for the survival of the debt brake: "So my impression is [that] public debt has a negative connotation in the public (…) so that to some extent is helpful. So, if it sort of ran away in a significant way, I think that would be politically difficult" (Interview Horváth). In his view, part of this "aversion" to public debt is due to the general public's comparison of the state budget to a private household. In contrast, an analyst of the Slovakian think tank INESS argued that balanced budgets would not be of any serious value for the domestic public (Interview Durana).

Contradictory views of public preferences do, however, not only exist across different interviewees but can even be part of the reasoning of individual fiscal policy-makers. A former budgetary speaker of the B90/Green party in Germany argued that voters would tend to be more fiscally conservative than many party officials. At the same time, he also pointed out that short-term oriented fiscal policy-making, disregarding the long-term sustainability of public finances was the consequence of the public preferences for increased spending: "As long as people are wired as they are wired, politicians will be wired as they are wired, and if they want to be elected, they will rather want to distribute checks for the people" than aim for solid public finances (Interview Metzger). A former high-level official of the budgetary department in the Austrian finance ministry made a similar point stating that politicians try to "avoid unpleasant things whenever possible, because voters will punish [them] otherwise" (Interview Steger). He, however, also highlighted that voters might punish politicians for not doing anything about fiscal sustainability, allowing for the possibility that voters might be more fiscally conservative than assumed by politicians (ibid.).

Interviewees across different countries and functions were highly consensual in their views that fiscal policy-making, the role of public deficits and debt, as well as fiscal frameworks were difficult to understand for the general public. They concluded that there was a need to educate the public about 'good' fiscal policy-making and institutions and that politicians would need to provide

citizens with simple and understandable narratives to make citizens support such policies. Interestingly, in the German context, both Oswald Metzger and FDP budgetary speaker Otto Fricke drew on analogies describing voters as children. Metzger stressed the need for personalities (corresponding to parents in a family) which would have to reason with their children about their (fiscal policy) wishes, which would not fit with the parents' budget (Interview Metzger). Fricke made a very similar point and highlighted the importance of parents' keeping to the difficult task of being the 'bad guy' and announcing to their children that they could not afford everything they desired (Interview Fricke). Also in this analogy, the parents stand for responsible fiscal policy-makers and the children for irresponsible voters.

The need to educate the broader population was also voiced particularly in France, where many interviewees working in different institutions of the public administration pointed out that (1) public opinion was not sensitised sufficiently (Interview Monier), that there was (2) a need for the appropriation of values of fiscal sustainability by the broader public (Interview Houdebine), and (3) a need for pedagogy (Interview Briet). Interviewees in Austria, Slovakia, Ireland and from international institutions also considered fiscal policy-making as being too complex for the broader public and believed that there was a need for information and education, also to be achieved through independent fiscal institutions.

7.4.2) On the fabrication of public opinion among fiscal policy-makers

It is not only important what fiscal policy-makers think about public preferences regarding fiscal policy-making and institutions but also whether they consider these preferences to be independent from political/technocratic preferences and to which extent they can be influenced politically. As the previous subsection has highlighted, many interviewees believed that the general public did understand little about fiscal policy issues and thus needed to be educated. This implies that many policy-makers think that, on the one hand, policy decisions should be undertaken by the more knowledgeable policy-makers and that, on the other hand, public attitudes towards public deficits/debt and fiscal frameworks could be modified by them to support their policy decisions.

Concerning this issue, a senior economist of the Cologne Institute for Economic Research (IW Köln) suggested that it was rather the politicians' opinions of public opinion rather than public opinion itself which guided political action (Interview Hentze). Discussing the 2018-2021 coalition agreement in Germany, he stated that "politicians are of the opinion that a majority of the population is of the opinion that no new debt should be incurred at present. That is why it has been enshrined in the coalition agreement". Fiscal policy-makers thus might be actually – to a certain extent – fabricating public preferences on public indebtedness and fiscal frameworks.

The director of the French research institute OFCE, Xavier Timbeau, for example, stressed that the idea of 'budgetary sovereignty' would be a crucial feature in French public opinion. He, however, stated himself that he did not know of any surveys on this issue but believed that the

prominence of 'budgetary sovereignty' among the population would be the conclusion, if a survey on this issue would actually be conducted (Interview Timbeau). This statement reflects how many interviewees dealt with the issue of public opinion. They assigned quite stark, and often also contradictory, preferences to the general public, generally without having concrete sources or empirical data to support their claims.

In line with the reasoning presented by Soroka and Wlezien (2010: 140-141), politicians and other fiscal policy actors thus might fabricate public preferences to justify their actions as being based on public opinion, while actually representing their own ideas or interests. The former head of the budget department in the French finance ministry and budget councillor in the cabinet of then prime minister François Fillon, Julien Dubertret, stressed how the attitudes of the population towards fiscal and monetary policy issues were at least partly shaped by the discourse of politicians and their efforts to 'educate' the public (Interview Dubertret). Similarly, a high-level public official of the ECB stressed that voters can process only a few 'simple truths' which have to be anchored by fiscal policy actors in the minds of citizens. Such an anchoring would allow politicians to simplify their reasoning and more easily justify fiscal policy choices, such as running balanced budgets (Interview Rother).

Not only political discourse but also fiscal frameworks might participate in awareness building in the population and shaping public opinion, as interviewees across different countries argued (Interview Schratzenstaller, Interview Suchta, Interview Relovsky). Finally, crises were equally identified by fiscal policy actors as potentially affecting public attitudes towards public debt (Interview Steger, Interview von Hagen, Interview Rother). I argue, however, that the impact of fiscal frameworks or crises rather touches fiscal policy-makers than the general public, due to the abstract nature of issues such as public deficits and debt. The impact of fiscal frameworks and crises needs to be interpreted (see e.g. Hay 1999) by the central actors that have to deal with fiscal policy-making.

7.4.3) Overall findings from the perceptions of policy-makers

Putting together the empirical evidence from interviews among politicians, public officials and experts in the six studied cases, the overall findings are the following: First, across the different country cases studied, interviewees held rather contradictory views of the role of public preferences on fiscal policy reforms. Some argued that voters were fiscally conservative (as many uni-dimensional survey responses have suggested), while others highlighted their role in undermining fiscal discipline (related to the myopic nature of public fiscal policy preferences). This is, however, not clearly distributed between countries which have implemented comparatively stringent fiscal frameworks and countries that have a more lenient set-up. Additionally, a number of interviewees pointed out the technical nature of dealing with public deficit and debt – particularly regarding fiscal frameworks – which would make the issue too complicated for the broader public to properly understand. The complexity of macroeconomic and fiscal policy-making was perceived to be an

issue for the elite/experts, who would also have to play an important role educating the population about 'correct' fiscal policy-making.

Second, while a considerable number of interviewees had some opinion on the effect of public preferences on fiscal policy and institutions, they typically could not provide any concrete answers to the question on which data they would base these views. Depending on the institutional or political background of actors, and the theoretical tools at their hands, it rather seemed that interviewees were using supposed patterns in public preferences towards public deficits and fiscal frameworks to justify and legitimate their own fiscal policy positions and actions, and to question the positions of other actors. Rather than being driven by 'real' variation in public opinion on these issues across countries, reform measures seem to be, at least partly, built on particular preferences assigned by fiscal policy elites to a country's broader public. All of this suggests that it is not public opinion and its variation across countries per se which has driven fiscal framework reforms and consolidation efforts in the six case studies. Rather it has been driven by the ideas or interests held by politicians, that assign particular preferences on fiscal policy-making to the broader public.

7.5) Overall evaluation of the influence of public opinion

This chapter has analysed and triangulated empirical evidence on the effect of public preferences on fiscal framework reforms and broader fiscal policy changes. Overall, the joint evaluation of scholarly research, Eurobarometer data, surveys published in newspapers, public referenda and interviews finds very little evidence for a systematic influence of public opinion on institutional reform efforts and fiscal policy-making among the six studied Eurozone countries.

The available empirical data does not support the theoretical assumptions that would need to be fulfilled to determine a causal link between public attitudes towards public debt and fiscal institutions and actual policy actions. First, to explain the variation in national fiscal frameworks, we should have seen corresponding variation in public opinion across countries and over time. The analysis of Eurobarometer data, surveys published in newspapers and public referenda has, however, highlighted, that the patterns of public preferences do not fit well with the outcomes of national fiscal framework reforms.

Second, empirical evidence should show temporal sequences between public opinion (and its change) and fiscal framework reforms. The available materials make conclusive findings difficult, as surveys are typically published only during reform discussion and because most of the Eurobarometer data does not include the time period ahead of several key fiscal framework reforms in the studied country cases. The discussed data, however, does not seem to provide any strong evidence for clear temporal sequences between public opinion (and its change) in specific countries and subsequent fiscal framework reforms.

Third, a causal relationship between public preferences and fiscal frameworks should include political decision-makers and intermediaries, translating the public attitudes in corresponding reforms. As the discussion of interviews with fiscal policy-makers, public officials and experts has shown, however, is that they do not hold clear views on public opinion regarding fiscal policy-making and institutions, consider that citizens need to be educated on these issues and thus tend to fabricate public preferences. Rather than having a genuine effect, fiscal policy actors routinely seem to make use of the public opinion argument when it suits their own fiscal policy preferences.

The empirical evidence suggests that reform efforts are driven by the ideas of fiscal policy elites and experts themselves, assigning corresponding fiscal policy preferences to the broader public, which then serve as a justification for (non-)action. It seems thus doubtful that public opinion itself had any decisive impact on driving the variation in the stringency, design and timing of fiscal framework reforms across the six studied country cases. Instead, especially the interview findings suggest that we should look at the ideas and interests of fiscal policy-makers to understand why we see variation in national fiscal frameworks.

8) Financial markets and fiscal framework reforms

8.1) Introduction

Not only domestic factors such as economic models/interest groups and public opinion could influence fiscal framework reforms, but also more external factors such as financial markets. The theory chapter of this dissertation discussed in detail the literature on public bond ratings and interest rates and how these two elements could be related to the variation in national fiscal frameworks. We can hypothesise that high and/or sharply rising interest rates (and low and/or rapidly falling public bond ratings) lead to the introduction of comparatively more stringent national fiscal frameworks. Differences in interest rates and ratings across countries as well as their changes over time which correspond to fiscal framework reforms and their variation can be indicative of the explanatory power of the role of financial markets. In addition, especially interviews and parliamentary debates can be revelatory regarding the influence of financial markets in the thinking of political decision-makers and to which extent divergence and changes in interest rates and bond ratings influenced their policy-making.

In contrast to the public opinion argument, where it was difficult to identify adequate empirical materials, fortunately a lot of fine-grained cross-country and cross-temporal data is available to evaluate the potential influence of bond interest rates and ratings. The subsequent empirical analysis thus makes use of monthly data on sovereign bond yields and spreads, data on sovereign bond ratings and rating actions as well as information on the rating methodologies of the main rating agencies Standard & Poor's, Moody's and Fitch Ratings. I also draw on interviews with fiscal policy-makers, public officials and experts and parliamentary debates that took place around fiscal framework reforms.

To evaluate the influence of financial markets (through bond interest rates and ratings), this chapter addresses three related questions. First, which role do fiscal frameworks play in the rating actions of rating agencies? Second, can we discern spatial variation that provides comparative evidence, and identify temporal sequences which causally link changes in sovereign bond ratings and/or interest rates to fiscal framework reforms. And third, how do fiscal policy-makers, public officials and experts perceive and assess the relationship between financial markets and fiscal frameworks, making them potentially susceptible to introduce or strengthen fiscal rules and institutions as a reaction to changes in bond ratings and/or interest rates?

The following sections engage empirically with the relationship between bond ratings, interest rates and national fiscal frameworks to evaluate whether the former can account for the variation in the latter. The second section engages with the public finances rating methodologies of the four main rating agencies that are rating sovereigns in Europe. The aim of this exercise is to understand if fiscal frameworks are an important influence factor in the production of the sovereign bond ratings of Standard & Poor's, Moody's and Fitch Ratings. Findings suggest that fiscal rules and institutions only play a very minor role in the evaluation of a country's credit risk. This corresponds with results

from the broader literature, which suggests that other influence factors, such as external debt, GDP growth or democratic institutions predict sovereign bond ratings (see Cantor and Packer 1996, Archer et al. 2007, Biglaiser and Staats 2012, Beaulieu et al. 2012).

The third section studies the covariation between sovereign bond ratings and bond yields/spreads, as well as the respective influence of ratings and spreads on fiscal framework reforms. Drawing on publicly available rating actions data from the most important rating agencies and monthly long-term bond yield data from the ECB, I show that there is no consistent link between rating actions and national fiscal rules and institutions. There is, however, some evidence that changes in bond spreads have played a role in fostering fiscal framework reforms. They affect, though, rather the timing than the stringency or design of fiscal frameworks.

The fourth section further corroborates these findings with interviews with national and supra-national fiscal policy-makers, public officials and experts. The analysis of these interviews highlights that sovereign bond yields – and particularly changes in spreads – have, in certain cases, played an important role for fiscal framework reforms. In contrast, most fiscal policy-makers did not assign a crucial role to ratings and rating actions.

The final section triangulates the evidence from the various mobilised empirical materials, highlighting that sovereign bond ratings themselves have not been a relevant influence factor for fiscal framework reforms. In contrast, changes in sovereign bond spreads have often been closely observed by fiscal policy-makers and have fostered the introduction or strengthening of fiscal rules and institutions in some instances. As fiscal frameworks are, however, mainly understood as signalling devices in these situations, the analysis suggests that financial markets can rather explain the timing rather than the variation in the stringency and design of fiscal frameworks. Countries, whose bond interest rates deteriorated the most did not introduce the most stringent fiscal frameworks. Regarding the central ideational argument of this dissertation, financial markets have thus helped to mobilise particular idea sets in the different studied country cases.

8.2) Rating methodologies and national fiscal frameworks

Analysing the public finance rating methodologies of rating agencies helps us understand to which extent (national) fiscal frameworks are actually taken into account in the assessment of a sovereign's default risk during the rating process. This can also be indicative of the importance fiscal policy-makers give to institutional reforms to improve public bond ratings. If rating agencies do not put a lot of weight on fiscal frameworks and their stringency, this should lower our confidence in the assumption that fiscal policy-makers undertake fiscal framework reforms to respond to downgrades in ratings or aim to improve their ratings. In contrast, if the introduction and strengthening of fiscal rules and institutions has a strong impact on sovereign ratings, then we could expect that reforms may be a consequence of politicians trying to achieve better ratings to raise their fiscal credibility credentials and lower public refinancing costs. We can thus hypothesise

that the bigger the role of fiscal frameworks in public bond rating methodologies the more likely it is that fiscal policy-makers consider and implement fiscal framework reforms as a means to stabilise or improve ratings.

To evaluate the influence of national fiscal frameworks on sovereign ratings, this section analyses the public finance rating methodologies of the three most important rating agencies in the field of public bond ratings: Standard & Poor's, Moody's and Fitch Ratings. Table 8.1 summarises those components of public finance rating methodologies that are or might be interested in evaluating fiscal frameworks. Drawing on these methodologies and additional sources such as interviews and secondary literature, I argue that fiscal frameworks themselves play only a very subordinate role in the rating process. this questions the assumption that fiscal policy actors might be interested in strengthening national fiscal frameworks to secure better ratings.

Table 8.1 – Elements of public finance rating methodologies

Rating agency	All criteria	Relevant (sub-)criteria
Standard & Poor's	Institutional and economic profile - Institutional assessment - Economic assessment Flexibility and performance profile - External assessment - Fiscal assessment - Monetary assessment	Institutional assessment - Effectiveness, stability, and predictability of policy-making, political institutions, and civil society - Transparency and accountability of institutions, data, and processes - Sovereign's debt payment culture - External security risks

Moody's	- Economic strength
	- Institutional strength
	- Fiscal strength
	- Susceptibility to event risk
		Institutional strength
		- Institutional framework and effectiveness (75%)
		  - Worldwide government effectiveness index
		  - Worldwide rule of law index
		  - Worldwide control of corruption index
		- Policy credibility and effectiveness (25%)
		  - Inflation level (t-4 to t+5)
		  - Inflation volatility (t-9 to t+1)
		- Adjustments to factor score (0 to 6 scores)
		  - Track record of default
		  - Other

Fitch Ratings	- Structural features - Macroeconomic performance, policies, and prospects - Public finances - External finances	Public finances - Government debt - Fiscal balance - Debt dynamics - Fiscal Policy

Sources: Standard & Poor's (2017), Moody's (2016), Fitch Ratings (2018)

8.2.1) Standard & Poor's

Standard & Poor's (2017: 2) public finance rating methodology, the so called 'Sovereign Issuer Criteria Framework' is made up of five key areas to determine a sovereign's credit risk: an (1) institutional assessment, an (2) economic assessment, an (3) external assessment, a (4) fiscal

assessment, and a (5) monetary assessment. These assessments are then aggregated into an 'indicative rating level' which can subsequently be adjusted up or down by one notch[13].

Among the different assessments, the institutional one is the most relevant one for an appraisal of fiscal frameworks, as the fiscal assessment is interested rather in deficit and debt size per se as well as fiscal flexibility (Standard & Poor's 2017: 3). According to Standard & Poor's (2017: 3) "the institutional assessment reflects our view of how a government's institutions and policymaking affect a sovereign's credit fundamental by delivering sustainable public finances, promoting balanced economic growth, and responding to economic or political shock". The rating agency analyses a number of institutional factors linked to (a) the effectiveness, stability, and predictability of policymaking, political institutions, and civil society, (b) the transparency and accountability of institutions, data, and processes, (c) the sovereign's debt payment culture, and (d) external security risks (Standard & Poor's 2017: 6-9).

Interestingly, however, neither fiscal frameworks nor their components fiscal rules and fiscal councils are mentioned as factors in the discussion of the institutional assessment. Standard & Poor's (2017: 6-7) talks about institutions and frameworks in very broad terms, analysing whether political systems have "stable and well-established institutions", "checks and balances between institutions" exist, and evaluating the presence of a rule of law which promotes the stability and "predictability in the overall policy framework and developments that may affect policy responses". Fiscal frameworks may participate in these functions, but the rating agency is rather interested in broader democratic governance.

Another specificity of the public finance rating methodology is that the indicator derived from the institutional assessment is exclusively based on a qualitative analysis (the concrete criteria for evaluation are accessible in Standard & Poor's 2017: 8) that does not draw on any external datasets. Theoretically, there could thus be some degree of leeway for ratings analysts to informally give fiscal frameworks a role in the ratings. Given the considerable number of elements to consider for the overall institutional assessment, this could, however, only account for minor adaptations, if any.

8.2.2) Moody's

Moody's (2016: 3) rating methodology consists of four key factors which are (1) economic strength, (2) institutional strength, (3) fiscal strength, and the (2) susceptibility to event risk. These factors are subsequently aggregated into an overall government bond rating range. Relevant for fiscal frameworks is the second factor of the methodology, institutional strength. This factor considers "whether the country's institutional features are conducive to supporting its ability and willingness to repay its debt. A related aspect of Institutional Strength is the Capacity of the government to conduct sound economic policies that foster economic growth and prosperity" (ibid.: 13).

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[13] A notch describes a specific rating on a rating scale such as AAA or BBB+. Depending on the rating agency, rating scales contain 22 or 24 notches, but are typically set up very similar, only differing in their assessments of defaulting sovereigns.

In contrast to the rating methodology of Standard & Poor's, Moody's (2016: 3, 15-17) draws on a number of available quantitative indicators to assess the institutional strength of specific sovereigns: The factor 'institutional strength' is made up by three elements, (a) the institutional framework and effectiveness (constituted by three indices from the Worldwide governance indicators: government effectiveness, the rule of law, and the control of corruption; see Kaufmann and Kraay 2017), (b) policy credibility and effectiveness (based on data on levels and volatility of inflation), and (3) an adjustment variable based on the track record of default and other country-specific factors to consider. This last point could entail some considerations about fiscal frameworks.

Moody's (2016: 16) points out that amongst "other considerations for policy effectiveness", the rating agency also looks at the quality of fiscal policy implementation, "including the use of and adherence to fiscal rules (…) as an important aspect of policy effectiveness that may lead us to adjust the score for policy effectiveness to be materially different than the score indicated by standard scorecard metrics". This explicit mentioning could mean that fiscal frameworks feature an important role in the rating process. But when looking at the overall construction of the factor 'institutional strength' it becomes evident that this point is only a very minor element among much more influential indicators. Data on governance and the management of inflation clearly dominate, while the adjustment score seems to be of less importance, within which fiscal rules are only one of several elements to be considered.

8.2.3) Fitch Ratings

The public finance rating methodology of Fitch Ratings (2018: 1) "is a synthesis of quantitative and qualitative judgements that capture the willingness as well as the capacity of the sovereign to meet its debt obligations". It consists of four analytical pillars, which are the evaluation of (1) structural features, (2) macroeconomic performance, policies, and prospects, (3) the public finances, as well as (4) the external finances. Each of these pillars includes a quantitative analysis based on publicly available data and indices, which can then be adjusted up and down by up to two notches based on a qualitative assessment of additional factors. In the overall rating process, the structural features pillar is then weighted more than the other three factors (Fitch Ratings 2018: 1).

The first three of the four pillars are of potential relevance for the analysis here. Similar to Moody's rating methodology, the Worldwide governance indicators feature prominently as a measure for institutional quality, stability and quality in the structural features pillar (Fitch Ratings 2018: 13). The second pillar on macroeconomic performance, policies and prospects includes a qualitative element about a 'credible policy framework' that is, however, not further detailed. The most important point is finally included in the third pillar on public finances, where one of the more qualitative factors to be taken into account is the "consistency, prudence and transparency of fiscal rules and framework" (Fitch Ratings 2018: 19). As for Moody's, also for Fitch Ratings fiscal frameworks are only one subpoint among many in a single pillar, which is later further aggregated with several others. More significantly, even the detailed public finance rating methodology (Fitch Ratings 2018: 38) does not contain any concrete variables for fiscal policy discussed in the text.

Interviewee Ed Parker, head of the EMEA[14] Sovereign Ratings at Fitch Ratings, provided some more insights, in which ways fiscal frameworks could find their way into the agency's sovereign bond ratings. Most importantly, he pointed out that

> "if they are effective, then they should affect the numbers, otherwise you ask the question (…) what's the point of them. So, you would expect countries that have effective, credible fiscal rules that are followed over time to show up in lower government debt-to-GDP, lower budget deficits, more secure debt structures" (Interview Parker).

Thus, rather than looking at fiscal frameworks per se, their effects are assumed to feed directly into the model. This means, however, that the introduction of a stringent fiscal framework would not find its way into the sovereign bond ratings if the underlying fiscal data would remain the same.

Parker further highlighted that fiscal rules might play a role in their qualitative assessment, particularly for rating through the economic cycle. In situations of a downturn, the existence of credible and effective rules might lead Fitch Ratings to refrain from falling ratings. Parker, however, stressed that such decisions were also crucially depending on a country's track record of fiscal consolidation. He further acknowledged that fiscal rules could be a talking point with national fiscal policy-makers in evaluating their relationship to the concrete budget plans and medium-term objectives of a country's government.

In any case, the ratings analyst was sceptical of feeding data on fiscal frameworks into the quantitative part of their model: "I think fiscal rules are something that is better dealt with in the qualitative overlay part of our assessment rather than trying to produce a, like a single, boiled-down to a single ranking that we would put in our quantitative model" (Interview Parker). While the interview with Ed Parker has helped to gain a better understanding of the role of fiscal frameworks in the rating process, in the end, they seem to play a rather marginal role in the rating methodology, being largely substituted by actual fiscal policy outcomes.

8.2.4) Joint evaluation

Taken together, the evidence for a decisive role of fiscal frameworks in constructing sovereign bond ratings seems weak. In this analysis I have exhaustively discussed all references to fiscal frameworks in the different rating methodologies provided by the three major rating agencies. Considering that each of these documents has between 30 and 42 pages of text[15], and the various other factors that feature in the construction of sovereign ratings, the influence of fiscal framework on concrete rating actions is negligible. As an interview with a ratings analyst from Fitch Ratings revealed, the assessment of fiscal frameworks is also largely collapsed into budgetary outcomes, which would signal to fiscal policy-makers that fiscal consolidation rather than the introduction or strengthening of fiscal institutions would affect bond ratings. Given the lack of importance given to fiscal frameworks in public finance rating methodologies, it seems unlikely that fiscal policy-makers would rationally engage in fiscal framework reforms to stabilise or improve ratings.

[14] EMEA is the designation of a region containing Europe, the Middle East and Africa.

[15] Standard & Poor's (39 pages), Moody's (30 pages), Fitch Ratings (42 pages)

8.3) Sovereign bond ratings and interest rates

Even if we find that fiscal frameworks play a very subordinate role in the public finance rating methodologies, politicians might be nevertheless (and potentially wrongly) convinced that the reform and strengthening of fiscal institutions could help to avoid rating downgrades or even improve ratings. Equally, fiscal frameworks might help to appease markets and lead to lower bond yields and spreads. A straightforward way to study this is to analyse the evolution of actual ratings and bond yields/spreads for the six studied country cases. By assessing their variation across countries and time and checking how patterns of ratings and interest rates correspond to the variation in the stringency, design and timing of national fiscal frameworks we can better evaluate temporal sequences and potential causal links between ratings, ratings actions, and fiscal framework reforms.

8.3.1) Sovereign bond ratings and national fiscal frameworks

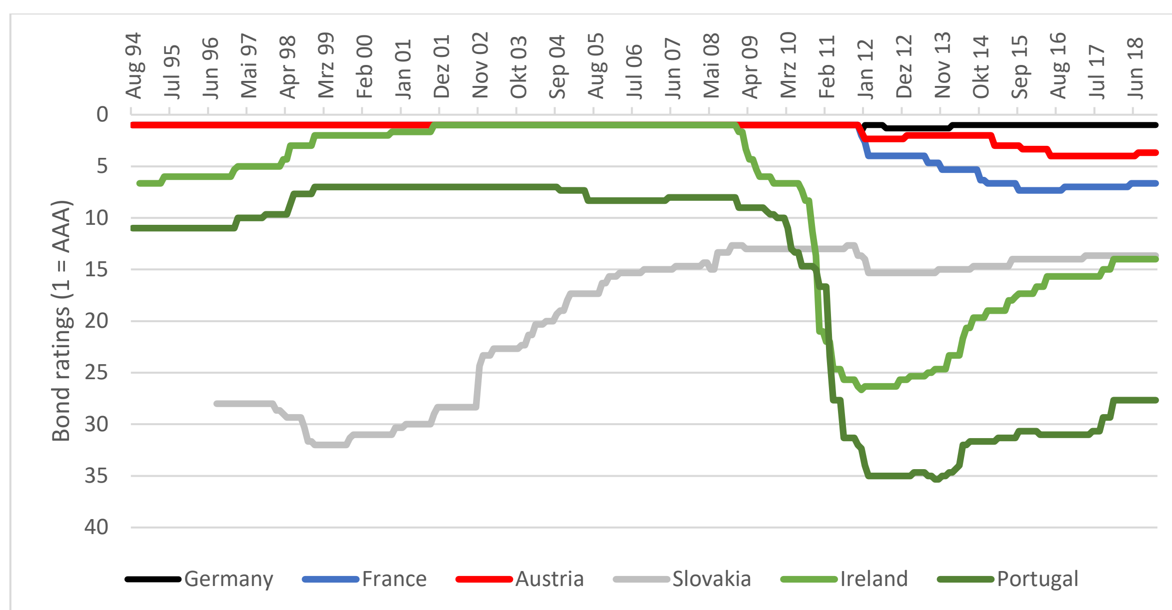
Under 'normal' economic, fiscal, and monetary circumstances, most rating agencies currently rate each sovereign twice per year. During such periods, rating actions often simply confirm the preceding rating. During crises or booms, where a country's creditworthiness might change more rapidly than usually, rating actions might also take place more often than twice during a year. This happened, for example, during the Great Recession and the European debt crisis. In addition to the rating itself, rating agencies can add negative or positive outlook or watch signals to ratings, which provide an indication of possible or likely future downgrades or upgrades of a country's rating.

This subsection looks at monthly rating data and actions of the three most important rating agencies (Standard & Poor's, Moody's, Fitch Ratings) and analyses their potential effect on the introduction or strengthening of national fiscal frameworks. It allows us to evaluate whether low and/or falling public bond ratings (and the pace at which rating downgrades take place), lead political decision-makers to implement comparatively more stringent national fiscal frameworks. In addition, the analysis of sovereign bond ratings and rating actions also helps us to understand whether new or more stringent fiscal rules and institutions are followed by rating upgrades or at least the stabilisation of falling sovereign bond ratings.

To evaluate the relationship between public bond ratings and fiscal frameworks, we can first look at the evolution of ratings over time and across the different cases analysed in this dissertation, keeping in mind the variation in the respective fiscal framework's stringency, design and timing. Figure 8.1 shows the national averages of the ratings of the three most important rating agencies from mid-1994 to the end of 2018. I transformed the rating data into numerical form, with 1 corresponding to the best rating, the so-called triple-A rating. The variable also incorporates the negative and positive outlook and watch signals given by rating agencies, following the strategy of ap Gwilym and Alsakka (2011: 249).

The data shows that Germany, France and Austria received the highest rating (triple-A) for most of the period, slightly declining as the European debt crisis broke out in late-2011. And while Ireland and Portugal improved their ratings in the second-half of the 90s, the outbreak of the Great Recession as well as the subsequent debt crisis strongly affected sovereign bond ratings. Since reaching their low-point in mid-2012, their ratings have slowly recovered. Slovakia finally made some significant improvements in ratings in the first half of the 2000s, shortly before and after EU accession. The country's ratings shortly declined in unison with the ratings of France and Austria in 2011 but have remained rather stable since the outbreak of the crisis.

Figure 8.1 – Evolution of monthly sovereign bond ratings across the six country cases



Sources: Standard & Poor's (2019), Moody's (2019), Fitch Ratings (2019)

Notes: Lines represent the national averages of the bond ratings of Standard & Poor's, Moody's and Fitch Ratings. Rating data was transformed into numerical form starting with 1 for a Triple-A rating. Positive and negative outlook and watch signals of the rating agencies are integrated in the data (see ap Gwilym and Alsakka 2011: 249). This means that, for example, an Aa1/AA+ rating is given the value 4, and according to positive or negative outlook and watch signals is adjusted, receiving the values 2 or 3 (for positive watch and outlook signals respectively) or the values 5 or 6 (for negative outlook and watch signals respectively).

Several features of these evolutions suggest that the differences in ratings do not correspond well to the variation in the stringency of national fiscal frameworks. While Slovakia has implemented a highly-constraining set of fiscal rules and institutions, its rating continues to be lower than the French one, even if the latter's fiscal framework is the most lenient among all of the studied cases. The stringent Slovakian fiscal framework might have, however, contributed to the stabilisation of its sovereign bond ratings, even if differences between the non-crisis countries seem to be small.

After the crisis, particularly the Irish (less so the Portuguese) bond ratings improved again. As their fiscal frameworks are, however, rather lenient then stringent, it seems unlikely that upgrades in ratings were due to national fiscal framework reform efforts. Also, while the German and Slovakian fiscal framework are similarly stringent, sovereign bond ratings continue to differ quite strongly and did not converge in any substantial manner over the last years. The same applies to the rating

differences between France and Portugal, which both have implemented comparatively lenient fiscal frameworks. This first overall impression based on a largely comparative analysis, hence, does not suggest any significant relationship between bond ratings and fiscal framework stringency.

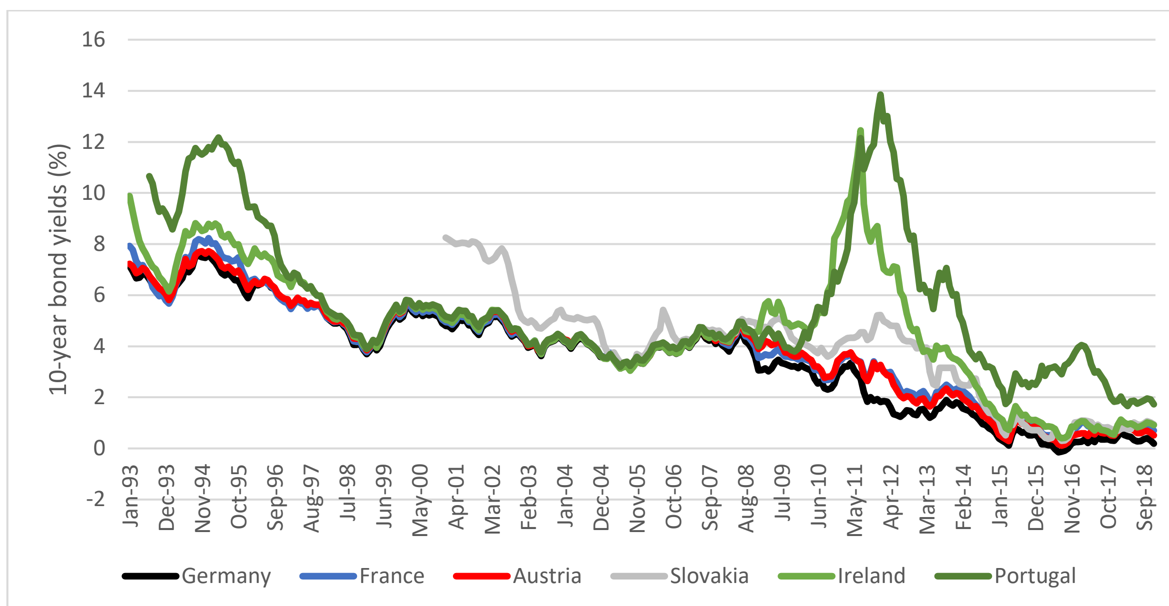
8.3.2) Sovereign bond interest rates and national fiscal frameworks

In contrast to the periodic – but often irregular – changes in bond ratings, sovereign bonds are not only emitted in regular intervals on the international financial markets (often on a monthly basis) but are also traded continuously on the secondary markets, which constantly affects sovereign bond yields and spreads. National public debt agencies emit bonds with different types of maturity to refinance government activities and roll over existing public debt. Depending on the maturity, sovereign bonds have different interest rates with short-term bonds having lower borrowing costs than longer-term bonds. As longer-term bonds, however, allow for better budgetary planning and insure against bond market volatility, which could lead to unforeseen short-term liquidity problems, governments generally prefer longer maturities of sovereign bonds (Tomz and Wright 2013). The size of long-term bond interest rates is thus of particular interest for public debt agencies and finance ministries. Statistical institutes compile indicators based on different maturities, with the 10-year bond yields and spreads often taken as the main indicator. The ECB (2019) provides, for example, monthly data on such long-term interest rates for Eurozone member states since 1993, which I use for the subsequent analysis.

Similar to the case of sovereign bond ratings, we can hypothesise that high and strongly increasing sovereign bond yields (and specially spreads) will lead to the implementation of comparatively more stringent national fiscal frameworks. This mechanism should work when political decision-makers might consider fiscal frameworks as credible commitment devices or signalling tools towards markets to show a government's dedication to reduce public deficits and indebtedness. If financial markets follow such a logic, this could subsequently lead to lower bond yields and spreads, making it cheaper for national governments to refinance their existing public debt burden. Beyond changes in interest rates also differences in interest levels should be reflected by national variation in the stringency of fiscal rules and institutions. This means, in countries with comparatively low bond interest rates we should find stricter fiscal frameworks.

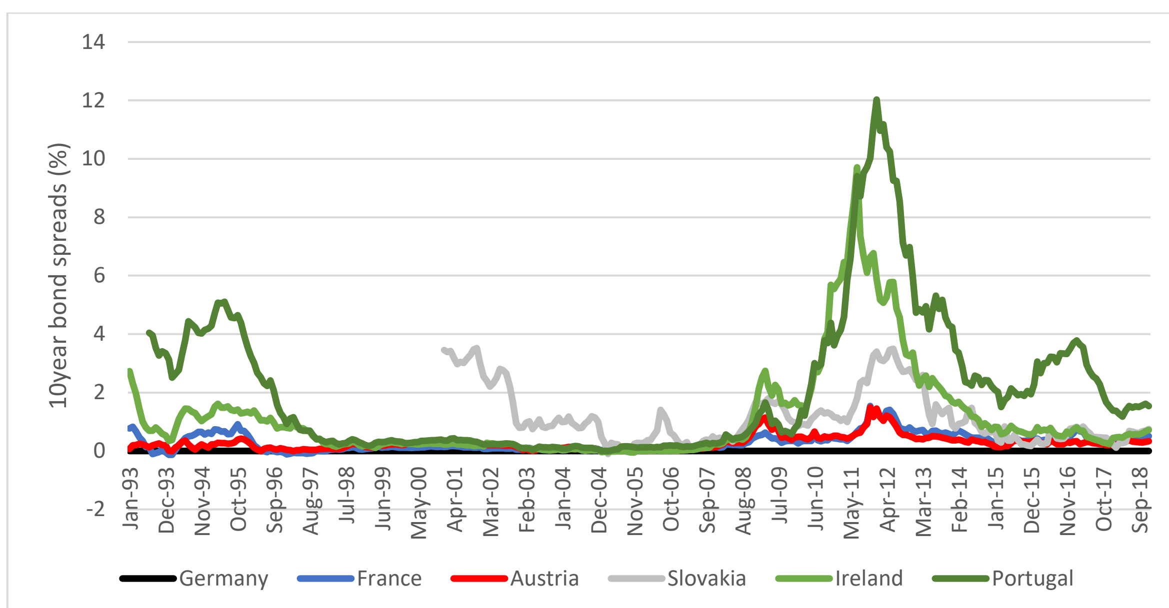
Figure 8.2 shows the evolution of sovereign long-term bond yields, Figure 8.3 presents the same data as spreads between the German bond yields and the five other country cases under analysis. The data in Figure 8.2 highlights that – for the largest part of the last 25 years – Germany has been the 'market leader' in the sovereign bond market with the lowest bond interest rates. For limited time periods, France (during the early and late 1990s) and Ireland (in the mid-2000s) have had marginally more favourable bond yields.

Figure 8.2 – Long-term bond yields of the six country cases



Source: ECB (2019)

Figure 8.3 – Long-term bond spreads of the six country cases



Source: ECB (2019), own calculations

Notes: Germany serves as the baseline for the spreads with the other five country cases.

What is striking in Figure 8.3 is how strongly bond spreads converged in the run-up of the introduction of the common currency. As Slovakia adopted the Euro only in 2009, its bond yields were still above the German benchmark during the early and mid-2000s. In an even more remarkable fashion, sovereign bond spreads between the six analysed eurozone member states reappeared with the Great Recession, and then exploded during the European debt crisis of the early 2010s. While having been practically on par with Germany by the year of 2007, Irish and Portuguese bond yields increased dramatically in 2010 and 2011. Slovakia's bond spreads equally grew substantially during the year 2011 but to a significantly lesser extent. Following the European

debt crisis, both Irish and Slovakian bond yields converged again towards the German market leader, also Portuguese bond yields reduced but remained above the other analysed country cases. France and Germany followed a largely similar pattern, with a slightly increasing bond spread in the second half of 2011 that reduced again in mid-2012, when ECB president Mario Draghi announced to save the Euro "whatever it takes".

Similar to the analysis of bond ratings above, the data does not suggest a significant relationship between bond yields/spreads and fiscal framework stringency. While French and Austrian bond spreads were very similar over the last decades, Austria has implemented a substantially more stringent fiscal framework than France. This also does not seem to be reflected by the evolution of bond spreads. And while German and Slovakian authorities implemented both very stringent fiscal frameworks, Slovakian bond yields were nevertheless considerably higher than German ones for a considerable amount of time from 2011 to 2015. The empirical pattern hence does not lend itself to an interpretation in which sovereign bond spreads/yields are meaningfully correlated with the stringency of national fiscal frameworks.

8.3.3) Temporal analysis of the influence of bond ratings and interest rates

Moving from largely comparative evidence to a more detailed temporal analysis of the different country cases might help us to more precisely assess the potential relationship between rating actions, bond yields/spreads and fiscal framework reforms. If there are causal links between these variables, we should see the following patterns. The stronger the downgrade of bond ratings, and the stronger the increase in bond yields/spreads, the more likely we should see national fiscal framework reforms, and the more stringent implemented frameworks should be. Particularly the focus on the temporal dimension can help use to evaluate if fiscal policy-makers are actually basing reform efforts on changes in ratings or bond yields/spreads over time. Additionally, we can assess if the introduction of fiscal frameworks actually leads to subsequent improvements in ratings and bond yields/spreads. In this way, we can further corroborate if rating agencies and financial markets care about fiscal frameworks themselves, or only about changes in actual fiscal policy-making.

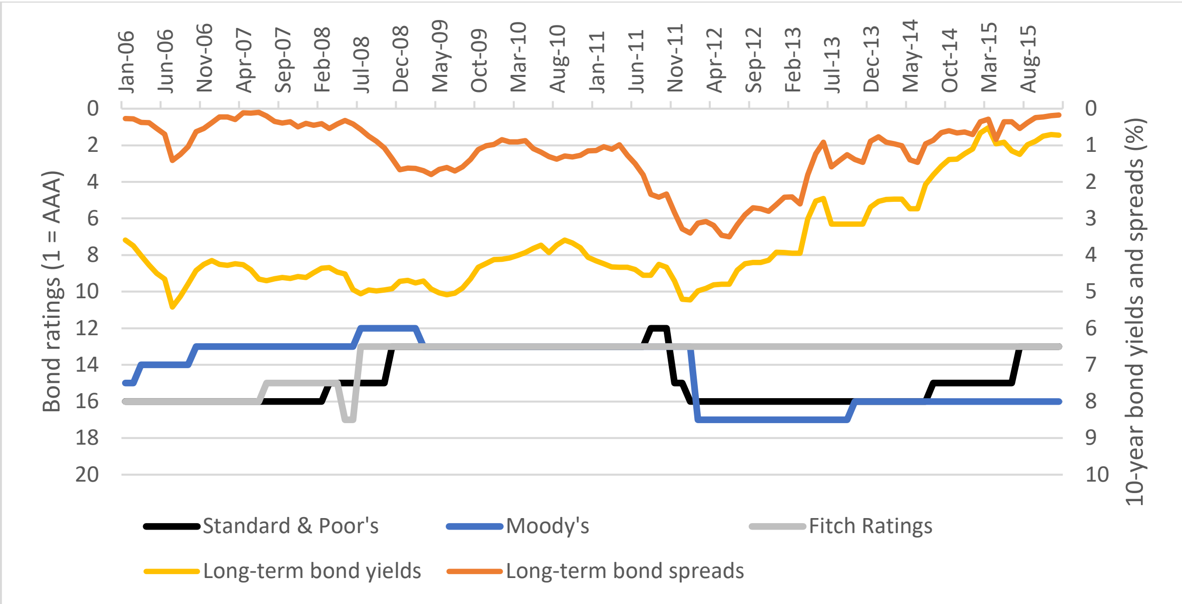
Figures 8.4 to 8.9 show the evolution of sovereign bond ratings and bond yields/spreads over time in each of the six country cases. As Germany is used as the market leader for the analysis of bond spreads, it only contains data on national long-term yields. Present bond ratings and yields/spreads data jointly for the individual country cases allows to easily compare the (co-)evolution of both variables and quickly assess their potential relationship with fiscal framework reforms. For better readability of the data, the figures only cover the period from January 2006 to December 2015. This corresponds to the period in which the vast majority of relevant fiscal framework reforms took place. This periodisation also includes a few years prior and after the reforms to see how changes in bond ratings or yields/spreads might have affected reform efforts and which effects these reform efforts subsequently might have had on ratings and yields/spreads.

Slovakia

In Slovakia, the most important fiscal framework reform took place in December 2011, with the introduction of a constitutional debt brake with a quasi-automatic sanction mechanism and the independent council for budgetary responsibility. Further, the requirements of the Fiscal Compact were implemented in November 2013 as ordinary legislation. Discussions on the constitutional reform originally started in 2009, with negotiations taking place until their conclusion in late 2011.

During most of the discussion phase ratings and bond spreads were relatively stable. Starting in summer 2011, however, largely corresponding to evolutions in France and Austria, but with a more significant amplitude, bond spreads began to increase, reaching up to 3% by late 2011 and early 2012. Equally, the rating agency Standard & Poor's downgraded Slovakia in November 2011. While ratings and spreads have surely not been the root of the parliamentary committee negotiating a comprehensive fiscal framework, the deterioration in sovereign bond spreads in the second half of 2011, as well as Standard & Poor's downgrade, might have played a role in the adoption of the constitutional reform by the end of 2011.

Figure 8.4 – Slovakian bond ratings, long-term bond yields and spreads



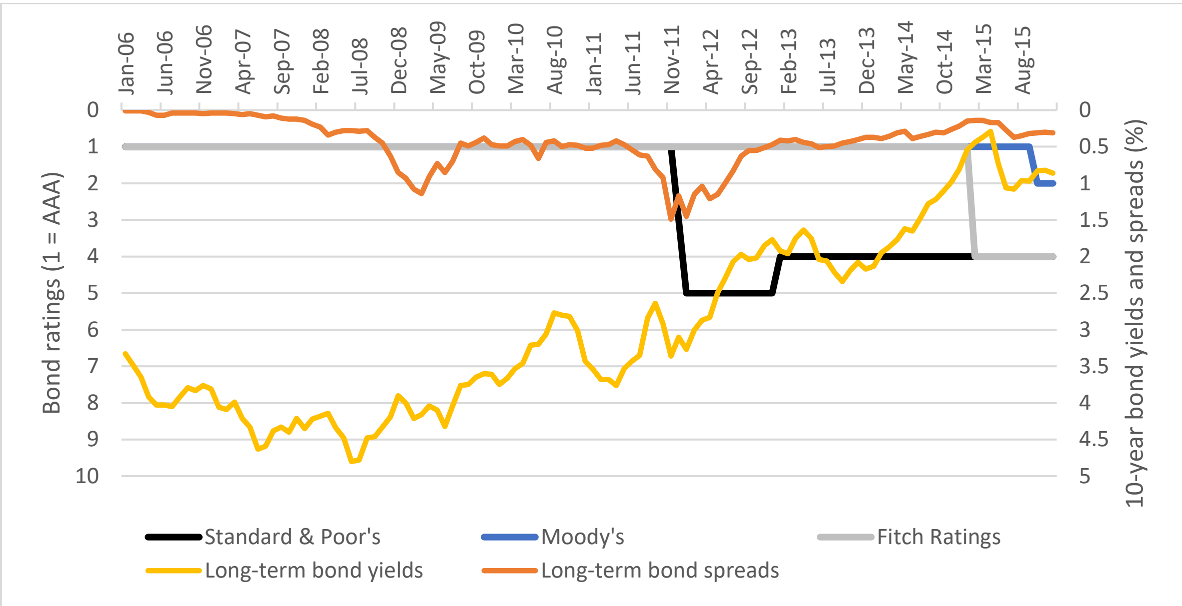
Source: Standard & Poor's (2019), Moody's (2019), Fitch Ratings (2019), ECB (2019)
Notes: The axis on yields/spreads is inverted to allow for a more straightforward interpretation of the data.

Interestingly, however, the implementation of a stringent fiscal framework did not lead to any immediate improvement in bond spreads in the following months, and rating agency Moody's even lowered its ratings in February 2012. This seems to speak against a clear causal relationship between ratings and bond spreads on the one hand, and fiscal framework reforms on the other. The 2013 reform does not correlate well with evolutions in ratings and spreads. Overall, there is thus some evidence that a deterioration in bond spreads has helped bring about the comprehensive Slovakian debt brake in late 2011.

Austria

Austria has seen a number of fiscal framework reforms over the last two decades. Originally introduced in 1999, the Austrian Stability Pact has been modified and partially strengthened in 2001, 2005, 2008, 2011 and finally transformed into a permanent fiscal framework with its 2012 version. This 2012 reform also implemented the requirements of the Fiscal Compact. A predecessor of the Austrian fiscal council was also reformed several times in the 2000s and finally converted into an independent institution in 2013. Additionally, a major constitutional budget law reform in 2007 introduced expenditure ceilings. Finally, an attempt for the adoption of a constitutional debt brake did not find sufficient support in December 2011, leading to a more limited reform based on ordinary legislation.

Figure 8.5 – Austrian bond ratings, long-term bond yields and spreads



Source: Standard & Poor's (2019), Moody's (2019), Fitch Ratings (2019), ECB (2019)
Notes: The axis on yields/spreads is inverted to allow for a more straightforward interpretation of the data.

For most of the undertaken fiscal framework reforms, the available data does not suggest any causal effect of ratings or sovereign bond yields/spreads. This applies particularly to the Austrian stability pacts of 1999, 2001, 2005 and 2008, as well as the constitutional budget law reform of 2007. The 2008 reform was even followed by increasing bond spreads rather than decreasing ones. There was no institutional reform, however, to address this subsequently, but bond spreads reduced again over the course of 2009. Also the 2011 reform of the internal stability pact does not seem to correspond to theoretical expectations. Adopted in July, it was not preceded by any rating downgrades or increasing bond-spreads. The reform was actually followed by a deterioration in ratings and bond spreads, even if it did not weaken but rather strengthened the fiscal framework.
What would, however, fit into a causal pattern is the partly failed debt brake reform of December 2011. In October and November, the Austrian bond spreads increased rapidly, and yields were up to 1.5 percentage points higher than in Germany at this moment. The attempt of a constitutional fiscal framework reform could thus be the direct consequence of this evolution in bond spreads.

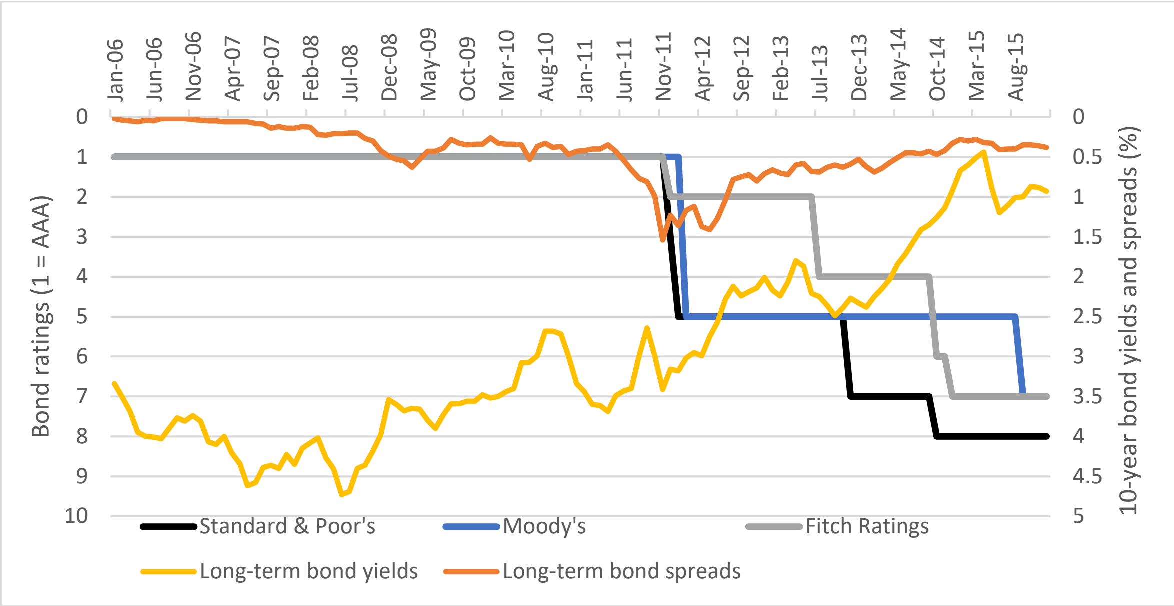
In December 2011, Standard & Poor's downgraded Austria's rating, which could have also had an effect, but here it is less clear, whether the partly failed reform effort was responsible for this, or if the reform itself had been the consequence of a looming rating downgrade.

For the Austrian Stability Pact 2012, finally, which was adopted in July 2012, it is again difficult to discern a clear causal sequence, as bond spreads already improved beforehand. The rating downgrade by Standard & Poor's might have, nevertheless, had an effect on this reform. Taken together, the empirical data suggests that most of the numerous fiscal framework reforms in Austria were not the consequence of changes in ratings or bond spreads. There is, however, evidence that the proposed constitutional reform of late 2011, and to a limited extent also the 2012 version of the Austrian Stability Pact was affected by a deterioration in bond spreads and also ratings.

France

In France, a constitutional reform introduced some embryonic features of a national fiscal framework in July 2008. A more far-reaching constitutional reform in 2011 failed, but key elements of this reform attempt found their way into a new organic law, which was adopted in December 2012. This law served as the tool to implement the domestic requirements of the Fiscal Compact and the Six-Pack. The resulting domestic fiscal framework is, however, more lenient than intended by the European institutions.

Figure 8.6 – French bond ratings, long-term bond yields and spreads



Source: Standard & Poor's (2019), Moody's (2019), Fitch Ratings (2019), ECB (2019)
Notes: The axis on yields/spreads is inverted to allow for a more straightforward interpretation of the data.

Again, rating and bond spread data provide little evidence for their effect on fiscal framework stringency, design and timing. Bond yields and spreads were largely stable in the run-up to the 2008 constitutional reform. And spreads rather increased than increased in the months following its adoption. The efforts for another constitutional reform in the first half of 2011 were not preceded by a deterioration in bond spreads either. And the implementation of an organic law in late 2012

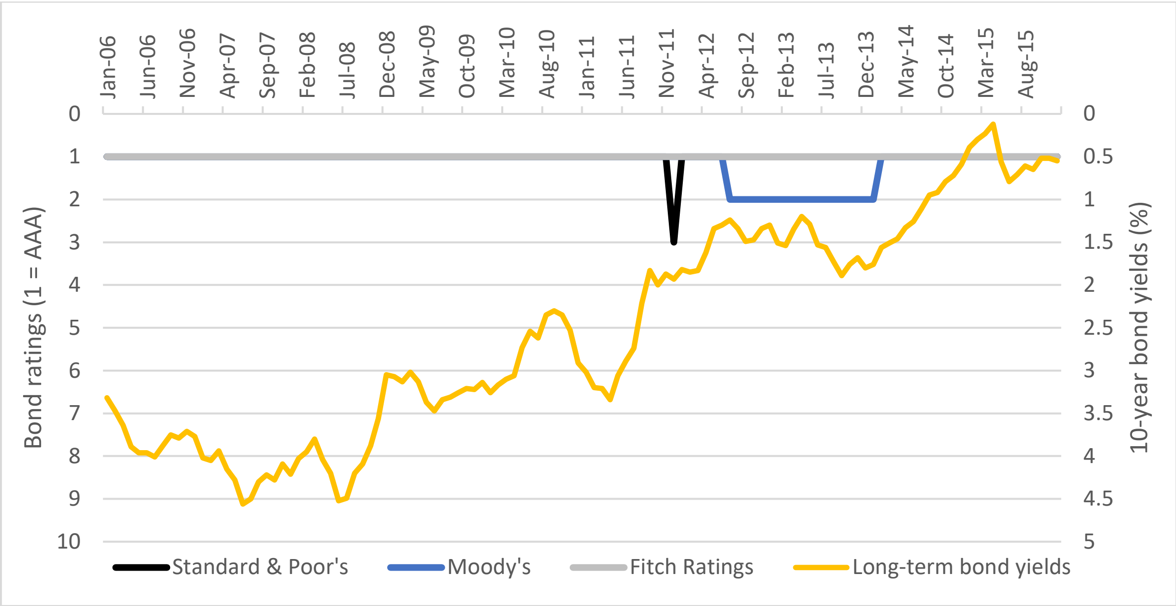
actually followed a period of decreasing bond spreads, which does not correspond to the theoretical expectations. The introduction of a fiscal framework did not seem to affect spreads, only the failure of the 2011 reform might have played a role in the deterioration of bond spreads in the second half of 2011. But as the Austrian bond spreads followed a very similar trajectory without such a failure (see below), it is unlikely that this has actually been the case.

The three major rating agencies largely agreed in late 2011 to lower their ratings from the highest level or at least signal a negative outlook (Fitch Ratings). This might have been a reaction to the failure of the 2011 constitutional reform. But a comparison of the evolution of sovereign bond spreads and rating actions rather suggests that rating agencies merely followed changes on the financial markets. Again, as Standard & Poor's also downgraded Austria at the same time, and given the quasi-parallel evolution of bond spreads, it seems unlikely that ratings were significantly affected by the non-adoption of the constitutional reform. When a fiscal framework was finally introduced in December 2012, this was considerably after the downgrades in ratings. Taken together there is basically no evidence that changes in ratings or bond spreads affected fiscal framework reforms, neither in terms of stringency nor timing.

Germany

In Germany the most important fiscal framework reform in the last decades took place in July 2009 with the introduction of the German debt brake, result of the negotiations in the second federalism commission, which was established at the end of 2006. In July 2013, a structural deficit rule in line with the Fiscal Compact was implemented. Additionally, an independent fiscal council was added to the existing stability council.

Figure 8.7 – German bond ratings and long-term bond yields



Source: Standard & Poor's (2019), Moody's (2019), Fitch Ratings (2019), ECB (2019)
Notes: The axis on yields/spreads is inverted to allow for a more straightforward interpretation of the data.

The rating and bond yield data reveals little evidence that one of or both of these variables had an impact on the respective fiscal framework reforms and their stringency. The German bond rating was flat at the highest level (AAA) for almost the whole period, and thus seem to be largely irrelevant for explaining the major constitutional reform of 2009. The same applies to the transposition of the European requirements in 2013. At the time, only Moody's rating had a negative outlook, nevertheless, giving Germany a Triple-A rating. Due to the absence of any significant variation in ratings, it is difficult to say whether the respective fiscal framework reforms had a subsequent impact on bond ratings, but I suggest that this has not been the case.

The evolution in bond yields also does not seem to be the cause for fiscal framework reforms. When the second federalism commission was established in late 2006, bond yields had been largely stable in the previous years. Also when the constitutional debt brake was voted in mid-2009, this was not preceded by any deterioration in bond yields but rather a slight improvement. In 2013, bond yields were largely stable at an already very low level. Both in 2009 and 2013, there was no sudden improvement in bond yields after the strengthening of the national fiscal framework, putting into question the argument that financial markets might react positively to institutional reforms themselves. Overall, the data does not contain any significant evidence that ratings and bond yields affect fiscal framework reforms.

Ireland

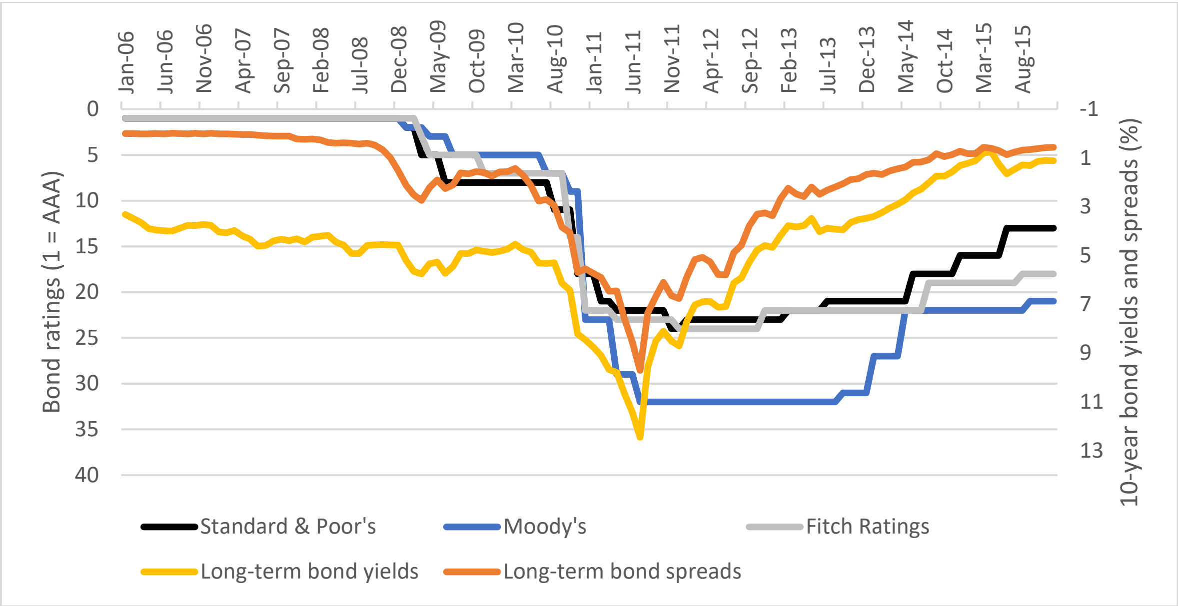
The Irish fiscal framework was – for the most part – introduced in October 2012 with the fiscal responsibility act. The law's main function was to implement the requirements of the Fiscal Compact, which was ratified following a referendum on the TSCG in May 2012. It also included the formal establishment of the independent Irish fiscal advisory council, which had already been installed in July 2011, but only on an administrative basis. In July 2013 an amendment of existing laws slightly strengthened the fiscal framework.

A look at the evolution of bond spreads and rating actions does not suggest that there is a causal link between them and the concrete fiscal framework reforms that were undertaken. Spreads and ratings already began to deteriorate in late 2008 and further exploded/collapsed in the period of mid-2010 to mid-2011. Bond spreads subsequently recovered in the following months and years, while bond ratings remained largely flat until the end of 2013. The two fiscal framework reforms thus took place when spreads had significantly improved again. Only the earliest establishment of the national fiscal council could fit theoretical expectations.

What is difficult to rule out is that the reforms themselves had an impact on the subsequent development of bond spreads. While there are some improvements in the months after different reform steps, there is no clear causal pattern for the evolution in spreads directly after decisions were taken, such as the May 2012 referendum. Also the major 2012 reform did not seem to affect bond ratings at all, at least in the short term. Rather, there seems to be a lag in ratings in relationship to bond spreads, which has been already identified in the literature. An overall evaluation of the

empirical material hence finds only limited evidence for a causal relationship between changes in ratings and bond spreads on the one side, and fiscal framework reforms on the other.

Figure 8.8 – Irish bond ratings, long-term bond yields and spreads



Source: Standard & Poor's (2019), Moody's (2019), Fitch Ratings (2019), ECB (2019)
Notes: The axis on yields/spreads is inverted to allow for a more straightforward interpretation of the data.

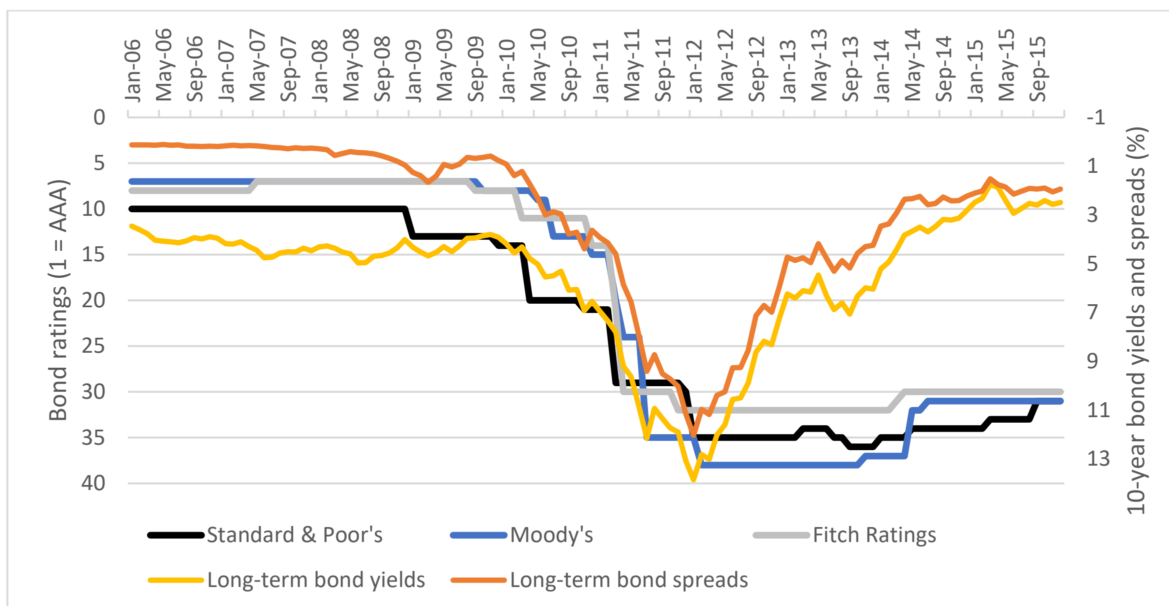
Portugal

Portugal finally has seen a number of fiscal framework reforms starting in 2011, with the introduction of an independent fiscal council in May 2011, established with an amendment of the budget framework law. The same organic law was used to incrementally introduce a fiscal framework, with the two most important amendments in May 2011 and June 2013. In September 2015, the whole budget framework law was reworked to improve its coherence after the large number of changes in the previous decade.

Regarding the theoretical expectations assessed in this chapter, particularly the 2011 reform could fit. Both ratings and sovereign bonds spreads deteriorated strongly beforehand, mainly from early 2010 onwards. Both variables subsequently stabilised shortly in late 2011 before, however, falling to their absolute lows/highs in early 2012. The reform thus has seemingly not been taken much into consideration by rating agencies and financial markets.

From the beginning of 2012 onwards, bond spreads reduced again in a relatively rapid fashion, while ratings remained largely stable until 2014. This resembles strongly the evolution of these variables in the Irish case. Subsequent fiscal framework reforms, most importantly in June 2013, as well as in September 2015 do not really fit into a causal pattern that would be expected in theory. Taken together, and similar to Ireland, we thus find again only limited evidence of an impact of ratings and bond spreads on fiscal framework reforms.

Figure 8.9 – Portuguese bond ratings, long-term bond yields and spreads



Source: Standard & Poor's (2019), Moody's (2019), Fitch Ratings (2019), ECB (2019)
Notes: The axis on yields/spreads is inverted to allow for a more straightforward interpretation of the data.

8.4) The views of policy-makers on bond ratings and yields/spreads

Interviews with politicians, public officials and experts from the six studied country cases might further help us to analyse and evaluate the effect of sovereign bond ratings and interest rates on fiscal framework reforms and broader changes in fiscal policy-making. Only if fiscal policy-makers perceive ratings and bond yields/spreads as relevant to public policy-making, then they should act accordingly by introducing or strengthening fiscal frameworks. Key insights gained from the interviews highlight that sovereign bond ratings and rating actions do – for the overwhelming part – not play any substantial role for fiscal policy-makers. They are thus not a good predictor of the variation in fiscal frameworks.

In contrast, a considerable number of interviewees has highlighted the relevance of bond interest rates, in particular of the spread between the national bond yields and the market leader, which is in general Germany. According to national fiscal policy elites, interest rate spreads have played a role in reform efforts (or the lack thereof) in Austria and France. The discussions on the introduction of an Austrian debt brake, for example, seem to have been driven to a large extent by concerns of permanently losing touch with the group of market leaders Germany, the Netherlands and Finland. In contrast, in France, low spreads in comparison with Southern European countries led to little concerns about the state of French public finances, potentially having reduced the necessity for implementing a stringent fiscal framework. Interestingly, French fiscal policy-makers were finally less focused on the relative position on the bond markets (spreads), but rather on the

absolute position (yields). As yields were stable or even lowered during the Great Recession and European debt crisis, central policy actors did not see any need for additional action.

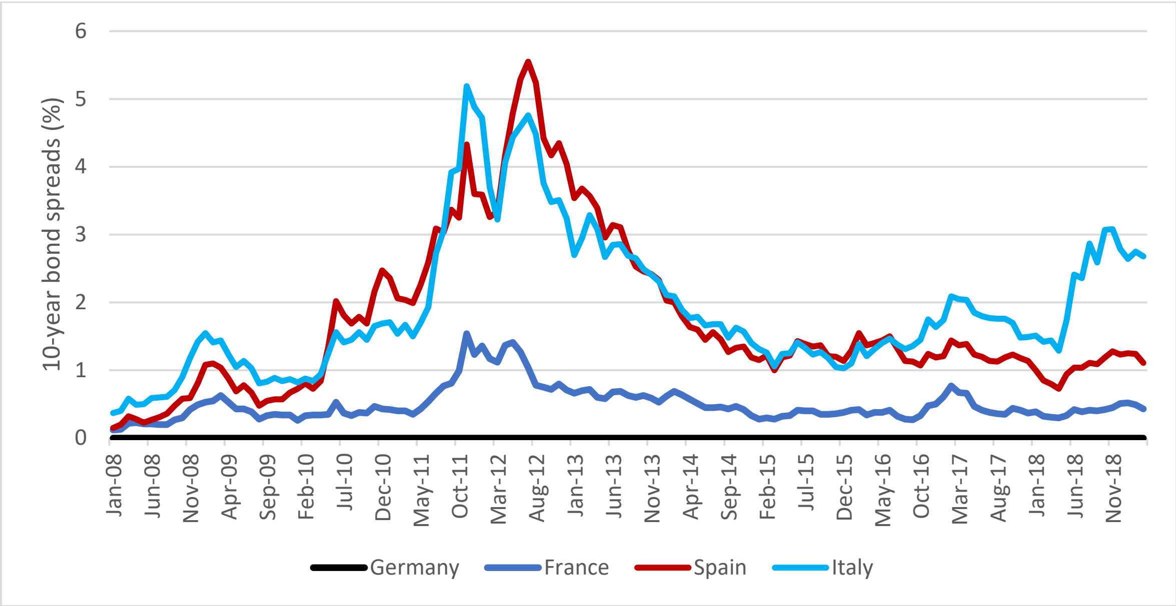
In view of the other studied cases, it does not seem likely that the variation in fiscal framework stringency is due to the country-specific evolutions of bond yields/spreads themselves. Indeed, the evolution of Austrian and French spreads towards German bond interest rates is almost identical. Nevertheless, with see strong differences in their national fiscal frameworks. Rather, the available evidence suggests that changes in spreads have affected the timing of fiscal framework reforms in some countries.

8.4.1) The French case: A focus on bond yields rather than spreads

Particularly in France and Austria, interviewees stressed the role of sovereign bond yields and spreads in affecting fiscal policy-making and thus potentially fiscal framework reforms. In the French case, Xavier Timbeau of the OFCE pointed out that "even if sovereign bond interest rates have never been very high, (…) in contrast, the gap with the German [ones] has always been extremely observed, has always been part of the French political debate. As soon as this gap increases, the fear of the Italian situation etc. matters and it becomes a very strong argument to say, 'and therefore it is justified', it justifies the fact of reducing the deficits".

Actors from different French institutions such as the national fiscal council, the court of auditors, and academics highlighted the fact that French bond interest rates had not diverged much from Germany over the course of the recent crisis, with interest rates being historically low (Interview Monier), signalling that markets viewed French public finances as solid (Interview Briet). In their view, this relative security of French public debt in comparison with countries such as Italy or Spain had reduced the pressure on the fiscal policy-making of the French government.

Figure 8.10 – Long-term bond spreads of the Mediterranean group towards Germany



Sources: ECB (2019), own calculations

For better illustration Figure 8.10 shows the evolution in sovereign long-term bond spreads of France, Italy and Spain (the Mediterranean group) towards German bond yields since the beginning of 2008. This limited time-span serves to improve the readability of the figure, starting roughly when sovereign bond spreads began to increase again after a phase of almost complete convergence since Euro introduction. Figure 8.11 does the same for Austria, comparing it with France, Germany, Finland and the Netherlands (the market leader group).

In the French case, bond spreads began to increase from late 2008 onwards, spiking to up to 1.5 percentage points in late 2011 and early 2012, subsequently decreasing towards roughly half a percentage. While diverging from German bond yields, French bond yields nevertheless kept a considerable distance from the yields of Italian and Spanish bonds. In particular, France remained untouched by rising spreads among the other Mediterranean countries in the first half of 2010 and subsequently remaining more than two basis points below Italy and Spain. For French fiscal policy-makers, public officials and experts, this was one of the reasons why less market pressure was felt to undertake decisive fiscal policy and framework reforms. And as bond yields fell in absolute terms since 2008, there was a consensus on the stability of French public finances among fiscal policy elites (Interview ECB), which kept the perceived need for more decisive action low.

8.4.2) The Austrian case – The fear of falling behind the 'lead group'

In contrast, the virtually same changes in bond spreads lead to a nervous and panicked mood among Austrian fiscal policy-makers in the second half of 2011, with a strong feeling of urgency to take action in terms of fiscal policy-making and fiscal frameworks (Interview Steger). As Anton Matzinger and Eduard Fleischmann of the Austrian finance ministry pointed out, "then came this very phase, when the international financial markets were very uncertain, hyper-nervous. And triggered by some news, suddenly the spread between Germany and Austria widened very strongly by our standards within a few days" (Interview Matzinger and Fleischmann).

As Jan Kai Krainer, budgetary speaker of the SPÖ said, previously Austria had always been in a group with Germany (as a benchmark), the Netherlands and Finland. But in the last months of 2011, Austria was kicked out of this group and formed a group together with France. Krainer highlighted that in this situation "there was pressure and there was concern that we would permanently refinance ourselves much worse than not only Germany, but also as this chase group, the Netherlands, Finland, in which we were before and since then have been again". As the SPÖ was holding the chancellorship at that time under Werner Faymann, Krainer had also access to the chancellor's cabinet. He stressed that the spread development became part of the daily information prepared for the decision-makers, which was unusual and showed how important it was for the government at the time.

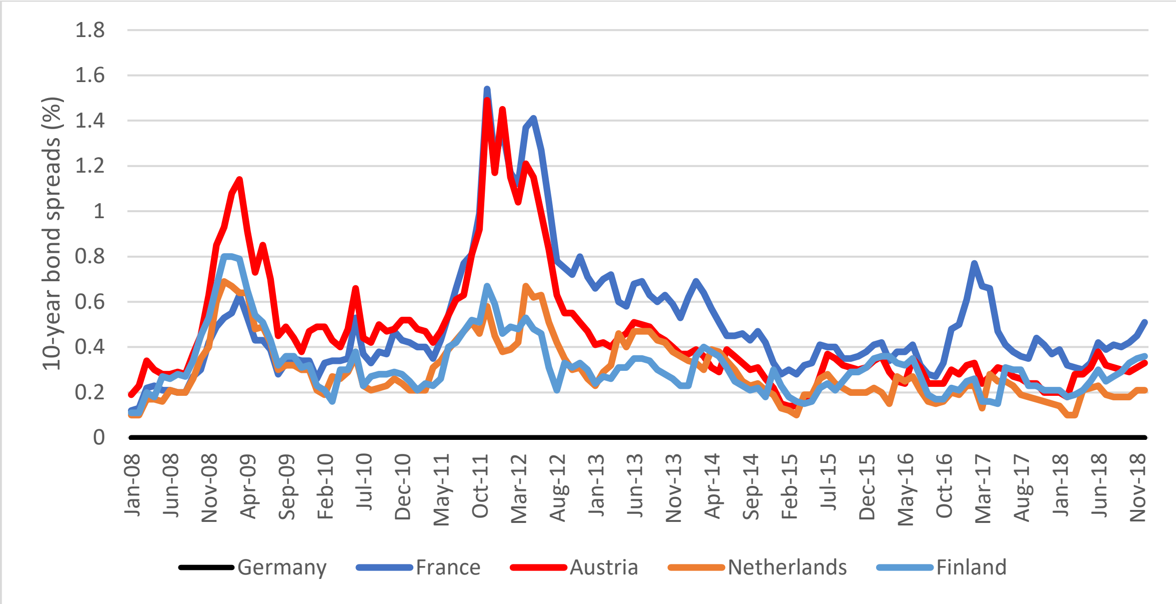
According to Matzinger and Fleischmann, the changes in bond spreads – as well as a potential downgrade from Austria's triple-A rating – made the Austrian government very nervous, and led to a decision 'over the weekend' to take up on the existing idea of a constitutional debt brake based

on the German model. Margit Schratzenstaller also noted that the slight downgrade by Standard & Poor's was a "huge issue" in Austria. According to her, there was a big public excitement over the issue that "Austria is becoming Greece now" (Interview Schratzenstaller). An ORF report by Inam and Sattmann (2011) described the government's decision as surprising, "almost hasty" and having been made in "record speed". The television program highlighted the central role of the then governor of the Austrian Central Bank, Ewald Nowotny, who had urged the government to take a quick decision.

Fearing a downgrade of Austria's triple-A rating, chancellor Faymann stated that "we are a triple-A country, we have to defend that, we are proud of our prosperity" (see Inam and Sattmann 2011). But while the role of ratings became an important issue of public debate in Austria in late 2011, most interviewees with which I discussed the potential role of bond ratings and yields/spreads on fiscal framework reforms nevertheless saw the influence of rising bond spreads as significantly more important in driving government action.

Looking at figure 8.11, which shows the evolution of Austria's bond spreads in late 2011, it becomes clear that Austria left the chase group consisting of Finland and the Netherlands and followed an almost identical course as France. This matches very well with the recollections of the fiscal policy actors with who I spoke on the issue of the Austrian debt brake proposal. It is interesting, however, that this quasi-identical evolution in bond spreads triggered completely different reactions in France and in Austria. In France, fiscal policy-makers saw little reason for concern as bond yields generally fell during the course of the crisis and the country did considerably better than the neighbouring Italy and Spain.

Figure 8.11 – Long-term bond spreads of the leader group towards Germany (including France)



Sources: ECB (2019), Own calculations

Austrian policy actors, however, were extremely worried about the relative position of Austria towards the eurozone countries with the lowest bond yields. Governmental action was the consequence, even if the proposal of a constitutional debt brake failed in the Austrian parliament as none of the opposition parties wanted to support the plan. The government subsequently passed the reform at the ordinary law level. Matzinger and Fleischmann perceived the strengthening of the Austrian fiscal framework as successful in lowering bond spreads subsequently. The available data seems, however, rather inconclusive about the impact of the reform of late 2011, as spreads did not differ strongly from the French ones in the following months.

8.4.3) The Slovakian case – Sending a signal to the financial markets

Not only in France and in Austria, but also in Slovakia bond market concerns played a role for fiscal framework reform according to several interviewees. In contrast to the analysis of the relative position in comparison with the bond spreads in other countries, they stressed the general difficulties for Eurozone governments to sell sovereign bonds in the market at the end of 2011 (Interview Novysedlak, Interview Golias).

As Michal Horvath, a former member of the Slovakian fiscal council put it: "this was a period of crisis, 2009, 2010, and so these politicians, they were quite scared and [..laughs..] the situation in the markets quite difficult, so they were looking for anything that could sort of boost the credibility of their future commitments", highlighting the importance of giving signals to the financial markets. As Viktor Novysedlak stated, "we had a problem of I think six months to refinance our debt, so we [wanted] to a give a signal off to the financial markets that we stand ready to take measures, to declare that we are a responsible country". This signal was provided by the constitutional fiscal responsibility act in late 2011, based on a proposal by Michal Horvath and L'udovít Ódor, and supported by all parliamentary parties at the time. That the implementation of a fiscal framework was perceived as a plausible solution for Slovakian fiscal policy-makers was also confirmed by Juraj Suchta from the finance ministry. He highlighted that fiscal frameworks would be relevant for investors: "When you only implement a fiscal framework, it already changes the perception of the financial markets".

The view that financial market actors would take notice of the introduction and strengthening of fiscal rules and institutions was also highlighted by public officials and experts in Austria, Germany and Portugal. Lars P. Feld, member of the German Council of Economic Experts applied this logic to the German debt brake. He stressed that the reform was a way to show financial markets that Germany takes subsequent fiscal consolidation seriously, serving as a signalling device and allowing for a stabilisation of expectations among financial market participants. Luis Gomes Centeno, the head of the secretariat of the Portuguese fiscal council also pointed out the relationship between rules and financial markets: "Mostly we are using fiscal rules to satisfy the markets, so between financial markets and the rules, the rules are a good way to [keep] financial markets calm, by abiding them". Xavier Debrun of the IMF added to this that non-compliance provides a signal to markets which would lead to increased bond spreads.

A high-level public official of the ECB was, however, more sceptical about the causal relationship between bond yields/spreads and fiscal framework reforms. He stressed that financial market signals would be good in principle, but that they often would not work, with increasing bond spreads being ignored by politicians. The strong increase in bond spreads in Italy in the second half of 2018 might be a case in point. To this, Julien Dubertret of the French finance ministry added that the signalling role of financial markets had actually diminished since the introduction of the Euro. According to him, markets were acting too late at the onset of fiscal crises and subsequently overreacted, further aggravating the situation. This point of view was shared by several other interviewees across countries (e.g. Interview Conefrey, Interview Gomes Centeno).

8.5) Overall evaluation of the influence of rating agencies and financial markets

This section has used a variety of different empirical materials (public finance rating methodologies, data on ratings and bond yields/spreads, interviews) to evaluate the influence of rating agencies and international financial markets on fiscal framework reforms. Taking the gathered evidence together, the analysis largely dismisses the existence of a systematic causal relationship between ratings and fiscal framework reforms. Neither comparative nor within-case methods could demonstrate meaningful correlations or expected temporal sequences between changes in ratings and reform efforts. Also a study of public finance rating methodologies and interviews provided very little material which would suggest a link between ratings and fiscal institutions.

In contrast, the analysis provides some evidence for a causal link between sovereign bond spreads and fiscal frameworks. Statistical data suggests an impact of deteriorating bond spreads on the timing of fiscal framework reforms in several countries, particularly in Austria and Slovakia. The introduction of independent fiscal councils in Ireland and Portugal also corresponds to theoretical expectations. These findings have been further corroborated in several interviews. They have helped to understand how increasing bond spreads have triggered the Austrian debt brake reform of late 2011 and have ensured that the constitutional fiscal framework reform in Slovakia crossed the finish line. Stable and decreasing bond yields in France, to the contrary, have hampered the introduction of a more stringent fiscal framework.

The empirical findings of this chapter have also highlighted the signalling function of fiscal frameworks and (non-)compliance with them, even if some interviewees saw a weakening of the link between changes in bond yields/spreads and political action due to the common currency. The interviews did not give further support to a financial market argument for the Irish and Portuguese fiscal council reforms. Here, however, the following section on the coercion by international organizations and powerful states can provide a better explanation for the timing and contents of these reforms than an account based on the influence of ratings or bond yields/spreads.

Overall we can thus note that financial markets did indeed play a crucial role in some fiscal framework reform efforts, particularly regarding their timing. In comparison to the main ideational explanation of this dissertation, however, it can only account for a limited number of reforms. The financial markets explanation also has difficulties in explaining fiscal framework stringency and design, for which I consider the proposed ideational explanation more powerful. Nevertheless, the analysis has unearthed complementary evidence, which helps to better embed the ideational approach within other theoretical approaches.

9) Coercion by powerful external actors

9.1) Introduction

Powerful countries and international organisations have several levers through which they can potentially coerce less powerful countries to adopt reforms which are supported by the former. Particularly, in cases where power differentials are significant, we could thus expect, in the fiscal policy field, the implementation of comparatively stronger fiscal frameworks, as central actors such as the IMF, the EU and Germany are in favour of such stringent fiscal institutions.

We can hypothesise that the higher the power differentials are between external coercive actors and a specific country, the more stringent fiscal rules and institutions national policy-makers have to implement. To evaluate this hypothesis, this chapter sets out to address three related questions. First, how central are fiscal frameworks in situations of conditionality or softer monitoring exercises of international organisations? Second, are there spatial and/or temporal patterns that support the argument that coercive actions have affected the implementation of national fiscal frameworks? And third, how do fiscal policy actors perceive and assess the role of powerful countries and supra-/international organisations?

The following sections draw on a number of different empirical materials to answer these questions. The second section analyses to which extent soft coercion through inter-/supranational country surveillance has influenced national fiscal frameworks reforms. It studies the role of fiscal rules and institutions in such monitoring exercises and evaluates whether there are causal patterns between fiscal framework recommendations and actual domestic reforms. The section draws on the so-called Article IV Reports produced by the IMF and the Council Opinions (COs) and country-specific recommendations (CSRs) issued by the European institutions.

The third section then focuses on coercive actions under conditions of conditionality, as exemplified by the rescue programmes during the European sovereign debt crisis. The empirical analysis is based on the 'letters of intent' linked to the stand-by arrangements of Ireland and Portugal with the IMF and the European institutions during that period. Both sections find little evidence that the variation in national fiscal frameworks can be explained through coercion. In contrast to theoretical expectations, countries that suffered from particularly strong power differentials, such as Ireland and Portugal, did not introduce comparatively more stringent fiscal rules or institutions. Also, while international organisations such as the IMF have continuously promoted best practice examples for fiscal frameworks with a focus on medium-term budget frameworks and binding expenditure ceilings, the design of national rules and councils has largely been unaffected by the such proposals.[16] Additionally, negotiations on national fiscal frameworks have often already started before the IMF or the European institutions got involved in their

[16] An exception to this overall picture may be the design of the independent fiscal councils in Ireland and Portugal, which were largely based on best practice guidelines from the IMF.

promotion. This puts further doubt on the hypothesis that powerful countries or international organisations had a decisive role in important national reform efforts.

To complete the picture, the fourth section of this chapter draws on interviews with fiscal policy makers, experts and public officials that might have been involved in or exposed to coercive practices. In general, national fiscal policy makers did not assign a particularly important role to the IMF or the EU in defining the trajectories of their domestic fiscal frameworks. Interestingly, national fiscal policy-actors, however, highlighted the impact of power asymmetries on (non-)compliance with the requirements of the existing European fiscal framework. Many interviewees stressed the unequal treatment of smaller EU member states in terms of flexibility vis-à-vis their bigger and more powerful counterparts.

The final section then brings together the different sources of evidence on coercion in the field of fiscal policy-making. It highlights that differences in power did not have any significant impact on the variation of national fiscal frameworks in the eurozone. This is, however, not to say that powerful member states such as Germany or international organisations (IMF, EU) did not play a central role in imposing concrete austerity measures on less powerful member states. Fiscal framework reforms, however, do not necessarily go in hand with coercive practices that directly affect a country's fiscal policy-making. In an overall assessment, coercion has played a role in fostering a general trend towards national fiscal frameworks, but the available evidence does not suggest that it is an argument well-suited to understand country-specific variations in fiscal rules and institutions.

9.2) Country surveillance by the IMF and European institutions

9.2.1) Empirical materials to study the effect of country surveillance

To study the role of soft coercion, in the form of country surveillance by inter-/supranational organisations, on national fiscal framework reforms, the empirical analysis of this section has drawn on two key empirical materials: the Article IV Reports of the IMF and the Council Opinions (COs) and country-specific recommendations (CSRs) produced by the European Commission and the Council of the EU.

Article IV Reports

As the IMF (2019b) explains, countries that join the Fund agree to subject their "economic and financial policies to the scrutiny of the international community". Being part of the IMF entails a number of rights and duties. Most importantly, it gives access to financial aid to help overcome difficult financial or economic situations. In exchange, members commit themselves to "pursue policies that are conducive to orderly economic growth and reasonable price stability, to avoid manipulating exchange rates for unfair competitive advantage, and to provide the IMF with data

about its economy" (IMF 2019b). To achieve these goals the Fund regularly monitors the evolution of economic and financial policy-making of its member states. A central part of this surveillance exercise are annual talks between IMF representatives and national authorities and stakeholders. Referring to the IMF Articles of Agreement (IMF 2019a), these are called 'Article IV consultations'.

Based on these consultations, the IMF staff produces annual Article IV Reports, which contain not only an in-depth country analysis by the IMF, accompanied by a staff appraisal of a member's economic and financial policy-making, but also provide a statement and assessment by the IMF's executive board. Interestingly, every report also includes the views of national authorities as well as their responses to the analyses and propositions made by the IMF, allowing to have insights into the discussions between the IMF and its member states. This is further enriched by statements which are made by the IMF executive director for the monitored country. Because of these varied contents and points of view, Article IV Reports are a particularly important source of evidence for potential influence of the IMF on national fiscal policy-making and fiscal framework reforms. If the concerned member state agrees, Article IV Reports are published on an annual basis, available online since the year 2000.

For the six studied country cases, reports of the last two decades were accessible for the majority of years. Overall, particularly during the Great Recession and European debt crisis, less reports were published. For the two bigger countries, Germany and France, reports are available for most years. Reports are more often not accessible for the smaller countries in the sample. The data does, however, not suggest that the crisis countries Ireland and Portugal were considerably less willing to publicly share the reports than the less affected Austria and Slovakia. As both Ireland and Portugal were under increased surveillance in relation to the international rescue programmes, detailed letters of intent are available to cover the crisis years, largely replacing the Article IV consultations (see further below). More broadly, even if an individual report is not available, the following reports often refer to the previous one, allowing us to get some insights into its content even without direct access to the report.

Council Opinions and Country-Specific Recommendations

A monitoring tool similar to the IMF's Article IV Reports are the Council Opinions (COs) and Country-Specific Recommendations (CSRs) issued by the European institutions, evaluating member states' overall fiscal policy-making and fiscal institutions. Linked to the surveillance functions of the European Commission, the European Council and the European fiscal framework itself, the reports from the European level are more closely interested in compliance of national budgets with common EU requirements than the IMF. The Fund generally takes a broader view on fiscal policy-making and focuses more on the fiscal stance than the relationship of budgetary outcomes with EU rules and guidelines.

Council opinions were originally set up with the introduction of the Stability and Growth Pact in 1997/98. They provide a judgment by the European Council (based on a recommendation from

the European Commission) on a country's stability or convergence programmes. With the six-pack reform in 2011, this surveillance and advice mechanism was further strengthened and became part of the so-called European Semester. This system brings "a variety of EU governance instruments with different legal bases (…) together within a single policy co-ordination cycle", where "each member state receives a single integrated set" of country-specific recommendations (Verdun and Zeitlin 2018: 138).

Similar to the works analysing the effect of IMF conditionality on policy outcomes, scholars have also studied the impact or effectiveness of these recommendations on national fiscal policy-making and reform efforts. Darvas and Leandro (2015) and Efstathiou and Wolff (2018), for example, find that the implementation rates of country-specific recommendations have been low and even declining since the strengthening of the surveillance mechanisms in 2011. This looks familiar to numerous studies on the impact of IMF conditionality (see Dobbin et al. 2007, Dreher 2009).

Focus on the Article IV Reports in the subsequent analysis

Given the detailed information provided by the Article IV Reports – COs and CSRs are considerably shorter –, and as the policy advise given by the IMF and the European institutions is strikingly similar, the subsequent country vignettes focus exclusively on the contents of the Article IV Reports. Its insights have nevertheless informed the overall conclusion of the evaluation of the role of coercive actions on national fiscal framework reforms in this chapter.

Based on the comprehensive data contained in the Article IV Reports, we can study the suggestions, recommendations and demands made by the IMF, to which extent the Fund's staff put pressure on the monitored countries to introduce or strengthen their national fiscal frameworks, and whether implemented rules and institutions correspond to the IMF's positions. We can use the empirical materials to evaluate whether important national reform efforts were preceded by interventions of the IMF, or if these processes are rather launched at the national level and only subsequently picked up and promoted by the IMF.

The following subsection discusses the IMF's policy recommendations as well as the responses and actions of national authorities in each of the six country cases. While providing mainly descriptive evidence, the different country vignettes also embed the discussions in the broader context and contain an analytic interpretation of the significance of fiscal frameworks in the IMF's coercive actions and their potential effects on national reform processes.

9.2.2) Article IV Reports and coercive actions across the six cases

Slovakia

The Article IV Reports on Slovakia of the early 2000s focused on the fiscal problems due to the country's policy-making in the 1990s and their legacy for fiscal consolidation. Before the outbreak of the Great Recession, the Slovakian economy was experiencing comparatively high growth rates which were accompanied by constant IMF calls to tighten the country's fiscal stance through a

strengthening of the control of expenditure growth. From the beginning of the 2000s onwards, the Fund urged national authorities "to strengthen the credibility of medium-term objectives by developing multiyear expenditure and revenue plans, and framing all fiscal decisions in that context" (Slovakian Art. IV Report 2002).

During this period, the Slovakian government responded by pointing out ongoing efforts to improve policy credibility by setting medium-term fiscal targets and – largely informal – expenditure ceilings. Interestingly, the national authorities stressed very explicitly the support they had received from the IMF and the World Bank through technical assistance. They praised the "constructive dialogue maintained by the Slovak authorities and the Fund", appreciated the Fund's "advice, assistance and support" and contended that this had assisted them in shaping "a consistent macroeconomic and structural reform strategy and arriving at a broad consensus on the way forward (Slovakian Art. IV Reports 2001, 2003).

In 2003, a recategorisation of the public sector by statistical agencies led to a substantial upward revision of the 2001 and 2002 public deficits. This occasion was used by the IMF to urge the national authorities for a more ambitious fiscal consolidation strategy, being concerned about the expansionary fiscal policies of the government. The 2003 Article IV Report also pointed out a substantial tax reform planned for 2004, which meant an overhaul of the tax system. While being strongly supported by the IMF in principle, the organisation remained sceptical about the achievement of budgetary targets due to the reform. The Fund was thus suggesting embedding the reform in a broader reform of the national fiscal framework, with the integration of binding nominal expenditure ceilings into the domestic medium-term fiscal framework to complement the general deficit targets (Slovakian Art. IV Report 2004). The national authorities replied that the 2005 budget included limits on expenditure growth but conceded that it did not contain any formal expenditure ceilings (ibid.).

Starting from 2006, the IMF urged national authorities to strengthen the fiscal framework for local governments. As existing fiscal rules on the local level were based on debt limits rather than expenditure ceilings, the Fund deemed them to be non-binding under the given conditions and thus called for the introduction of a medium-term expenditure framework (Slovakian Art. IV Report 2007). As the economy was growing strongly in 2006 and 2007, the IMF also recommended the Slovakian government to further tighten fiscal policy but acknowledged that windfall revenues were largely saved during this period, in line with its suggestions. With a new government coming into power, the focus on fiscal consolidation was maintained but expanded to a goal of increased social spending within the deficit limits.

The relationship between the IMF and the Slovakian authorities before the outbreak of the Great Recession was shaped by a high degree of complicity, in contrast to many of the other cases studied in this dissertation. While the national government did not necessarily follow the suggestions of the IMF regarding the national fiscal framework, both sides acknowledged the well-functioning collaboration and the positive attitude of the Slovakian authorities towards the IMF representatives.

It might be due to this closeness that subsequent fiscal framework reform efforts resembled rather strongly those promoted by the Fund, but without necessarily being the result of coercive actions by the Fund. In 2009, the Slovakian fiscal balance deteriorated significantly due to a strong drop in central government tax revenues during the Great Recession. The national authorities responded by letting the automatic stabilisers fully work, which was supported by the IMF. It, however emphasised that the government needed to embed this accommodating fiscal stance in a credible medium-term fiscal consolidation strategy, which "should be supported by fiscal institutional reforms and enhanced transparency. (…) The medium-term expenditure framework incorporated in Slovakia's three-year rolling budget should be strengthened to better align the annual budget process with underlying spending priorities" (Slovakian Art. IV Report 2009)."

At the same time, the economic crisis had incited two Slovakian economists to concretise previous plans for the creation of a comprehensive national fiscal framework including stringent fiscal rules and an independent fiscal council. Due to their central position in the policy field and their recognition as competent interlocutors, they managed to create a broad consensus on their policy proposal across many parliamentary parties (see the Slovakian case study for details). The ongoing negotiations of their fiscal framework reform project were then picked up by the 2011 Article IV Report. The IMF strongly welcomed the reform plans, which were in its view "guided by standards of best practice and are expected to enhance commitment, discipline and transparency. Efforts to secure broad political support with a view to enshrining the key reforms in the Constitution are particularly important" (Slovakian Art. IV Report 2011).

In terms of fiscal policy, in the meantime, the Fund suggested that "the medium-term fiscal consolidation paths should be accompanied by an expenditure growth ceiling" which "would also facilitate the transition to the expenditure rules which are envisaged in the fiscal framework reform package, and which would be set by the proposed fiscal council according to the economic conditions" (Slovakian Art. IV Report 2011). In the following year, the Fund lauded the introduction of the constitutional fiscal framework and the frontloaded fiscal consolidation approach undertaken in 2011, which had significantly improved the budgetary situation of Slovakia. It nevertheless saw some room for further Improvement of the new fiscal framework, calling for the full implementation of the medium-term expenditure ceilings and the extension of the debt limits to cover a broader set of public entities.

Starting from 2012, and related to the functioning of the new debt brake, the IMF started to become concerned about the potential procyclicality enshrined in the new rule set, which might did not leave enough space to let automatic stabilisers fully work. This issue became particularly pressing in 2013 and 2014, when the domestic debt-to-GDP ratio surpassed several of the thresholds of the national debt brake, triggering the automatic correction mechanism. This meant the automatic enforcement of expenditure cuts for the years of 2014 and 2015, which, in the IMF's view, would lead to a largely procyclical fiscal stance.

As the Fund pointed out, the debt brake demanded a mainly expenditure-based consolidation approach, which was dealt with by the Slovakian government with a number of "low-quality and temporary measures such as under-spending EU funds, significant cuts in capital outlays especially by local governments, and allowing a shift of pension assets from the fully funded second pillar to the public first pillar scheme" (Slovakian Art. IV Report 2014). The IMF was concerned about such an approach and called, in contrast to its typical line of reasoning with other countries, for a more revenue-based approach, stressing the persisting underperformance in tax collection.

The Fund, however, also acknowledged that compliance with the national fiscal framework was important and thus suggested to go ahead with privatisations to push the debt-to-GDP ratio below the critical thresholds. In a medium-term perspective, it recommended the national authorities to refine the fiscal framework, making it less procyclical and less biased towards expenditure cuts. These concerns were repeated in the 2015 Article IV Report, also pointing out undesirable side effects of the debt brake prohibiting a more favourable debt refinancing strategy due to problems with cash balances. Interestingly, however, the Slovakian government stated that it did not envision any changes to the national fiscal framework in the near term, calling further reforms unlikely at this stage, while acknowledging challenges with the new system.

In the following years, discussions on reforms of the national fiscal framework resurged. As the 2017 Article IV Report highlighted, deliberations circled around a potential exclusion of infrastructure spending from the debt brake requirements and a move from a gross debt to a net debt approach, which would considerably lower fiscal consolidation needs. The IMF, however, urged national authorities to keep "the debt limits and brakes at their current levels, and advise[d] that they not be modified to accommodate any specific type of investment, including infrastructure investment" (Slovakian Art. IV Report 2017) fearing 'perverse' incentives. The only reform option the Fund supported was to net out cash balances to allow for a more flexible public debt management.

The domestic reform proposals for the Slovakian fiscal framework were largely abandoned by 2018, which was welcomed by the IMF. The national authorities, however, picked up on some of the non-implemented elements of the constitutional fiscal framework reform, pointing out considerations of the introduction of medium-term expenditure ceilings which could serve to operationalise fiscal policy. The Slovakian government stressed that it would start discussions with the IMF as soon as its plans would become more concrete. Highlighted by both sides in the 2018 Article IV Report was the close collaboration of the IMF's staff with national authorities in introducing comprehensive spending reviews, following the 'value-for-money' approach generally promoted by the Fund. This shows again the longstanding close relationships of Slovakian fiscal policy actors and the IMF.

Taken together, these affinities surely allowed the IMF to play a more pronounced role in fiscal policy-making in Slovakia than in most of the other country cases. But it also makes it difficult to identify to which extent the IMF imposed its vision on the country and to which extent the national

fiscal policy preferences themselves shaped national fiscal framework reforms, with the IMF playing just a supportive external role. Given the genesis of the central fiscal framework reform in the Slovakian context, I tend to privilege the latter reading of the situation.

Austria

In Austria, with a new government coming to power in 2000, the issue of fiscal consolidation became central to national fiscal policy-making. This included the call for a 'zero deficit', a balanced budget in nominal terms, a predecessor of the German 'black zero'. The 2001 Art. IV Report on Austria acknowledged this policy shift, which was partially also due to criticism on Austria's original 2000 stability programme. Over the course of the following years, the IMF saw a strong political commitment and public support for balancing the budget. The Fund, however, stated its preference for a budget balance in structural rather than nominal terms, as the economic downturn of 2001 and 2002 was considered to potentially lead to a procyclical fiscal policy stance. It nevertheless found it useful to keep with the original budgetary targets due to the expected credibility benefits.

While acknowledging the introduction of an internal stability pact between the different levels of government (whose first version was, however, already voted in 1999), the IMF began to call for the adoption of a comprehensive medium-term budget framework starting with the 2002 Article IV Report. It argued that medium-term expenditure targets could help the Austrian government to implement its fiscal policy plans, improving the coherence and transparency of public finances.

With the 2003 announcement of a major tax reform, the Fund became concerned about its repercussions on the credibility of the authorities' medium-term commitments. It welcomed, however, the gradual move of the government from a nominal towards a structurally-balanced budget target. For the tax reform (which was implemented in 2004 and 2005) to not endanger deficit targets, the IMF repeated its calls for its embedding in a comprehensive multi-year expenditure framework.

Starting from 2003, the Fund also urged the Austrian authorities to reform the fiscal relations between the different levels of government, realigning their respective taxing and spending responsibilities. The Austrian government responded by pointing out that a reform of the budget law, potentially including expenditure ceilings was under preparation at least since 2002, but still at an early stage by 2003. Concerning the reorganisation of Austrian fiscal federalism, the national authorities pointed out the establishment of the so-called Austria Convention (Österreich-Konvent), which aimed at achieving a grand constitutional reform of the Austrian state and the relations between the Bund and the Länder. While the negotiations on the budget law reform progressed slowly but steadily, work in the Austrian Convention, however, stalled, not yielding any significant outcomes by its conclusion in 2005. In the 2005 Article IV Report, the IMF lamented these developments, finding that there did not seem to be much thrust towards a reform of the Bund-Länder-fiscal relations.

With the formation of a grand coalition in early 2007, the Fund urged the new government to use this opportunity to achieve a substantive fiscal federalism reform. The national authorities saw, however, political resistance which would be difficult to overcome, even with a two-thirds majority in parliament. In contrast, the Fund saw broad political support for the budget law reform and encouraged the planned introduction of a medium-term expenditure framework, which was finally passed in 2007. This was welcomed by the IMF, which nevertheless stressed that "forceful implementation paired with transparency would be key to establish credibility" (Austrian Art. IV Report 2008). Responding to the continuous concerns of the IMF, the Austrian authorities found that the multi-year plans would achieve a greater degree of expenditure control, while retaining a sufficient degree of budgetary flexibility.

What is striking for the period from 2000 to 2008 is the consistency of IMF recommendations regarding the introduction of a medium-term budget framework as well as a reform of the Bund-Länder fiscal relations. There has nevertheless not been any significant change in the taxing and spending responsibilities of the different levels of government, even up to today, pointing towards a low capacity of the IMF to bring about policy change. Concerning the constitutional budget law reform of 2007 which brought a more medium-term budgetary orientation with rolling expenditure ceilings, reform discussions actually started already before the IMF began pushing for such an approach, based on previous reforms of the 1990s as well laid out by the initiator of the reform, the long-time head of the budgetary department at the ministry of finance, Gerhard Steger. As discussed in his own analysis, the IMF rather served as a promoter of the ongoing reform efforts rather than its driver.

Interestingly, the Article IV Reports from 2000 to 2008 did mention the Austrian stability pact only occasionally. This is surprising as it was reformed several times (2001, 2005, 2008) and constituted the central element of the Austrian fiscal framework during this period, providing nominal deficit limits for each level of government. Only in 2009, the IMF discussed the Austrian stability pact in some more detail. The Fund pointed out that the "enforcement of these deficit limits (…) has not yet been tested because the trigger clause for sanctions was based on general government balances, which had outperformed expectations recently" (Austrian Art. IV Report 2009). The Austrian authorities responded by stressing that the Austrian stability pact had "nevertheless provided a useful framework for discussion and a tool for raising awareness of the need for fiscal discipline".

The Great Recession fully hit European economies in 2009, which was coincidentally also the first year in which the Austrian government applied expenditure ceilings, which were, however, not deemed ambitious enough by the IMF. With the start of fiscal consolidation efforts in 2010, the Fund called for a more expenditure-based approach than envisaged by the national authorities. It also began to reiterate its long-standing recommendations of reforming the Bund-Länder fiscal relations, and added that expenditure ceilings for the Länder could help to reduce the procyclicality of the Austrian Stability Pact, which was still based on nominal deficit targets. The IMF also called for a strengthening of the fiscal framework by implementing binding sanctions and adding ceilings for government guarantees (Austrian Art. IV Report 2010).

While showing concerns about too modest fiscal consolidation in 2011 (with Austrian authorities pointing at political constraints ahead of the 2013 election), the IMF welcomed the ambitious consolidation efforts finally undertaken in 2012. Responding to the repeated calls for fiscal framework strengthening, the national government pointed out stricter sanctions for non-compliance that were introduced in the 2011 revision of the Austrian Stability pact.

In the 2012 Article IV Report, the IMF welcomed the introduction of fiscal rules for the general government in line with the fiscal compact, but stressed the need for further fiscal governance reform, citing Switzerland as a best practice example. The Fund urged the national authorities to lift the fiscal rules to constitutional rank, to strengthen the incentives for rule compliance at the subnational level, also by aligning taxing and spending responsibilities. The Austrian authorities pointed out that they saw little potential for further reforms of the Bund-Länder fiscal relations, and stressed that the country had a "good track record of providing conservative and reliable revenue estimates and executing the budget strictly, so that risks to the consolidation targets are limited" (Austrian Art. IV Report 2012). The government also highlighted that the strengthening of sanction mechanisms seemed to have had an immediate effect on rule compliance by the Länder, having overachieve their budgetary targets in the previous years.

The following reports largely repeated the recommendations of the IMF, but where not followed by any significant reforms of the national fiscal framework. As the 2014 Article IV Report pointed out, the authorities did not have a strong view if more ambitious fiscal consolidation or fiscal framework reform efforts were actually needed. The Austrian government was thus seemingly satisfied with the changes achieved via the Austrian Stability Pact 2012 which was not discussed in detail by the Fund.

Overall, there is some limited evidence that country surveillance had an effect on fiscal policy decisions in Austria. This was especially the case with the turn towards a 'zero deficit' in the early 2000s. Later on, the IMF, however, mainly served as an external support for the reform plans of domestic actors, which was most visible with the constitutional budget law reform of 2007. Regarding the national fiscal framework, the Austrian authorities seemed to care little about the reform recommendations of the IMF, ignoring repeated calls to substantially reform the Bund-Länder fiscal relations and keeping to the Stability Pact approach that was developed domestically already in the late 1990s.

France

In the early 2000s, the IMF advised France to address its comparatively high structural deficit and to contain the expenditure growth in the overall budget. Following its long-standing policy preferences, the Fund also supported a move towards more medium-term planning, and thus welcomed the multi-year expenditure framework included in the national stability program (French Art. IV Report 2000). Engaging with the various expenditure pressures in the French fiscal policy regime, the IMF urged the French authorities to not revise expenditure growth rates upwards from

one year to another. It also recommended that norms "should be set at the level of expenditure rather than on its growth rate, to guard against base drift and facilitate monitoring of compliance", calling for the introduction of a "clear and transparent mechanism to correct deviations from the norm" (French Art. IV Report 2001). The IMF thus suggested the introduction of a fiscal framework already in the early 2000s.

During this period, a new budget law, the so-called LOLF was negotiated and passed in 2001, which significantly adapted budgetary procedures towards more performance-based budgeting and better transparency, increasing the role of the parliament and the national court of auditors. In response to the IMF's demands, France referred to the LOLF to demonstrate the country's commitment to contain expenditure growth and improve the quality of its public finance management. The French government, however, did not contemplate the introduction of a fiscal framework in the proper sense of the term. Given the tendency to spend windfall revenues in the late 1990s and early 2000s, the French government introduced some partial fiscal rules to contain expenditure growth, such as an "explicit guideline to devote revenue windfalls from higher-than-projected growth to deficit reduction" (French Art. IV Report 2003). These were, however, not put into permanent legislation.

Responding to the non-compliance of the general government budget balance with the SGP in the first half of the 2000s, the French authorities stressed that, while compliance targets under the pact were useful, they were "against a 'one-size-fits-all approach' – represented by the close-to-balance rule – and in favour of taking into account country-specific circumstances, such as the initial level of public debt and the remaining unfunded costs of aging" (French Art. IV Report 2004). The government thus questioned the importance of complying with fiscal rules at all times and highlighted that national consolidation paths should be adjusted depending on broader country-specific economic and fiscal conditions. The IMF criticised this approach and argued in favour of a strengthening of the national fiscal framework, including the introduction of an independent fiscal council, mainly to assess macroeconomic forecasts.

The French authorities, however, questioned the IMF proposals stating that it "left policy-makers with no room for manoeuvre and would [thus] not be politically enforceable" (French Art. IV Report 2004). They repeatedly pointed out the expected gains from the LOLF, which was to come into complete force by 2006, indicating that it would also promote the use of expenditure ceilings. In addition, the French government highlighted plans to introduce a LOLF for social security, to negotiate an internal stability pact with local governments and stressed the existence of a watchdog which was controlling compliance with the national expenditure targets for healthcare spending (the so-called ONDAM) (French Art. IV Report 2005).

Responding to concerns of the IMF, the French authorities repeated their view that "their fiscal framework [was already] sufficiently robust to deliver consolidation and saw no need for an independent fiscal council" (French Art. IV Report 2005). They stressed that the reformed SGP was already providing enough fiscal monitoring, disregarding the Fund's demand for more national

ownership of the fiscal framework. Following up on previous concerns, the IMF reiterated the need for more independent macroeconomic forecasting, as projections had a tendency to be overly optimistic, leading subsequently to higher-than-expected deficits. Fiscal consolidation goals were thus losing credibility.

The French authorities considered that the IMF was overstating budgetary risks and insisted on a differentiated view on fiscal consolidation, criticising again the "conceptually-flawed 'one-size-fits-all' approach" (French Art. IV Report 2007). Rather the government, wanted to set less ambitious and more realistic consolidation goals, which in turn would lead to a higher credibility of the SGP. In the whole pre-crisis period, the French authorities thus went quite vocally against the proposals of the IMF in terms of fiscal framework reforms and even rule compliance itself. Whenever the Fund could agree with planned or adopted fiscal policies, such as attempts of expenditure restraint, it welcomed them in an enthusiastic tone. An effect of coerced reforms can, however, not be identified at all.

In 2009, the French government adopted a first multi-year budget framework law, the so-called programming law for the period of 2009-2012, which was based on a constitutional reform of 2008, giving the constitutional council the power to evaluate the 'sincerity' of public budgets. This had, however, not been demanded by the IMF in previous Article IV consultations and reports. The Fund nevertheless supported the reform and saw it as an important step forward to raise the government's credibility, potentially reducing the 'deficit bias' the IMF had identified in the French case. It repeated calls for less optimistic growth forecasts and stressed the importance of more national ownership of fiscal rules and institutions. (French Art. IV Reports 2009, 2010).

The 2010 Article IV report included a detailed discussion on country-experiences with independent fiscal councils in dealing with macroeconomic forecasts, to which the French authorities responded that they might consider "setting up a council to validate the macroeconomic assumptions underlying the multiyear budget" (French Art. IV Report 2010). In the same report, the IMF strongly urged the French government to introduce a fiscal rule which "would significantly strengthen the credibility of the consolidation and support better fiscal discipline in the Euro Area" (French Art. IV Report 2010).

As for other countries, it encouraged France to introduce a structural balanced budget rule enshrined in high-level legislation, following the German example, reasoning that "with a further large EU member following this route, the step would constitute a de facto strengthening of the implementation of the Stability and Growth Pact and boost fiscal discipline in the Euro Area" (French Art. IV Report 2010). On this point, the national authorities highlighted the installation of a high-level working group (led by Michel Camdessus, later producing the so-called Camdessus Report), which was examining the modalities of a possible fiscal rule. The French authorities "indicated their desire to have a rule that is tailored to France-specific circumstances, notably as regards the coordination of the contribution of the different levels of government to the implementation of the rule" (French Art. IV Report 2010). When the findings of the working group

were published, the IMF largely supported the approach of binding multi-year budgetary trajectories for annual budgets.

In the 2011 Art. IV report, the IMF continued to promote the planned constitutional fiscal framework reform, which would "entrench fiscal credibility and support euro area-wide efforts to boost fiscal discipline" (French Art. IV Report 2011) and signal the country's commitment to their preannounced fiscal consolidation path. The report equally entailed detailed information on the evolution of fiscal rules across EU member states and pointed out the key institutional features which make fiscal rules stringent, referring to the IMF's fiscal rule strength index. The Fund reiterated its call for the introduction of an independent fiscal council to improve macroeconomic forecasts.

The French authorities responded by questioning the low growth assumptions of the Fund, and argued that national macroeconomic forecasts had been realistic in the previous years. The government also pointed out uncertainty about the possibility to find a majority for its fiscal framework reform – which subsequently was abandoned – and stressed that fiscal consolidation pressures were not that high, given that it "considered the current spreads versus Germany to be higher than warranted by France's credit fundamentals, and expected tighter spreads as the crisis is resolved" (French Art. IV Report 2011). While being subject to comparatively strong pressure by the IMF to significantly strengthen its national fiscal framework, reform efforts – which did only partially correspond to the suggestions of the IMF – were not concluded in 2011. In late 2012, a more lenient version of the original reform project was passed, but this was due to the requirements of the Fiscal Compact rather than coercive actions by the IMF.

Starting in 2014, the French government moved from a relatively balanced fiscal consolidation path (between expenditure and revenue reforms) to a more expenditure-oriented approach. It called for a moderate pace of fiscal consolidation, postponing the reduction of the nominal budget deficit to 3% from 2015 to 2017. To contain public expenditure growth, the government discussed comprehensive spending reviews. The IMF agreed with the government's analysis that high and rising government spending was at the core of France's fiscal problems, particularly due to social security and local government spending consistently surpassing actual GDP growth. In a multi-year budget law for the period of 2014-2019, the French authorities laid out their planned adjustment path, refuting a more ambitious fiscal consolidation proposal by the IMF as not being 'compelling' (French Art. IV Reports 2014, 2015). In the 2016 Article IV report, the French authorities repeated their commitment to base fiscal consolidation on expenditure efforts. Regarding the fiscal governance of the euro area, they indicated support for simplifying the rules to increase their transparency and predictability.

With a new government coming in in 2017, the IMF found, in contrast to previous years, that "the government's program is built on reasonable macroeconomic assumptions and sets ambitious but achievable fiscal targets" (French Art. IV Report 2017). The planned gradual expenditure-based approach to fiscal consolidation was viewed as "broadly consistent with European and national

constitutional rules" (French Art. IV Report 2017). Reiterating its preference for the simplification of European fiscal rules, the French government also started to call for a common finance minister and budget for the eurozone. (French Art. IV Reports 2017, 2018).

Overall, similar to Germany, we find little evidence that the stringency, design or timing of national fiscal framework reforms in France could be well explained by coercive actions of the IMF. Proposals of the Fund were continuously ignored and often even challenged in an outright fashion, with French authorities stressing the need for country-specific fiscal policy-making and institutions. The chosen approach for the national fiscal framework did indeed correspond more closely to national ideas and/or interests allowing for more flexibility and giving a stronger role to expertise and adaptability. In recent years, the French government has started to call for a simplification of the European fiscal framework, which not necessarily corresponds to previous domestic views, but has to be seen in unison with broader reform proposals including a proper eurozone budget and more fiscal policy coordination on the European level.

Germany

In the early 2000s, the IMF was concerned about procyclical tendencies in German fiscal policy-making. Its staff identified the existing constitutional 'golden rule' as being one of the key factors for procyclicality, as it was based on nominal deficit data. To mitigate this problem, the Fund suggested "placing more emphasis on expenditure ceilings that were consistent with a medium-term view of tax policy and public debt" and based on structural rather than nominal budgetary goals (German Art. IV Reports 2000, 2001). The German authorities, however, disagreed with the IMF and preferred sticking to a nominal approach to fiscal policy, stressing that it would be difficult to communicate fiscal policy goals in structural rather than nominal terms and that the federalised fiscal system would render the functioning of automatic stabilisers weak in any case (German Art. IV Reports 2000, 2001, 2002). Rather than following the suggestions of the IMF during this period, the German leadership largely doubted the Fund's concerns and stressed its support for simple rules and its scepticism of pronounced anti-cyclical policy-making.

In 2002 and 2003, the IMF became increasingly concerned with the capacity of the German government to actively support an economic recovery as its policy options were limited by the obligations of the SGP and the German nominal 'golden rule'. The national authorities, however, did not think that tight fiscal policy would hinder economic growth. Partially, following the model of the Austrian stability pacts, the German government introduced an 'internal stability pact' between the Bund and the Länder. The main goal of this pact was to clarify the "plans at all levels of government to achieve national fiscal policy objectives, particularly given the growing importance of EU-wide obligations". It also aimed at strengthening the pre-existing Fiscal Policy Planning Council to have a "stronger coordinating role for national fiscal policy objectives" (German Art. IV Report 2002). While being decisively less constraining than the Austrian stability pacts (particularly with regard to the implementation of its 2001 pact), the German 'internal stability

pact' nevertheless was modelled on the Austrian fiscal framework at the time, which had not been proposed by the IMF at any time.

In the following years, however, the IMF picked up on the question of fiscal coordination between the Bund and the Länder, suggesting "measures to establish firmer commitments among different levels of government and introduce a degree of competition in fiscal federalism, thereby improving fiscal discipline and the allocation of resources between the levels of government and among Länder" (German Art. IV Report 2004, also 2005). The Fund repeated its criticism of the focus on the nominal fiscal rule on the federal level, and – as it did also in other countries – called for the creation of an independent fiscal council. The German authorities responded that they were working on the issue of Bund-Länder relations in a parliamentary commission (the first federalism commission, later followed by the second federalism commission), disregarding the two latter points (German Art IV. Reports 2004, 2005). The government stressed that Germany had "already a number of well-respected non-partisan institutions, effectively performing the role of assessing fiscal policy and perspectives" such as the Council of German Economic Experts, the Bundesbank, and several private research institutions (German Art. IV Report 2005). It thus largely ignored the recommendations of the Fund and did so explicitly.

With the formation of a grand coalition between the CDU/CSU and the SPD in 2005, the issue of fiscal framework reform became an important element of the government's coalition programme, calling for the replacement of the existing 'golden rule'. This was mainly due to domestic reasons such as the (announced) budget emergencies in two German Länder, the felt international 'embarrassment' of non-compliance with the requirements of the SGP, and long-standing frustration with the perceived abuse of the domestic fiscal rule's escape clause, allowing for deviations in times of a largely undefined 'macroeconomic disequilibrium' (see German Art. IV Report 2007). As a response, the IMF stressed that "although there is indeed scope to improve the design of the fiscal rule, it needs to be done in a way that does not loosen fiscal constraints" (ibid.).

The German authorities thus proposed a new fiscal rule based on (close to) structural budget balances for the Bund and the Länder. This so-called 'debt brake' was largely based on the Swiss constitutional deficit rule, which had been introduced in the early 2000s. Additionally, the sudden switch from nominal to structural deficit rules could be explained by changes at the European level, where structurally-balanced budgets had increasingly become the focus of the SGP with its 2005 reform, responding to European-wide concerns about the procyclical tendencies of the Maastricht criteria's 3% nominal deficit limit. The IMF agreed with such an approach, but further recommended that the revamped fiscal rule should contain additional constraints to ensure long-term fiscal sustainability, which the German authorities, however, refuted (German Art. IV Report 2007).

During the negotiations of the new fiscal framework in the second federalism commission, the IMF repeated its calls for "structural-deficit or expenditure-based fiscal rules at the federal and state levels to strengthen fiscal discipline and reduce-procyclicality", "a surveillance mechanism based

on consistent reporting standards" and urged policy makers to allow for "increased state-level tax autonomy to increase incentives for revenue collection and reduce dependence on supplementary federal grants" (German Art. IV Report 2008). The German authorities responded by pointing out the proposed establishment of a national stability council (which was not independent from politics, though). They questioned, however, the recommendations for a more competitive fiscal federalism (German Art. IV Report 2008).

In 2009, the new constitutional fiscal framework centred on the German debt brake was implemented. The initiative of the reform had been overwhelmingly domestic, with the IMF coming in subsequently to support the reform efforts of the major parliamentary parties. And while the authorities moved from a nominal to a structural deficit rule, this was more due to the Swiss model and concerns of compatibility with the revamped European framework rather than the Fund's propositions. Also, the IMF largely failed in imposing additional demands – such as further fiscal constraints or an independent fiscal council – during the domestic negotiation process. This suggests that the Fund did not play a crucial role in the most important German fiscal framework reform of the last decades. Additionally, the subsequent quasi-abandoning by the German government of the structural deficit rule in favour of a balanced budget in nominal terms, the so-called 'zero deficit', led in practice to a turn back towards German preferences for 'simple' rather than 'intelligent' fiscal rules.

Starting with the Great Recession and over the course of the European debt crisis, the German authorities saw "the role of Germany as a fiscal anchor in the euro area". They stressed that "compliance with (…) legal commitments is essential since a sound and predictable fiscal framework, including national fiscal rules, constitutes a much-needed anchor and an element of crisis resolution in an uncertain financial market environment" (German Art. IV Report 2012). From the pre-crisis period, the IMF's policy advice began to move away from restrictive to more expansive fiscal policy-making starting in 2011, demanding the German government to leave some more space for active fiscal policy-making. The national authorities responded by stressing that they did not see any room for expansive fiscal policy given the position of the German economy and also dismissed the importance of German fiscal policy for other European countries (German Art. IV Reports 2011, 2012).

Running balanced budgets or even surpluses in the period starting from 2013, the German government focused on sustaining the nominal 'zero deficit' limit. The authorities saw "keeping a safety margin from national debt brake limits and the medium-term objectives [as] essential for strengthening the confidence in and the credibility of public finance, thus fulfilling our role as regional stability anchor". The IMF, in contrast, argued that Germany should fully use the available fiscal space under the fiscal rules to increase its public investment, and thus raising its growth potential (German Art. IV Reports 2014, 2015, 2016, 2017, 2018).

Starting in 2017, the IMF advised the German government to re-evaluate its revenue projections, arguing that overly pessimistic forecasts had participated in the growing budgetary surpluses of

Germany. The Fund also urged the national authorities to overcome obstacles to the implementation of public investment projects. The German government responded, however, that "for the long run, there is empirical evidence that the conditional tax revenue forecasts are not systematically downward biased" highlighting the independence of the responsible technical working group (German Art. IV Report 2017).

Taken together, we can thus find very little evidence that the IMF, via Article IV consultations and reports affected the stringency, design or timing of German fiscal framework reforms, or even broader decisions related to fiscal consolidation or expansion. The focus on the nominal 'zero deficit' target, rather than the structural constitutional debt brake, shows how German fiscal policy actors was affected by national ideas and/or interests rather than external coercion. Interestingly, in the most recent years, the IMF, which is often seen as a promoter of fiscal austerity has suggested a more expansive fiscal policy to German authorities. While not recommending making the fiscal framework itself more lenient, it called on the government to basically abandon their informal nominal balanced budget rule and use all the available space inside the existing rules for a more active fiscal policy.

Ireland

Since the 1990s and until the outbreak of the Great Recession, the Irish economy experienced extremely high growth rates. This was accompanied by a rapid improvement in public deficits and indebtedness, leading to budgetary surpluses from the second half of the 1990s onwards. In the early 2000s, the IMF thus commended the 'sound' financial and economic policies of the Irish authorities. While consistently producing surpluses, the Fund was, nevertheless, continuously concerned with the potentially expansionary fiscal stance of the budget. Due to the difficulties in discerning the cyclical position of the Irish economy, the IMF did not recommend fiscal tightening but rather called for a neutral fiscal stance (Irish Art. IV Reports 2001, 2002, 2004).

During this period, the Irish authorities responded to the Fund's concerns by pointing out "that the demand effects of fiscal policy were less significant in as open an economy as Ireland. Given such limited effects, budget surpluses would have to be raised to unrealistically high levels to act as a significant restraint on domestic demand growth" (Irish Art. IV Report 2001), thus justifying their fiscal stance.

With rapid economic growth picking up again in the mid-2000s and the accompanying domestic housing and construction boom, the IMF began to recommend moving from a neutral to a more restrictive fiscal stance (Irish Art. IV Reports 2004, 2005, 2006, 2007). The country, however, repeatedly implemented expansionary fiscal policies, which the Irish government justified by pointing out a strong need for public investment and the improvement of public services (e.g. Irish Art. IV Report 2007). It also pointed out several times that the government was committed to compliance with the SGP and balanced budgets across the economic cycle. The Irish government did not respond in any meaningful fashion to the concerns of the IMF, with the latter considering

that compliance with the SGP did not necessarily avoid procyclical behaviour in the Irish context, seeing a risk of potential overheating.

As for other countries during the early 2000s, the IMF suggested the introduction of a medium-term fiscal framework in Ireland to increase the efficiency of public expenditure, improve the predictability of fiscal policy and to increase transparency (Irish Art. IV Report 2001). More concretely, the Fund recommended a formal framework to include "a set of overall fiscal constraints or rules such as those provided by the SGP" and binding medium-term expenditure ceilings (Irish Art. IV Report 2002).

Until 2008, the IMF repeatedly urged the national authorities to strengthen its national fiscal framework (Irish Art. IV Reports 2003, 2004, 2005, 2006). It saw some limited progress with spending envelopes for capital spending but continued its calls for extending such an approach to all public expenditure (Irish Art. IV Reports 2005, 2006). In 2005, again largely coinciding with recommendations to other countries, the IMF also suggested the establishment of an independent fiscal council. The Fund highlighted several times that a formal national fiscal framework would help to increase the ownership of budgetary constraints and that it would support the resistance to spending pressures (e.g. Irish Art. IV Reports 2003, 2005).

During the early-2000s, the Irish authorities stated that they were open to the IMF's recommendations and repeatedly pointed out ongoing plans for the implementation of different elements of a medium-term fiscal framework, such as spending envelopes. They, however, also acknowledged that progress of institutional reforms was slow. Importantly, the 2005 Article IV Report noted disagreements between the Fund and the national government "on the extent of institutional innovation needed to enhance the focus on strategic issues in the public debate of fiscal policy" (Irish Art. IV Report 2005), in particular questioning the usefulness of an independent fiscal council in the Irish case. The national authorities nevertheless reported a number of minor improvements to the budgetary process shortly before the outbreak of the Great Recession (Irish Art. IV Report 2006).

Taken together, the IMF proposed a similar set of fiscal framework reform options as for other countries. Given the economic situation in Ireland and the consistent budgetary surpluses, it did not seem to have much success in coercing national authorities to run more restrictive fiscal policies or substantially strengthen the domestic fiscal institutions. The Irish government seemed content with its fiscal stance and reform recommendations where repeatedly acknowledged but did not lead to any serious overhaul of the existing national fiscal framework.

By 2009, however, the Irish economy was fully hit by the Great Recession and faced with an abrupt end of the country's housing and construction boom. This led to a collapse in tax revenues, which were based to a large extent on highly volatile revenue sources such as property-related taxes. With the economic recession, the IMF strongly revised its potential output estimates for Ireland and found that in 2006 and 2007, fiscal policy had indeed been very expansionary. To deal with the

exploding public deficit, the Fund suggested to focus on expenditure cuts for fiscal consolidation, which should be underpinned by a structure of rules and accountability within which politically-sensitive trade-offs can be made" (Irish Art. IV Report 2009).

Repeating earlier recommendations, the IMF urged national authorities to introduce "a statutory commitment to a medium-term objective of close to structural balance" which would need to be "supported by a medium-term expenditure framework that outlines a detailed time path of expenditure reductions" (ibid.). Again, as before the crisis, the national authorities supported such an approach in principle, but remained sceptical about any quick implementation of such a framework.

The Irish government nevertheless undertook substantial consolidation efforts which were acknowledged by the IMF in 2010, pointing to the credibility gained by the authorities' ambitious expenditure cuts. The Fund continued its calls for the introduction of a formal fiscal framework, suggesting a rule consistent with the SGP and the creation of a technocratic fiscal council, including a medium-term approach incorporating expenditure ceilings. The national authorities highlighted initiatives for the establishment for a such a framework, pointing out that they were favouring "a medium-term expenditure framework to reduce the uncertainties associated with the consolidation process, while also constraining excesses in good times ahead" (Irish Art. IV Report 2010).

During the course of the following years, the IMF continuously lauded the government's fiscal consolidation efforts, and the good track record of delivering on its fiscal targets. It nevertheless continued its calls for further expenditure-based and increasingly also revenue-based consolidation, supporting efforts to broaden the tax base and focus on taxes which were less exposed to a volatile economy. Particularly in the most recent years, the IMF suggested to conduct fiscal consolidation in a way that would reduce the country's vulnerability to boom-bust-cycles, to build up fiscal buffers, to save windfall revenues and to enforce expenditure ceilings (Irish Art. IV Reports 2016, 2017).

In terms of national fiscal framework reforms, it is interesting to note that the 2012 Article IV Report did not discuss this issue at all, even if a public referendum was held on the ratification of the fiscal compact, which was subsequently implemented in national legislation. In 2015, the IMF, however, reiterated its recommendations to "establish a medium-term fiscal goal of balancing the budget over the cycle" which would help to reduce indebtedness over time and to reduce risks of procyclical fiscal stances, which had been a problem before the crisis (Irish Art. IV Report 2015).

While stressing that the fiscal rules contained in the preventive arm of the SGP – particularly the expenditure benchmark and the structural adjustment rule – could prove useful to achieve sustainable fiscal consolidation, the IMF also acknowledged potential shortcomings of the European fiscal rule set in the Irish case. Repeating concerns it had already voiced in the mid-2000s, the Fund pointed that "mere compliance with the SGP rules might not be sufficiently prudent" having potentially procyclical effects in a strong economic upturn (Irish Art. IV Report

2016). The IMF thus suggested an overachievement of the European rules and supported domestic plans for the introduction of a 'rainy day' fund, foreseen for 2019. When the concrete design of the fund was made public in 2018, the IMF welcomed it again, but pointed out changes from the original plans.

Given the strong role of multi-national enterprises in Ireland, responsible for an enormous 25% GDP growth in 2015, the IMF urged national authorities to develop additional metrics, welcoming their elaboration in 2017 (Irish Art. IV Report 2017). Again, similar to other countries, comprehensive spending reviews under the heading of 'value-for-money' considerations were discussed jointly by the Fund and the national authorities. After the debt crisis the Irish government was largely in line with the IMF in terms of fiscal policy considerations. Resembling the Fund's discourse, by 2017, also the national authorities pointed that while "compliance with the European fiscal rules has anchored policy in the post-program period, with Ireland continually achieving its target", they were worried that the "full use of the leeway afforded by the fiscal rules could lead to the adoption of pro-cyclical policies not appropriate to Ireland's position in the economic cycle" (Irish Art. IV Report 2018). They wanted to go beyond the common fiscal rule requirements and run more restrictive fiscal policies.

In the aftermath of Ireland's debt crisis, the country became one of the IMF's and European institutions' 'posterchildren' in terms of fiscal consolidation. The Irish authorities showed themselves very willing to implement consolidation measures in line with international recommendations and managed to largely deliver on the agreed fiscal targets. Interestingly, however, this willingness translated into results rather for fiscal policy-making itself than for changes in the national fiscal framework. In the end, the national authorities did not set up a domestically-owned set of fiscal rules, but simply translated the requirements of the fiscal compact and the SGP into national legislation, based on a public referendum in 2012 necessitated by the Irish constitution. The establishment of the Irish fiscal advisory council might be an exception in this regard, based on extensive exchange of domestic actors with IMF representatives.

While it is difficult to disentangle the exact role of coercion for crisis countries, the resulting national fiscal framework in the Irish case actually ended up to be less stringent than in some countries that were less affected by the European sovereign debt crisis, even if the power asymmetries between Ireland and its creditors were particularly strong. Coercive actions might have contributed to the establishment of fiscal framework which was in line with the commonly-agreed reform efforts on the European level, but they did not lead to a more stringent framework in the Irish case.

Portugal

Portugal, the other crisis country among the six studied country cases, had starkly differing economic and fiscal conditions from Ireland in the 2000s up to the Great Recession. A critical evaluation of the IMF in 2000 pointed out the comparatively high structural deficit of the public

budget, a stalling of fiscal consolidation efforts after the euro entry, and was concerned about the country's large current account deficits. In response to the strong expenditure growth in Portugal's budget, largely based on rapidly increasing public sector wages in the late 1990s, the Fund suggested an ambitious expenditure-based approach to fiscal consolidation, particularly after the economic slowdown of 2001.

For 2002 and 2003, the IMF saw some progress in terms of expenditure restraint. During this period, the Portuguese authorities stated repeatedly their commitment to the SGP, also because they feared potential sanctions or the suspension of EU structural funds (Portuguese Art. IV Reports 2001, 2002, 2003). They also contended that they aimed for a medium-term balanced budget, which was in principle welcomed by the IMF. Public deficits below the 3% Maastricht deficit criterion during the period from 2002 to 2005 were, according to the Fund, however, only achieved due to extensive recourse to one-off measures.

The Portuguese budget did not see much improvement in structural terms as the government's commitment to the SGP was ensured only through asset sales, a general tax amnesty and other 'low-quality' measures. A re-evaluation of the public finances in 2005 found that the deficit actually stood at 6.5%, which led to a reinforced call by the IMF to increase fiscal consolidation and eliminate one-off measures. As the reason for the ballooning deficits, the Fund saw overly optimistic growth projections and slippages in expenditure control, most importantly at the local government level, state-owned enterprises and public-private-partnerships.

As for other countries the IMF recommended the national authorities to "improve budgetary procedure and tighten expenditure growth" from the early 2000s onwards. In concrete terms, it "proposed introducing an explicit commitment to nominal expenditure ceilings [which] could help not only in reining in annual expenditure increases, but also in providing market participants with a clear expectation of future government policies, including ultimately the tax burden" (Portuguese Art. IV Report 2001). The authorities stated several times that they were reviewing the Fund's proposals and considering a strengthening of budget preparation procedures as well as the introduction of a binding multi-year framework (Portuguese Art. IV Reports 2001, 2003, 2005, 2007, 2008). There were, however, only marginal improvements in the mid-2000s, with the national government acknowledging delays in the implementation of reform measures. Given the lack of expenditure restraint at the local government level, the IMF suggested also to introduce binding expenditure limits there, on which authorities again largely agreed (Portuguese Art. IV Report 2005) but without taking any substantial measures in this regard before the debt crisis.

What is striking in the pre-crisis Article IV Reports on Portugal is the consistency with which the IMF urged the national authorities to strengthen its domestic fiscal framework, repeating continuously the recommendation of a medium-term fiscal framework based on binding expenditure ceilings. Equally consistently, the Portuguese government stressed its commitment to complying with common fiscal framework requirements and plans to introduce a domestic fiscal framework in line with the Fund's recommendations. Nevertheless, no significant reforms were

undertaken during the pre-crisis 2000s. Given the comparatively weak position of the national authorities towards the IMF due to continuously high structural deficits this outcome suggests that coercive actions by the Fund were rather unsuccessful in bringing about changes to the national fiscal rules and institutions. The analysis of the discussions between the IMF and the Portuguese government seems to reveal that the latter was mainly interested in paying lip service to the demands of the former.

As a longer-term evaluation of Portuguese fiscal policy-making in the 2012 Article IV Report highlighted, "Portugal's budgetary institutions remained largely unreformed during the transition to the Euro, and were unable to resist strong political economy biases toward increasing spending and debt in a setting of low interest rates and indulgent capital markets" (Portuguese Art. IV Report 2012). The IMF stressed that consistently overoptimistic revenue projections, unrealistic medium-term fiscal plans and a shifting of spending obligations outside the budget process had led to a basically unanchored fiscal policy, even under the SGP (ibid.). This ex-post analysis thus differed significantly from the respective annual reports, as recategorisations of the public finances had revealed that deficits had been beyond the 3% limit throughout the 2000s.

Based on this assessment, the IMF urged the national authorities again to, on the one hand, follow through on its fiscal consolidation goals and, on the other hand, to anchor fiscal responsibility by "strengthening the budgetary framework, in line with Portugal's obligations under the EU's fiscal compact" (Portuguese Art. IV Report 2012). In same report, the Portuguese government responded that it had a preference for a 'hard' constitutional balance rule, but that there was no sufficient political consensus. This meant that reform measures were to be implemented via the budget framework law, which became the main route to strengthen the national fiscal framework and budgetary procedures in the following years.

During the rescue program period, a substantial fiscal consolidation took place, which was acknowledged by the IMF in its 2015 Article IV Report. With the arrival of a new government, the Fund, however, was concerned about a slight loosening of the fiscal stance rather than a continuation of a structural improvement of the budget. Even under the rescue programmes, the Portuguese authorities were a laggard in strengthening the domestic fiscal framework, which was required by the common requirements of the Fiscal Compact and the reformed SGP.

The implementation of national fiscal rules and institutions was based on a rather minimal but faithful understanding of the European obligations. The 2015 report thus repeated its long-standing recommendations to introduce multiyear expenditure targets, which should be consistent with the obligations under the SGP and the fiscal compact: "To ensure effectiveness, such expenditure objectives should cover all general government expenditures, and be sufficiently binding to anchor fiscal policy at all levels of government. This would require enhancing the medium-term fiscal strategy and the central government medium-term budget framework" (Portuguese Art. IV Report 2015). The Fund, however, did not see any immediate plans for the introduction of such a proposal among the national authorities (Portuguese Art. IV Report 2016).

With economic growth picking up by 2016, the IMF saw a turn-around for the country, even if it still identified an expansionary fiscal stance. There was disagreement between the Fund and the national authorities on this assessment in 2016 and the following year. The Portuguese government argued that the IMF was underestimating potential GDP growth rates, which would demand more fiscal consolidation than actually necessary (Portuguese Art. IV Report 2017). In the most recent years of the analysis, reflecting broader engagements of the IMF, also the Article IV Reports on Portugal highlighted the usefulness of comprehensive spending reviews.

An overall review of the evolution of the relationship between the IMF and Portugal does not unearth any strong evidence that coercion by the former had a meaningful impact on the stringency, design or timing of national fiscal framework reforms. As for Ireland, it is difficult to disentangle the potential influence of conditionality in the rescue programmes from domestic considerations. Given the big power asymmetry between the different actors particularly during the debt crisis, it seems, however, unlikely that the IMF managed to exert any particular influence. Binding medium-term expenditure ceilings, which were at the heart of the Fund's policy recommendations since the early 2000s were not implemented even in the aftermath of the fiscal crisis of the Portuguese state.

9.2.3) Little evidence of coercion through country surveillance

The overall analysis of the Article IV Reports highlights the following features of IMF recommendations. As one of the main developers and promoters of fiscal frameworks, the IMF did indeed continuously urge national authorities to introduce or strengthen the domestic set of fiscal rules and institutions. Since at least the early 2000s the IMF has recommended the establishment of medium-term budgetary frameworks and the control of public spending through binding expenditure ceilings based on structurally balanced budgets across all of the different country cases. These central proposals have not changed in any significant manner over the years.

In the mid-2000s, the Fund also began to push for the introduction of independent national fiscal councils, again across all of the studied countries. Beyond fiscal framework considerations, the IMF has given and reiterated a number of fiscal policy recommendations. These include the following elements: (1) generalised calls for fiscal consolidation, mainly to be achieved via the expenditure side of public budgets, (2) allowing for the functioning of automatic stabilisers to smoothen economic cycles, (3) the introduction of performance budgeting and accrual accounting, (4) the realization of comprehensive spending reviews under the header of 'value-for-money' considerations, as well as the (5) alignment of revenue and expenditure responsibilities between different levels of government, especially in the case of federal countries.

While the IMF has thus set a considerable amount of soft coercive actions in the annual Article IV consultations and reports, they contain very little differences in terms of policy advise given to national governments which could explain the variation in the stringency, design and timing of national fiscal frameworks. Triangulating the evidence from the Article IV reports with the analysis

of national fiscal framework reforms, I argue that such reforms are typically not the consequence of coercive actions by the IMF, or – at least – not rooted in IMF initiatives.

In contrast to the Fund's preference for binding expenditure ceilings based on structural budget balances, many of the implemented fiscal rules and institutions in the six studied cases do not correspond to this approach. Equally, the IMF pushes for the implementation of independent fiscal councils in the mid-2000s was largely ignored by member states. And even if the IMF most likely played a role in the move at the European level to support the establishment of such domestic institutions, many created fiscal councils do not correspond in any meaningful fashion to the Fund's vision. Exceptions in this regard are the fiscal councils in Ireland and Portugal as the following subsection on letters of intent shows.

The analysis of Article IV reports showed that smaller countries – and thus with a higher power differential towards the IMF – tended to agree more consistently with the arguments and policy proposals made by the Fund in comparison with larger countries such as Germany and France. The latter often explicitly challenged the views of the IMF in their respective reports. But as I pointed out, for example, for the case of Portugal, the more accommodating views of national authorities among smaller countries did not lead to more compliance with IMF recommendations, mostly paying lip service.

A note on COs and CSRs

As the policy advice regarding fiscal frameworks in these surveillance reports is considerably less detailed and less pro-active regarding the reform of fiscal rules and institutions, and as they contain less information on the exchanges between the national and supra-/international level, I am not detailing their evaluation in this chapter. Even more than the Article IV reports, the COs and CSRs tend to mention fiscal framework reforms only when proposals at the national level had already been made or to stress that adopted reforms should be implemented by the national authorities. Similar to the Article IV reports, the recommendations from the European institutions have also put a focus on (1) curtailing expenditure growth, showing a preference for binding multi-annual expenditure ceilings, (2) calling for the reform of the fiscal relations between different layers of government in federal systems and to (3) use windfall revenues for fiscal consolidation. As the discussion of the six country cases above has shown, especially the recommendations regarding fiscal framework and fiscal relations reforms were largely ignored by the member states.

9.3) Coercion through conditionality

Beyond potential softer forms of coercion exercised via the monitoring of countries and the provision of policy advice by the IMF to national governments through Article IV consultations and reports, a stronger coercive effect could be discerned in cases where countries are subject to strong power asymmetries, such as Ireland and Portugal during the European debt crisis. Dependent on external help to avoid a public debt default, these countries were in a very weak

position to defend their national interests and preferences. In exchange for financial loans they had to accept conditionalities imposed by and/or negotiated with the IMF, the European institutions and through bilateral agreements with other countries. Letters of intent, which are written by national governments to its lenders, but basically represent the demands for domestic policy reforms to receive further financial support, are an excellent empirical site for evaluating the hypothesis that coercive practices might explain the variation in national fiscal frameworks among eurozone member states.

If a country is in financial difficulties, the IMF can go beyond giving policy advise and provide financial aid by handing out loans to the member state in question via an IMF Stand-By Arrangement. Conditionality applies for the disbursement of (tranches of) these loans, with the IMF demanding a number of reforms from the debtor in exchange for help. While the IMF has considerable leverage to impose its vision on countries with financial problems, there remains some leeway for the negotiation of exact reform contents and steps. These reform efforts are then summarised in so-called Letters of Intent of national governments to the IMF (see Clift and Tomlinson 2012: 494). The Bretton Woods Project (2005) describes them as a "letter from a government to the IMF outlining planned economic reforms to be made in relation to receiving an IMF loan. It includes a matrix of conditions that must be implemented in order to access the IMF's resources".

Out of the six studied country cases, only Ireland and Portugal applied for financial aid from the IMF during the European sovereign debt crisis. Additionally, they received loans from different institutions of the European Union as well as bilateral loans to deal with their domestic public finance difficulties. Table 9.1 lists all the publicly available letters of intent by the Irish and Portuguese governments related to these programmes. As not only the IMF, but also the European Union was involved in providing loans to these countries, the documents also contain letters of to the European institutions. The EU has thus taken a similar approach as the IMF in terms of conditionality requirements.

Table 9.1 – Letters of intent

Year	Ireland	Portugal
2010	03.12.	
2011		
		17.05.
		01.09.
	28.11.	09.12.
2012	10.02.	15.03.
	30.05.	27.06.
	20.08.	
	29.11.	14.10. | 19.12.
2013	12.03.	
	03.06.	13.06.
	29.11.	24.10.
2014		27.01. | 28.03.

Source: IMF (2019b)
Notes: Letters of intent shown by annual quarters

9.3.1) Irish letters of intent

In late 2010, the first Irish letter of intent to the Troika institutions highlighted the efforts already undertaken by the national government to deal with its public debt crisis. It also laid out the country's plans for how to regain access to international bond markets. Next to a comprehensive National Recovery Plan for the period of 2011-2014, which entailed a detailed description of many different fiscal consolidation measures, the Irish authorities also committed to comprehensive fiscal framework reforms (Irish LoI 2010):

> "We are preparing institutional reform of the budget system taking into account anticipated reforms of economic governance at the EU level. A reformed Budget Formation Process will be put in place. Furthermore, we will introduce a Fiscal Responsibility Law which will include provisions for a medium-term expenditure framework with binding multi-annual ceilings on expenditure in each area by end-July 2011. (…) A Budget Advisory Council, to provide an independent assessment of the Government's budgetary position and forecasts will also be introduced by end-June 2011. These important reforms will enhance fiscal credibility and anchor long-term debt sustainability".

As the letter of intent stated, particularly the plan for the introduction of an independent fiscal council was based on a proposal set out in the National Recovery Plan. In the document, the Irish government also committed itself to consult with the IMF, European Commission, and the ECB if it was to adopt policies which would not be consistent with the ones set in the letter. This suggests indeed that coercion in the form of conditionality – linked with situations of strong power asymmetries did lead to the introduction of the Irish fiscal framework.

The following Irish letter of intent (2011) stressed that the 2012 budget came already with binding medium-term expenditure ceilings for the period until 2014, which were to be further institutionalised with fiscal framework reforms, planning submission of a fiscal responsibility bill by March 2012: "The bill will establish a fiscal rules framework to ensure that public finances are managed in a prudent and sustainable manner, and in accordance with the requirements of the Stability and Growth Pact" while also providing the statutory basis for the Irish fiscal advisory council, which had been set up more informally during 2011 (Irish LoI 2011). The document highlighted that the government was to ensure the independence of the council by appropriate provisions for the staffing and financing of the institution.

The first 2012 letter of intent highlighted that the 2011 fiscal consolidation targets had been achieved by a significant margin. The document moved the publication of the fiscal responsibility bill to June 2012, to be able to take into account the expected changes to the European fiscal framework linked to the negotiated TSCG. The national authorities stated that the "draft is well advanced and will align national law with requirements at the European level" (Irish LoI 2012.1).

As the national ratification of the TSCG was dependent on a public referendum, draft legislation was prepared for this occasion in May 2012, entailing the structural deficit rule of the Fiscal Compact as well as legal basis for the IFAC. The national authorities also stated that they would anchor their "already-operational multi-annual expenditure limits in appropriate legislation to be published by end-September 2012" (Irish LoI 2012.2). The fiscal responsibility bill was finally published in July 2012, pointing out that coming legislation would include an automatic correction mechanism to be activated in the case of rule non-compliance, as well as legislation on the already existing multi-annual expenditure ceilings. The Irish government was stressing that it was hence strengthening the national fiscal framework in line with EU rules (Irish LoI 2012.3, 2012.4).

In contrast to many met requirements of previous letters of intent, less progress was made on an automatic correction mechanism and the statutory basis for the expenditure ceilings, finally

planning to introduce them later during the year 2013, based a 3-year rolling basis and, as argued by the authorities, ensuring compliance with the SGP (Irish LoI 2013.1). As pointed out in the second Irish letter of intent of 2013, the year brought further changes to the fiscal framework, extending the tasks of the IFAC to endorse the country's macroeconomic forecasts *ex ante*. The government also stated that

> "we will progress, and if necessary amend, the Ministers and Secretaries (Amendment) legislation to make the already operational ceilings on aggregate and departmental expenditure legally binding and consistent with the expenditure benchmark under the Stability and Growth Pact of the European Union. We will finalize a circular specifying the operational details of the ceilings – including on the circumstances under which they can be revised and on the correction mechanisms – and will publish it within a month of enactment. Altogether, these steps will largely complete our Medium-Term Budgetary Framework in line with EU requirements" (Irish LoI 2013.2).

Legislation on the expenditure ceilings ultimately passed via an amendment of the Ministers and Secretaries Act (2013). But while being key in actual fiscal policy-making for the last years, these ceilings are relatively flexible in comparison to the overall fiscal framework. Taken together, it seems evident that coercion played some role in requiring the Irish authorities to introduce a national fiscal framework, which, however, was also demanded by the joint decisions at the European level, including the adoption of the TSCG and different council directives in 2011 and 2013.

Given the strong power asymmetries it is, however, surprising that the Irish fiscal framework has not been made more stringent during the European debt crisis. Theoretically, we should have expected that the IMF, the Commission and the ECB, all in favour of stringent fiscal frameworks, would have been interested in and able to force the Irish government to introduce a comparatively even stricter framework than in other European countries. Rather than introducing a fiscal framework with 'real' national ownership, particularly the central structural deficit rule is tightly linked to the European level and evolutions of European fiscal governance.

More ownership was achieved with the introduced Irish Fiscal Advisory Council, which rapidly took on an important role in the institutional set-up of the Irish fiscal policy field, built very much around IMF best-practice guidelines. Also the medium-term expenditure ceilings, which in practice have dominated Irish fiscal policy-making in the last years under the heading of 'fiscal space', are in line with framework suggestions of the IMF and other international organisations. They are, however, not stringent in legal but rather political terms. So, analysing the Irish letters of intent, conditionality has to a certain extent affected the design of the national fiscal rules and institutions. Given the intermediate stringency of the Irish fiscal framework in comparison to the other five studied country cases, coercive actions *per se*, however, do not seem to be a good explanation for the variation in stringency across countries.

9.3.2) Portuguese letters of intent

In their first letter of intent, the Portuguese authorities highlighted "structural challenges facing the Portuguese economy and contagion from the sovereign debt crisis in other euro area countries", and thus proposed an ambitious consolidation of public finances, including a better control of public-private-partnerships and state-owned enterprises (Portuguese LoI 2011.1). The document highlighted ongoing efforts to strengthen the national fiscal framework via the budget framework law, including top-down budgeting based on indicative expenditure ceilings and a medium-term framework for the budget of the central government to take full force by 2013. The national authorities stated that they would "stand ready to refine further the budget framework based on inputs from the European Commission and the IMF" (Portuguese LoI 2011.1). The Portuguese government thus basically confirmed that national reform efforts could be shaped decisively by the creditor institutions.

The authorities promised to publish a fiscal strategy document covering the general government, which would contain medium-term macroeconomic forecasts and policy costings. To successfully implement a medium-term fiscal framework, the government also proposed a revision of regional and local finance laws. Finally, based on the report of a working group, the first letter of intent pointed out the planned adoption of the statutes of a new independent fiscal council, which was to be operational by late 2011. The fiscal council initiative in Portugal resembles quite closely the Irish one, highlighting the influence of the IMF in this matter.

The following letter of intent reiterated most of these commitments, assuring that "government action will build on the recommendations provided by the IMF/EU technical assistance mission that took place in July 2011", promising to "ensure full implementation of the Budgetary Framework Law adopting the necessary legal changes" (Portuguese LoI 2011.2). The document also pointed out the pledge to follow the Troika's recommendations for the revision of subnational finance laws, including proper fiscal rules and monitoring via the independent fiscal council. The last letter of intent of 2011, however, revealed that the Portuguese government had difficulties to follow through with its reform agenda, stating that it would need more time to submit legal changes to parliament.

In contrast to Ireland, where fiscal targets were continuously met, the document reported expenditure slippages, failing to achieve the agreed fiscal consolidation plans (Portuguese LoI 2011.3). The subsequent letter of intent laid out a new plan for institutional reforms to be achieved by the end of 2012. While the independent fiscal council was implemented in early 2012, major reforms to the national budget framework law where to be adapted to the new requirements stemming from the European level, such as the TSCG (Portuguese LoI 2012.1, 2012.2).

During the year 2012, the Portuguese authorities continuously struggled to keep expenditures within the agreed limits, stating to extend expenditure commitment control procedures. A working group, charged with the redefinition of regional and local finance laws, was continuing its work

"with support of EC and IMF technical assistance" (Portuguese LoI 2012.2). Reiterating commitments from the previous letters of intent, the Portuguese government repeated its intention to revise the budget framework law to better take into account the European fiscal framework and to further detail "the characteristics of the medium-term budgetary framework, including medium-term fiscal strategy, decision-making and prioritization process, carry-over rules, commitments controls and appropriate contingency reserves and related access rules" (Portuguese LoI 2012.3).

The final letter of intent of 2012 restated the challenge of achieving additional fiscal consolidation to comply with agreed objectives and pointed out the launch of comprehensive expenditure reviews, integrating key stakeholders. Repeating promises from previous documents, the Portuguese authorities stated that they "will proceed to transpose the new EU economic and fiscal governance framework by year-end and conduct a review of the Budgetary Framework Law in 2013, streamlining budgetary procedures" (Portuguese LoI 2012.4). The following Portuguese letters of intent contended that important steps had been taken to transpose the long-awaited legislation to transpose the EU fiscal framework into national law, at least partially approved by parliament, with completion expected for early 2014 (Portuguese LoI 2013.1, 2013.2, 2014.1, 2014.2).

Overall, we find evidence of coercive actions through conditionality in the Portuguese letters of intent. In contrast to Ireland, they were, however, less successful. Subsequent letters have repeated delays in implementation and the actual introduction of a Portuguese fiscal framework happened in a rather piecemeal fashion. Similar to the Irish case, the negotiations of and the agreement on the Fiscal Compact actually delayed the implementation of national fiscal rules. In the end, they directly referred to the European requirements rather than to the policy demands of the IMF. Also the repeated calls for the introduction of binding expenditure ceilings were not followed through finally.

As in the Irish case, the strong power differentials between the creditors and Portugal did not lead to the implementation of a more stringent fiscal framework. In comparison with the other five country cases, it rather ranks on the more lenient spectrum. The Portuguese fiscal framework also has little domestic ownership, continuously referring to its international obligations rather than internal requirements. Similar to Ireland, the establishment of the Portuguese Public Finance Council might be an exemption in this regard, which was largely based on the best-practice suggestions of the IMF and implemented relatively soon after the start of the rescue programme. The Fund thus played some role in the design of the national fiscal council. As for the Irish case, however, coercive actions do not seem to be able to account for the variation in fiscal framework stringency between the analysed country cases.

9.3.3) Limited evidence of coercion through conditionality

The analysis of Ireland's and Portugal's letters of intent in the period from 2010 to 2014 provides limited evidence that coercion in the form of conditionality can explain fiscal framework stringency, design and timing. The theoretical expectation that countries subject to the largest power asymmetries would be coerced into the adoption of the comparatively most stringent fiscal frameworks (given that the IMF, the European institutions and powerful member states such as Germany support strongly-constraining fiscal rules and institutions) does not hold empirically. In contrast, actual reforms in the crisis countries Ireland and Portugal led to the introduction of intermediate fiscal frameworks in terms of stringency.

The IMF was, however, successful in asserting its preferences regarding the establishment of independent fiscal councils. In both Ireland and Portugal, such institutions were introduced rapidly in 2011 and largely followed the design preferred by the Fund. This finding was backed by an interview with Xavier Debrun from the IMF. He pointed out that "the Fund has certainly pushed [independent fiscal councils] either directly through conditionality, as it was in Hungary, or less directly through technical assistance as it was the case in Portugal and Ireland". Debrun stated that "definitely Portugal and Ireland are two poster children of IMF involvement in these countries" and that the fiscal councils in both countries had "IMF fingerprints everywhere" (Interview Debrun).

The overall evaluation of the Letters of Intent suggests that the provision of financial aid in exchange for economic and financial reforms actually led to a levelling of fiscal framework stringency, design and timing. Domestic plans for reforms during the crisis were undermined by the necessity to make the domestic framework compatible with the European requirements. Ongoing negotiations were thus highly affected by the path European negotiations took and – in the end – led to implementations that referred strongly to the agreement at the supranational level. In this way the strong power asymmetries between Ireland, Portugal and their creditors resulted in a certain levelling of stringency which might have not been the case without conditionality in place.

9.4) Coercion in the view of policy actors

Beyond country surveillance reports and letters of intent, interviews with fiscal policy-makers, experts and public officials from both the national and supranational level have allowed to study some more informal channels through which coercive actions might take place. The findings complement to a certain extent the document analysis, highlighting (1) the importance of local ownership of fiscal rules and institutions, (2) the effect of country size/power on rule compliance and (3) the effects of rule compliance in asymmetric power relations between member states and supra-/international organisations. They also supported the results of the analysis of Article IV Reports, showing that (4) supra-/international organisations are often not at the root of national fiscal frameworks but are rather used by national governments to support domestic reform efforts.

The role of local ownership of fiscal frameworks

Many interviewees stressed the importance of local ownership of rules and monitoring institutions to guide national fiscal policy-making, with international organisations and supranational fiscal frameworks often being ignored. A former member of the German fiscal council stated, for example, that "the voice from the inside the country itself is way more effective than a voice from abroad" (Interview Janeba). A high-level official of the German finance ministry also stressed that the national budget was constructed based on domestic rules and that public officials would normally not even take notice of the European norms nor care about other demands coming from the European level (Interview Snelting).

A former member of the Portuguese fiscal council expressed how little the institution was interested in European rules or the demands of the European Commission themselves, rather being concerned about the wellbeing of the Portuguese people (Interview Gomes Centeno). External actors have thus consistently had a hard time to impose their visions on specific countries. An exception in this regard might have been the Fiscal Compact, which – being forcefully pushed by Germany – created the obligation to introduce national fiscal frameworks in all of its signatory states (see Interview Schratzenstaller). This can, however, not explain the observed variation in the stringency and design of actually adopted fiscal frameworks across countries.

Country size and rule compliance

An element which, according to many interviewees, did play an important role for rule compliance was the relative size and importance of Eurozone member states (e.g. Interview Felderer). Many actors across countries and institutions pointed out that Germany and France, the most powerful EU member states, were able to deflect pressures by the European institutions and other states in case of non-compliance and even demand additional flexibility through a re-writing of fiscal rules. The episode of the early 2000s, when Germany and France blocked sanctions demanded by the European Commission due to non-compliance with the Maastricht criteria, is still seen as a case in point. But also more recently, France and the big Southern European countries Spain and Italy were able to withstand coercive pressures and to even partially rewrite rules (see Gechert et al. 2015).

Particularly small countries lamented this reality but acknowledged that the flexibility given to powerful member states was at least extended to all member states due to the horizontal approach taken by the Commission. As several interviewees remarked, however, pressures on smaller countries to adjust fiscal policy-making could be strong when the larger countries were indeed following common requirements. Two high-level officials of the Austrian ministry of finance, for example, stressed that "if you can hide in the slipstream of a big [country], then the chances are equally distributed, but if the big ones stick to the rules and the small ones don't, they would of course immediately 'get one over the head' " (Interview Matzinger and Fleischmann).

The effects of rule compliance in asymmetric power relations

A final point which came up repeatedly in the interviews were the two-fold effects of the compliance with existing fiscal rules. On the one hand, soft coercion can take place when rule compliance is a means for national governments to achieve other policy goals. On the other hand, compliance with existing rules can also reduce the capacity of external actors to put pressures on specific member states. Rule compliance was perceived, for example, as a way to ensure protection under the umbrella of the European Commission, the ECB and Germany (Interview Gomes Centeno), and as a means to produce and maintain economic and budgetary credibility, which would serve to exert influence at the European level (Interview Timbeau). At the same time, rule compliance by the Irish authorities in the pre-crisis 2000s considerably reduced the leverage of the IMF and the European Commission to pressure the country for a more restrictive fiscal stance (Interview FitzGerald), see also the discussion of the Irish Article IV Reports above). (Non-)compliance with fiscal rules in the context of the European Union can thus have effects that resemble, depending on the specific country context, both conditionality and incentives.

Inter-/supranational organisations as support for national reform efforts

In line with the findings of the document analysis above, interviews have helped to identify the genesis of national fiscal framework reforms, revealing that such reforms are generally initiated at the national level by domestic actors before the IMF becomes involved itself. Rather than being at the root of reform efforts, the Fund seems to mainly 'jump on the bandwagon' to support the involved actors. In the majority of cases, the IMF and other international organisations might just serve as a means for national fiscal policy-makers to increase support for their own policy proposals domestically (see Dobbin et al. 2007: 455).

In his reflection on the conception and negotiation of the constitutional budget law reform in Austria, Gerhard Steger, for example, highlighted how he and other reform advocates had targeted 'foreign multipliers', explicitly pointing out the OECD. Beyond drawing on the experience of international organisations in fiscal framework reforms, he saw 'foreign multipliers' as a tool which could "create an interest in, and positive comments on the Austrian reform. The respective feedback was used at home to underline the importance of the planned reform and to show that Austria could attract positive attention by moving towards a best practice example of steering the budget and the administration" (Steger 2010: 5, Interview Steger). Interestingly, even in such situations, policy advice by the IMF which could have been fed directly into the negotiation process was largely ignored, with domestic policy-makers following their own visions in terms of fiscal framework stringency and design. So while the IMF surely has played a big part in the global ideational debates on fiscal frameworks, and provided a specific vision of best practice guidelines, the Fund could not exert any strong influence which would explain the empirical pattern of variation in fiscal rules and institutions across the analysed countries.

The overall findings of the interviews with fiscal policy-makers, experts and public officials further underline the conclusions drawn from the document analyses, stressing that even if international

organisations or powerful states attempt to coerce other countries, most of the time such actions do not lead to a policy outcome desired by the pressuring actor. There is, in particular, little evidence provided by interviewees that coercive actions could explain variation in fiscal framework stringency, design and timing. In contrast, there is some evidence that coercion can play out through some more informal channels. First, differences in the size of countries (in terms of economy and population) create power asymmetries which give bigger countries more leverage towards the European institutions to ensure a higher degree of flexibility in the application of fiscal rules. Second, rule (non-)compliance is perceived as having further effects in terms of economic protection and political influence inside the European Union.

9.5) Overall evaluation of the role of coercion

The analysis of the surveillance reports made by the IMF and the European institutions has provided us with little evidence that coercion has been a powerful means of international organizations to impose fiscal framework reforms on its member states. For the past two decades, the IMF has been arguing for the same set of fiscal framework reforms across countries, which cannot account for the variation in actual fiscal framework stringency, design and timing. The same applies largely to the impact of the European institutions on countries' reform efforts. The Article IV Reports revealed some differences in the communicative responses to the IMF between large and small member states, but these did not really translate into differences in policy action.

The study of letters of intent has shown that even in situations with comparatively high power differentials, in this case between creditors and the crisis countries Ireland and Portugal, we did not see the introduction of more stringent fiscal frameworks. The IMF (as well as the European institutions) had some impact though on the design of fiscal councils and their intervention might have led to a levelling of fiscal framework stringency. While conditionality surely had an effect on Ireland's and Portugal's fiscal policy-making during the crisis, there is thus less evidence that it did so for the set of fiscal rules and institutions.

Interviews with potentially coercive institutions and national authorities have helped to identify complementary evidence for the document analyses. They highlighted that power differentials based on country size and a country's relative position in the European Union had an effect on patterns of rule (non-)compliance through more informal channels. They, however, also revealed that domestic fiscal policy actors did not see a strong role of supra-/international organisations in defining national fiscal framework reforms. Most often, they are used by national policy-makers in a supportive role to legitimate their reform agenda.

10) Slovakia

10.1) Introduction to the Slovak Case

In Slovakia, the macroeconomic idea-set of neoliberalism and its domestic expression has significantly influenced the introduction of the domestic fiscal framework as well as broader fiscal policy-making. In the aftermath of Communism and under the shadow of Mečiarism, neoliberalism was fostered and adapted to Slovakia's local circumstances by domestic liberal politicians and economists, often with a think tank background and international economics training.

Supported by international organisations such as the World Bank and the IMF, Slovak neoliberalism nevertheless retained the key tenets of the originally Anglo-Saxon idea-set. Key actors managed to hybridise the post-communist mistrust in political authorities with the broader neoliberal critique of the state. Driven by domestic policy advisors, and supported by a dominant neoliberal political sphere, the consequence was the introduction of a 'home-grown' and highly discretion-constraining fiscal framework in 2011, predating supranational requirements. In comparison to the other five cases in this study, the introduced fiscal framework is the most stringent one, putting into place a quasi-automatic correction mechanism in case of rule non-compliance.

The break with the immediate post-communist heritage, taking place first more gradually in the late 1990s and then more radically in the early 2000s, allowed neoliberal fiscal policy actors to enter the political, bureaucratic and academic arenas of the Slovak state and subsequently become very dominant. The origins of different economic and fiscal policy reforms in the Slovak case can be found in a neoliberal ideational outlook. Well-connected government advisors, trained in public choice scholarship, proposed a comprehensive fiscal framework reform in 2009, which was subsequently accepted unanimously as a constitutional law in the Slovak parliament by late 2011. Even left-wing and populist forces continued support for neoliberal policy-making when they came to power in the mid-2000s and starting from 2012, allowing for a strong consensus across the political spectrum on binding the hands of politicians regarding the national budget.

Neoliberalism in Slovakia has largely remained intact through the translation process from its Anglo-Saxon origins. Slovak neoliberalism is sceptical of any active role of the state in the economy and has a strong affinity towards the introduction of market mechanisms, which are generally viewed as efficient and welfare-enhancing. The main role of the state is to reduce potential distortions that could hinder the proper functioning of markets. Given the post-communist heritage of the country, neoliberal policy-makers had to undertake considerable transformation work to move from a command economy to a free-market economy. Neoliberalism, like the more specific public choice school, is highly sceptical towards (democratic) political decision-making, which can be seen in the frequent support of neoliberals for autocrats over time, such as in Chile.

This scepticism was particularly well-integrated in a Slovak version of neoliberalism, where Communism (but also the following Mečiarism of the 1990s) had led to a generalised mistrust towards political elites and a will to constrain the freedom of politicians to take discretionary policy decisions. Especially 'think tankers' – turned politicians and policy advisors – came up with this vision of political decision-makers. Per se, neoliberalism is less vocal about fiscal rules than, for example, German ordo-liberalism, but similar to the USA, Slovak neoliberalism is fond of rules that come with quasi-automatic sanctions or correction mechanisms. Corresponding to the idea of punishing 'misbehaving' political actors, the Slovak fiscal framework foresees sanctions for rule non-compliance that freeze, for example, politicians' salaries or even mandate a non-confidence vote in parliament. This is in line with broader neoliberal thinking which stresses the need for sanctions that have also been introduced in other policy fields such as criminal law.

Since the end of communism in Slovakia, there has been relatively little change of the Slovak neoliberal idea-set itself. What has changed over time is that competing idea-sets such as Mečiarism, which was particularly strong during the 1990s, have largely made way to a neoliberal consensus among Slovak fiscal policy-makers across the political spectrum, policy advisors, think tanks and other fiscal policy related institutions. Of course, various nuances between parties remain, but even the centre-left populist Smer-SD party has largely supported Slovak neoliberalism when it came to power.

Beyond the introduction and maintenance of a very stringent national fiscal framework, Slovak neoliberalism has also affected broader fiscal policy-making and domestic reforms in different policy areas. From high deficits during Mečiarism, political forces such as SDKÚ-DS and other parties have considerably consolidated public finances in the early 2000s and kept a close eye on the evolution of deficits ever since. Even during the Great Recession and the European debt crisis, public indebtedness did not grow beyond 55% of GDP and has been on a downward path since then. Particularly in the early 2000s, neoliberal reforms such as a radical flat tax and pension privatisation measures took place. Under Smer-SD leadership, neoliberal policies have been more subdued (and partially reversed), but the largest part of reforms remained actually in place, or in the case of fiscal policy, was wholeheartedly continued.

That neoliberalism could take such hold in Slovakia is strongly related to the transition from Communism to a democratic market economy. Especially left-wing and statist parties suffered from the demise of the command economy. Due to the break with formerly existing institutions, policy actors with a more anti-statist and liberal ideological outlook managed to build new organisations to develop and promote their ideas. Especially think tanks were the preferred solution of liberal actors, claiming to allow them providing independent critique and advice. Given the weakness of trade unions and employer organisations, and the passivity of universities stemming from communist times, think tanks became one of the dominant actors in the Slovak knowledge regime. In contrast to many of the other cases, it is however difficult to argue that the domestic macroeconomic idea-sets were embedded in the national policy-making, production, and knowledge regimes following the end of Communism. In the Slovak case, the knowledge regime,

for example, was rather embedded in a neoliberal idea-set due to the lack of pre-existing institutions. Concerning the national production regime, the export-centred industrial sector was at least as much a result of neoliberal policies starting in the early 2000s than the basis for the dominance of a neoliberal outlook among political decision-makers in the country.

Of course, it was not ideas alone that have affected the implementation of a strongly discretion-constraining national fiscal framework. As regards the timing, strongly rising bond interest rates during the European debt crisis surely played an important role (see also the chapter on financial markets), even if reform negotiations had already started out earlier. Alternative explanations (to the influence of macroeconomic idea-sets) have, however, also in the Slovak case difficulties to account for the stringency and design of the Slovak fiscal framework. The country was not particularly hit hard by the economic recession, there are no discernible traces of the influence of interest groups in constraining fiscal policy discretion, and rather than being exposed to external pressure, domestic actors used international organisations to implement reforms. Given the clear process-tracing evidence and the dominance of a neoliberal idea-set among Slovak fiscal policy actors, the idea-based approach seems to be most convincing to understand fiscal framework reforms in Slovakia.

The following sections will discuss in more detail the neoliberal idea-set as held among Slovak fiscal policy elites, present the domestic political, economic, and research institutions in which this idea-set thrives, and provide a detailed process-tracing account across the last thirty years to understand the introduction and implementation of the national fiscal framework. The chapter also highlights the role of alternative explanations wherever the empirical analysis suggested their influence on national fiscal framework reforms.

10.2) The Slovak macroeconomic idea-set

10.2.1) Slovak neoliberalism

At least since 2002, neoliberalism is the dominant macroeconomic idea-set among Slovak politicians, public officials and experts, partially shaped by the country's post-communist experience. I contend that in the Slovak case, the predominance of post-communist neoliberal thinking, largely replacing the previous model of 'Mečiarism' in the early 2000s, can account for the implementation of a comparatively very stringent national fiscal framework. It equally allows us to understand broader changes in fiscal policy-making over time. In contrast to macroeconomic idea-sets such as ordo-liberalism or post-dirigisme in other countries, neoliberalism is not an idea-set native to Slovakia. It has been rather largely transferred from the United States and the broader Anglo-Saxon World. Building on the thought of classical liberalism – best represented by the work of Adam Smith ([1776] 2012), neoliberalism was developed by key thinkers such as Friedrich A. von Hayek ([1944] 2007) and Milton Friedman ([1962] 1982, see also Leeson and Palm 2017, Steger and Roy 2010).

Rather than producing distinct homegrown scholars on this idea-set, neoliberalism entered Slovakia through Western-trained policy advisors, public officials and academics. This happened in close connection to neoliberally oriented politicians in several parties across the political spectrum, also in response to the post-communist heritage of the country. Given the abrupt turn from a communist system to a capitalist one, there was comparatively little hybridisation (to some extent in the 'Mečiarism' of the 1990s) of international idea-sets with pre-existing national ones. The discrediting of communism as well as the need for nation building due to independence from Czechoslovakia (see Bohle and Greskovits 2012: 22) allowed for a rather substantial replacement with a strongly different idea-set.

The neoliberal idea-set is based on the assumption that a free and prosperous society can best be achieved through a free market order. Building on a philosophy of natural law (see Thorsen 2009: 13, Steger and Roy 2010: 3), neoliberals believe that unregulated markets "set free the creative potential and the entrepreneurial spirit which is built into the spontaneous order of any human society, and thereby lead to more individual liberty and well-being, a more efficient allocation of resources, and ultimately higher rates of economic growth and overall growth and overall prosperity" (Thorsen 2009: 15-16). Linked to Smith's conception of humans as a homo oeconomicus and his idea of the free market's 'invisible hand', the neoliberal idea-set is convinced that free markets are self-regulating. This means that the actions of individuals will lead to a spontaneously created order of social life (bottom-up approach), which is better suited than any 'artificially' created order from a central coordinating actor to guide human action (top-down approach) (see Thorsen 2009: 14).

Following from these assumptions, neoliberals think that the state's role in markets "must be kept to a bare minimum because" it "cannot possibly possess enough information to second-guess market signals (prices) and because powerful interest groups will inevitably distort and bias state interventions (particularly in democracies) for their own benefit" (Harvey 2005: 2). In contrast to ordo-liberals, who are 'end-state liberals', neoliberals are 'process liberals' (see Peacock and Willgerodt 1989b, Barry 1989). They believe that desirable economic orders arise spontaneously from the interactions between individuals, as long as free markets, free trade, "the protection of private property rights and the legal enforcement of contracts" are ensured (Steger and Roy 2010: 3, Harvey 2005: 2)). The role of the state in the economy can be even more marginal than in ordo-liberal thinking, which acknowledges that state intervention might be necessary to ensure a competitive market order, being more sceptical about the self-regulating capacity of free markets.

In the neoliberal idea-set, the role assigned to the state thus corresponds to the conception of the 'night-watchman state', a minimal state whose "sole purpose (…) is to uphold the most fundamental aspects of public order" such as "armed forces, law enforcement and other 'non-excludable goods' " (Thorsen 2009: 5). In this view, "acts of intervention in the economy from government agencies are (…) almost always undesirable, because intervention can undermine the finely tuned logic of the marketplace, and thus reduce economic efficiency" (ibid. 9). From this logic follows that neoliberals generally see 'bad' economic times rather as the consequence of

'government failure' than 'market failure', as state intervention tends to distort price signals and thus undermines the self-regulating capacities of the free market (see Steger and Roy 2010: 3, le Grand 1991, Dolfsma 2011).

In terms of policies, neoliberalism then manifests itself mainly through three objectives: "deregulation (of the economy)", "liberalization (of trade and industry)" and the "privatization (of state-owned enterprises)" (Steger and Roy 2010: 14). These measures are supposed to create freer markets and help to create markets in sectors, in which the market mechanism has hitherto not been in place (see Harvey 2005: 2). In addition, the neoliberal idea-set supports the adoption of "governmental technologies taken from the world of business and commerce" such as efficiency calculations (e.g. cost-benefit analyses), risk-management, governance based on best-practice examples, as well as the setting of quantitative targets and the subsequent monitoring of outcomes (Steger and Roy 2010: 12). Related policy measures also include the "creation of new political institutions, think tanks, and practices designed to reproduce the neoliberal paradigm" (ibid.: 14). Here the central idea of the self-regulating market is flanked by a 'neoliberal governmentality', which "is rooted in entrepreneurial values such as competitiveness, self-interest, and decentralization" (ibid.: 12).

Even if the internationally developed neoliberalism of von Hajek and Friedman has been adopted in Slovakia comparatively unscathed from hybridisation with national idea-sets, it nevertheless took on a few national particularities. This was particularly true of the period of 'Mečiarism' which lasted from the fall of Communism to 1998. As a form of 'transitology', Stark and Bruszt (1998) referred to this as 'post-communist neoliberalism' and Fisher et al. (2007: 978, 979) actually called the mixing of domestic ideas and neoliberalism that "emerged in Slovakia (…) a hybrid form of neoliberalism". In their view, adding "selected radical market solutions to post-communist era problems (…) appears to have taken the country towards a unique form of 'social liberal' capitalism" (ibid.: 978-979).

Bohle and Greskovits (2012: 22), more broadly, viewed the Visegrád states neoliberalism (including that of Slovakia) as "embedded and distinctive". On the other hand, the independence of Slovakia from Czechoslovakia meant the need for new nation building, which "brought Slovakia in some crucial aspects closer to the Baltic situation than was the case in other Visegrád countries" (Bohle and Greskovits 2012: 179). Not only in Slovakia, but also in the Baltic countries, neoliberal ideas rapidly gained dominance after the end of Communism. And also the Baltic countries have put into place comparatively stringent national fiscal frameworks.

10.2.2) Details of Slovak neoliberalism

Relevant for the study of fiscal framework reforms, Slovak neoliberalism contains a number of idea elements regarding the role of the state in the economy and the role of rules and expertise to guide fiscal policy-making.

The role of the state in the economy

Neoliberalism – as its predecessor classical liberalism – is very vocal about a very limited role of the state in the economy (see Thorsen 2009). Its assumption of self-regulating markets, whose 'invisible hand' ensures the most efficient and effective allocation of resources, automatically prescribes the state a minimal role in economic affairs. In the view of neoliberals, the state should only serve to ensure "the proper functioning of markets", which can go along with guaranteeing "the quality and integrity of money", private property rights and contract enforcement, as well as security (Harvey 2005: 2, Steger and Roy 2010).

As free markets are considered as basically infallible by the neoliberal idea-set it is, in principle, always inadequate government intervention, which is responsible for economic downturns or recessions (see Steger and Roy 2010: 3, 15). This contrasts with ordo-liberal thinking, which also acknowledges the possibility of market failure (in particular, the formation of monopolies and cartels). In the ordo-liberal idea-set, this subsequently justifies some role for the state in the economy to achieve a competitive market order. Neoliberals are considerably less concerned than ordo-liberals with the impact of powerful interest groups on the economic order, giving additional impetus to the idea that 'the smaller the state, the better markets work', and the better economic and societal outcomes will be.

The role of rules and expertise to guide fiscal policy-making

In comparison to ordo-liberalism, neoliberalism is less vocal about the role of rules. The neoliberal idea-set starts from the assumption that free markets are self-regulating. This means that state intervention into the economy should be kept minimal to avoid disturbances to the market mechanism (see Thorsen 2009: 15, Harvey 2005). Ordo-liberals generally see the explicit need for rules on political decision-makers to ensure that they will not interfere unduly in macroeconomic management with public deficits and debt. Among neoliberals, there is generally no strong position towards fiscal rules. The main call is to shrink the state's role in the economy through deregulation, liberalisation, and privatisation, often going along with reductions in taxes, which further limit the room for manoeuvre of government.

At the same time, neoliberalism shares many affinities with public choice scholarship and ordo-liberalism, which should make neoliberals perceptive to the use of fiscal frameworks. Discretion-constraining fiscal institutions can be a means to ensure that the state's role in the economy stays indeed minimal and that politicians are not acting in a rent-seeking fashion. An additional way to ensure that political decision-makers are not intervening unduly into the market, and undertake discretionary spending projects, is to implement independent institutions that provide 'expert' opinions and decisions. While ordo-liberalism is to a certain extent sceptical of any kind of expertise, neoliberalism is more concerned with the actions of politicians. Independent expert bodies that are controlling macroeconomic and fiscal policy-making and give advice to political actors are generally viewed more positively among neoliberals.

Principal policy entrepreneurs and translators of economic ideas

In the Slovak case, fiscal framework reforms have been driven by policy advisors and politicians that often times have been trained abroad and that were active in domestic think tanks. They were able to translate neoliberal ideas into the domestic context, hybridising the post-communist mistrust against government and political elites with the critical analysis of public choice scholars, that saw a need to constrain political decision-makers through institutional means and independent (but pro-market) expertise.

Undisputedly, the two economists and policy advisors Michal Horváth and L'udovít Ódor were the key policy entrepreneurs in the Slovak case. They designed a comprehensive domestic fiscal framework and orchestrated a consensus among all parliamentary parties, leading to a unanimous vote on a constitutional law in 2011. Starting with an informal meeting, they set up a parliamentary committee in which the reform was negotiated. Policy entrepreneurs among politicians have been the two last finance ministers of Slovakia, Peter Kazimir (Smer-SD) and Ivan Mikloš (SDKÚ-DS). Even if coming from different parts of the political spectrum both supported comprehensive fiscal framework reform and also managed (particularly in the case of the centre-left Smer-SD) to convince other key actors – such as the prime minister – to endorse the introduction of discretion-constraining rules and institutions.

10.3) Slovak political, economic, and research institutions

After the fall of Iron curtain and the separation from the Czech Republic in 1992, the new state Slovakia had to (re-)build many institutions from the ground, allowing for different institutional set-ups than present among many other European countries. An analysis of the policy-making, production, and knowledge regimes that have developed since the end of communism is useful to better locate the key fiscal policy actors in the Slovak context and how they are related to the broader institutional environment.

10.3.1) A post-communist policy-making regime

The Slovak policy-making regime is built around a parliamentary democracy with pseudo-semi-presidential features. The country's parliament, the national council, consists only of one chamber, signifying the centralised nature of the Slovak state. Slovakia has a proportional electoral system with party lists at all governmental levels. Regarding the party system, Haughton (2014: 210) has pointed out that "in the first two post-communist decades, party politics in Central and Eastern Europe (CEE) displayed a remarkable degree of variation". According to him, "Slovakia showed stability in its instability" since the end of Communism and the independence of the country from the Czech Republic.

The Slovak party system is defined by a high degree of volatility (see Stiskala 2012, Powell and Tucker 2014), in which many parties – often formed around a well-known figure – are only of a

temporary nature, with strongly differing electoral results across campaigns. In 2016, for example, eight parties managed to pass the electoral threshold of 5% to enter the Slovak parliament. The formation of government thus generally demands multi-party coalitions. While the after-effects of the previous Communist regime were stronger in Slovakia than in some of its neighbouring countries, a classical socioeconomic cleavage between parties developed since the early 2000s (Hlousek and Kopecek 2008), pitting rather nationalist left-wing parties against economically and politically liberal parties, even if there has been a conservative turn amongst the latter recently. The existence of a Hungarian minority which is generally represented in parliament through proper parties adds further complexity to the Slovak party system.

In the 1990s, a political system referred to as Mečiarism under the leadership of Vladimir Mečiar developed, who governed in a rather autocratic fashion before an alliance of opposition forces succeeded in parliamentary elections and put the country on a more democratic path. The transition from a political system governed top-down by Communist leaders into a liberal democracy was nevertheless a difficult process, as a proper democratic culture was missing. As Pehe (2014) put it, Slovakia constituted a "democracy without democrats".

Over the course of the last two decades, democratic institutions and processes were gradually strengthened. But while Slovakia is nowadays one of the most democratic among the post-communist countries, it is still considered a 'flawed democracy' in the democracy index of the Economist Intelligence Unit (2020). Among the six studied cases it is the only country not considered to be a 'full democracy'. Political influence on state institutions and the media, and corruption remain a widespread problem. In the most recent elections in 2020, the anti-corruption party OL'aNO profited from widespread protests against the governing social democratic SMER-SD and won the elections on a platform with several other parties.

10.3.2) A dependent liberal production regime

After the fall of the Iron Curtain, the Slovak production regime was gradually transformed from a planned into a liberal market economy (see Hall and Soskice 2001), which shows, however, also features of a dependent market economy (Nölke and Vliegenthart 2009). In this system, there is little room for corporatist arrangements. This does not mean that there were no attempts to install neo-corporatism in Slovakia. The strongest momentum for tripartite cooperation and concertation between governments, trade unions, and employer organisations was in the direct aftermath of the end of Communism, with the signing of a first 'general agreement' in 1991 (see Bohle and Greskovits 2012: 147). The Communist Czechoslovakian state had known trade unions, but in that system, they rather functioned as top-down 'transmission belts' rather than bottom-up organisations "representing the interests of employees" (ibid.: 146).

With the separation of Slovakia from the Czech Republic, neo-corporatist institutions became comparatively well established during the premiership of Mečiar, managing to pass a number of important agreements. But as Bohle and Greskovits (2012: 148) have pointed out, "Mečiar's

increasingly open authoritarianism ultimately prevent neo-corporatism from sinking deeper roots in Slovakia". When the Slovak trade unions took a more conflictual stance towards the government in 1997, the government countered the opposition by building up rival trade unions and a new tripartite body, excluding the largest trade union confederation from negotiations (ibid.: 148).

The side-lined trade unions subsequently formed a broad coalition with political opposition forces that jointly brought down the Mečiar government in the 1998 elections. This victory meant a certain revival for Slovakian corporatism, enshrined in a 'tripartite act' (Bohle and Greskovits 2012: 148). After neoliberal actors, however, gained increasing strength in the elections of 2002, the law formalising social partnership was abolished again by the second Dzurinda government in 2004.

But "although these moves produced predictable howls of discontent from the trade unions, weak leadership and internal divisions limited the power of the unions to thwart the changes" (Fisher et al. 2007: 983 citing Malová and Rybár 2005). Similarly, Mathernova and Rencko (2006: 639) have pointed out that, in the early 2000s, "the vested interest groups frequently lacked the capacity to mobilize forces and block changes". To them, this reflected the young nature of the Slovakian state, where interest groups were not yet entrenched like in other corporatist systems. Also Appel and Orenstein (2018: 115) have stressed that "the kinds of political interests that could have blocked these avantgarde neoliberal reforms were less entrenched, organized, and powerful". Under Communist rule, mass mobilization and free media were banned, which meant that the opposition forces to neoliberal reforms were lacking sufficient time "to develop the skills of mobilizing dissent" (ibid.: 115).

Mirroring the developments in other Visegrád countries, initial attempts to build neo-corporatist institutions in Slovakia thus "largely atrophied over time", never becoming permanent elements of the country's economic governance (Bohle and Greskovits 2012: 24). Following 2004, the Slovak system of economic institutions strongly resembled other liberal market economies. After Robert Fico became prime minister in 2006, the new government sought again to collaborate more actively with trade unions (Bohle and Greskovits 2012: 245), but the weakness of the social partners has continued to be a marked feature of the Slovakian production regime. As for other post-communist countries also in Slovakia "representative institutions such as the parliament, political parties, judiciary and trade unions, are generally mistrusted" (Baer 2001: 105).

In general, Slovakia has a quite well-diversified economy with a strong focus on its industrial sector. Car manufacturing is of particular importance for Slovakia (similar to the Czech Republic) (Liptáková 2015). With 198 cars produced per 1.000 inhabitants in 2018, Slovakia has the highest car per capita output in the world (The Slovak Spectator 2019). Car producers present in Slovakia include Volkswagen, PSA Peugeot Citroen, Kia Motors, and Jaguar Land Rover. Beyond cars, Slovakia is also exporting machinery, metals, and mineral products.

The strong export sector is the consequence of traditionally skilled labour force in technical and engineering domains. This focus makes the economy, however, also dependent from its trade

partners. Since the end of Mečiarism, the Slovak has grown strongly on average, being called the 'Tatra Tiger' due to its performance between 2000 and 2008. After Slovenia, Slovakia was the second of the EU Eastern enlargement countries that adopted the euro as its currency in 2009. Over the last decades, the country has profited from strong inflows of foreign direct investments and significant amounts of EU funds that have helped to develop Slovakia's infrastructure.

10.3.3) A competitive knowledge regime

The Slovakian field of research institutions can best be described as a 'competitive knowledge regime', which Campbell and Pedersen (2014) ascribe in their study to the US. In such a system, "advocates of various policy ideas battle each other in order to influence the thinking of national policymakers" (ibid.: 39). In competitive knowledge regimes, there is a high degree of competition, particularly among private organisations, not only over ideas but also over funding, staff, and media attention (ibid.: 59-60). As the state is less active in providing research and advocacy institutions with funding in such knowledge regimes, competition for the few available public funds as well as for private funds is high, and will not only occur "between organizations on the left and right but also among ideological brethren" (ibid.: 56, 61). Another key aspect of competitive knowledge regimes is that advocacy research organisations play a comparatively bigger role than in other knowledge regimes.

With the end of communism in Slovakia, traditional knowledge producers, concentrated in the state machinery were largely discredited and left room for the creation of new research institutions and the development of a transformative liberal agenda. Following the Anglo-Saxon model of competitive knowledge institutions, numerous private policy advocacy institutions (think tanks) were founded from the 1990s onwards and became of key importance in Slovakia. These think tanks have and still do often provide policy ideas as well as staff to national governments.

In the field of macroeconomic and fiscal policy-making, the most relevant think tanks are INESS (Institute for Economic and Social Studies, founded in 2005), INEKO (Institute for Economic and Social Reforms, founded in 1999), MESA10 (Macroeconomic and Social Analysis 10, founded in 1992, and the NFAH (F.A. Hayek Foundation, founded in 1991) (see Meseznikov and Smilov 2015: 19, 22)[17]. Highlighted by different interviewees, the first two advocacy research institutions have been the most central ones in recent years, while a broader analysis of the genesis of the different Slovakian think tanks shows that the MESA10 and the NFAH were crucial actors particularly in the 90s and 00s when they provided key personnel and reform ideas to the country's executive (see Meseznikov and Smilov 2015: 22).

While think tanks are generally quite prevalent in Slovakia, they are even more so in the field of macroeconomic and fiscal policy-making. According to Meseznikov and Smilov (2015: 19), this "is

[17] A number of other think tanks working on economic topics such as the CPHR (Center for Economic Development), the HPI (Health Policy Institute) and the KI (Conservative Institute) are less relevant for the macroeconomic policy field (see Meseznikov and Smilov 2015:19).

revealing of the emphasis which liberal ideology places on economic matters" in Slovakia. All the mentioned think tanks have a clear liberal to neoliberal outlook. INESS and the F.A. Hayek Foundation, for example, are both members of the free-market Atlas Network and the 4liberty.eu portal. INEKO and MESA10 equally support principles of free-market economies and neoliberal thinking. As many of the founders of Slovak think tanks received their education at least partly abroad and their integration in international networks, they have a quite international (or at least regional) outlook and have also repeatedly promoted liberal macroeconomic ideas and policy solutions based on the Slovak experience abroad (see Meseznikov and Smilov 2015: 27).

In contrast to many of the other studied country cases, semi-public research institutions, analytic units of social partners and party foundations are basically absent in Slovakia. Their role is mainly substituted by Slovak think tanks and think-tank like structures inside the different ministries, in particular by the Institute for Financial Policy (IFP) inside the Ministry of Finance (see Meseznikov and Smilov 2015: 25). While existing in a different form already before 2003, with the neoliberal reform fervour of 2003/2004 and its important fiscal governance reform, the IFP was completely redesigned. "The aim of the reform was [the] creation of a central unit authorized to develop macroeconomic and tax revenue forecasts for public administration" (Kiss and Siskovic 2011: 6). It also was made responsible for designing a medium-term budgetary framework and to develop spending priorities for different line ministries. In addition, the existing staff was almost completely replaced.

Instead of having predominantly locally trained staff, the modernised department under new management hired many "young people, [with] experience not only from Slovakia but also from abroad" (Interview Novysedlak). The current head of the Slovak fiscal council, Viktor Novysedlak was actually hired at the IFP in 2003 while still being a student and became a full-time employee by 2004 (ibid.). L'udovít Ódor, one of the two policy entrepreneurs behind the Slovak fiscal framework reform, was appointed the Director of the IFP in 2003 (and served until 2005). Kiss and Siskovic (2011: 7) described him as a "reputable and well-known director, not affiliated with any political party, [which] was a necessary precondition for building a high-quality analytical staff". The education of this staff was also supported by exchanges with institutions such as the OECD, the IMF, the LSE and the University of Oxford (ibid.: 7).

Partially insulated from political pressure, the IFP is generally able to provide a critical analysis of the budgeting of the different line ministries. It has, however, less leeway to openly assess the concrete fiscal policy decisions of the finance ministry (Interview Suchta). The IFP is nevertheless able to put reform options of the national fiscal framework and fiscal governance on the agenda internally, pushing for the inclusion of binding expenditure ceilings (as foreseen in the constitutional fiscal framework law) and supporting the move towards a 'value-for-money' framework inside the finance ministry (Interview Relovsky, Interview Golias).

Next to think tanks and the finance ministry, also the Slovak Central Bank (NBS) plays one of the more prominent roles in the domestic knowledge regime. This is partially based on the history of

the institution having "inherited the Czechoslovak tradition of valuing price stability" (Bohle and Greskovits 2012: 179). Even under the rule of Vladimir Mečiar, the NBS achieved a relatively high degree of independence, as a stable national economy was seen as a symbol representing the new sovereign Slovak state (ibid.: 179). This strong and independent position was subsequently supported under more neoliberal leaders and allowed the Slovak Central Bank to retain and further develop its in-house capacities on macroeconomic policy-making (Interview Relovsky, Interview Novysedlak).

A final key institution, and the most recent one, in the Slovak knowledge regime on fiscal policy issues is the Slovak fiscal council, the so-called Council for Budget Responsibility (CBR). It was created by the constitutional fiscal responsibility act in 2011/2012, serving as a fiscal 'watchdog'. The two 'creators' of the domestic fiscal framework, Michal Horváth and L'udovít Ódor became members of the fiscal council after its establishment, allowing them to further put into place their general fiscal policy propositions. According to Horváth, the CBR was based on the existing international best practice at the time of its creation, drawing a lot on the model of the British Office for Budget Responsibility (also drawing on its name) and following the OECD principles on how to set-up an independent fiscal institution (Interview Horváth).

The design of the CBR also integrated some of the lessons of the Hungarian fiscal council, where the incoming Orbán government cut off funding of the institution in 2010. To avoid this, they drew on the Austrian model, where the fiscal council is funded through the central bank, "in order not to have a direct budgetary link between the government and the fiscal council" (ibid.). With a research/policy analysis staff of about 12 people in its secretariat (Interview Novysedlak), the Slovak fiscal council is comparatively well-endowed for a fiscal 'watchdog' of a country of Slovakia's size.

As the analysis of best practice models revealed a number of shortcomings and problems for other existing fiscal councils, and to help them develop other young fiscal councils to get better institutionalised, Michal Horváth and L'udovít Ódor quickly also internationalised their activities by co-founding the so-called Network of EU Independent Fiscal Institutions (EU IFIs in short). Following some informal meetings, the network increasingly institutionalised, finally becoming the main interlocutor for the European Commission and an important means for exchange on practices. In recent years, next to the CBR, it was mainly the fiscal councils of Spain and Italy which provided active support for the EU IFIs (Interview Horváth).

The CBR is generally perceived to act very 'hawkish' in fiscal policy terms, which was also acknowledged by Viktor Novysedlak, the executive director of the Slovak fiscal council. Repeating the mantra of public scholars, he stated that "because the government is always deficit biased, (…) 99 percent of our job should be that we have to criticise the government for the policies. Because that's the reality, not only in Slovakia but almost every country" (Interview Novysedlak). Juraj Suchta of the IFP stated that CBR reports would often be written in a very negative way, even if fiscal policy data was looking fine, "somehow try[ing] to exaggerate maybe the problem" (Interview

Suchta). "So we sometimes say, they might be a little bit biased, which on one hand can be fine for the fiscal council, because they are the ones responsible to show that there are fiscal risks, but on the other hand, they are also the actor which basically also sets the public opinion about the fiscal policy" (ibid.). Suchta even stressed that sometimes the CBR would "maybe go a little bit beyond the official interpretation of the rules, or I mean, they sometimes describe the situation in a more negative way than it is" (ibid.).

In sharp contrast to the CBR, according to basically all interview partners, universities do not play any major role in the Slovak knowledge regime regarding issues of fiscal policy-making. Especially think tankers were sceptical towards academia, viewing it as being removed too far from concrete policy issues and lacking independence due to the public funding of universities (see Meseznikov and Smilov 2015: 28). Domestic universities have nevertheless trained many of the country's political and economic elites.

The most important Slovak universities in this regard are the Comenius University and the University of Economics (both situated in Bratislava), as well as the Matej Bel University (Banská Bystrica)[18]. Former prime ministers Robert Fico (Smer-SD) and Iveta Radičová (SDKÚ-DS) both studied at the Comenius University, law and sociology respectively. Michal Horváth and L'udovít Ódor, the 'fathers' of the Slovak fiscal framework, also graduated from Comenius University, with Horváth having further connections to the UK (University of York, St. Andrews, University of Oxford). Former prime minister Peter Pellegrini (Smer-SD) and the leader of the extreme-right wing party L'SNS, Marian Kotleba, both studied economics at the Matej Bel University.

10.3.4) Slovak neoliberalism and the institutional set-up

Table 13.1 puts together the key elements of the Slovak policy-making, production, and knowledge regimes. It shows, how neoliberal actors could both create and embed themselves in an institutional set-up that was open for new institution building. The end of Communism led to an overhaul of the country's political, economic, and knowledge institutions. The ideological vacuum left by the fall of the regime was filled out first by Mečiarism but subsequently by neoliberal policymakers and advisors, which became heavily involved in domestic institution building.

The macroeconomic ideas that they promoted helped to shape the current institutional set-up, laying stable foundations for the entrenchment and reproduction of neoliberalism in the Slovak case. In a volatile political system, that is still characterised by mistrust towards political elites, and an environment of weak social partners and academia, competitive idea-producers such as think tanks have become some of the most stable participants in the Slovak fiscal policy field. Together with old and new institutions in line with a neoliberal outlook such as the Slovak Central Bank, the

[18] Other universities of partial relevance include the Technical University of Kosice, the Safarik University (with a focus on public administration) and the Selye János University which serves particularly to educate members of the Hungarian minority in Slovakia.

IFP inside the finance ministry and the country's fiscal council, they play a key role in the production and diffusion of neoliberal ideas domestically.

Table 10.1 – Slovak policy-making, production, and knowledge regimes

Slovakia	
Policy-making regime (Political institutions)	
Classification (drawing on Pehe 2014)	***Post-communist Democracy***
System of government	Semi-presidential parliamentary democracy (weak president)
Centralism/federalism	High degree of centralism (no upper chamber)
Electoral system	Proportional electoral system with party lists on all governmental levels
Party system and structure	Multi-party system with a considerable degree of volatility (Powell and Tucker 2014)
Production regime (Economic institutions)	
Classification (Nölke and Vliegenthart 2009)	***Dependent liberal market economy***
Organization and role of employee/employer organizations	Weak corporatism Interest groups play a rather subordinate role in the production regime
Economic structure	Export-oriented manufacturing with a strong focus on producing cars Strong foreign direct investment and inflow of EU funds
Knowledge regime (research institutions)	
Classification (drawing on Campbell & Pedersen 2014)	***Competitive knowledge regime***
Central knowledge producers	Think tanks, Ministerial units (IFP), Slovak central bank, CBR
Central educators	Comenius University, University of Bratislava
Overall organization of the macroeconomic & fiscal policy field	
Institutional factors supporting Slovak neoliberalism	Think tanks Slovak independent fiscal council

Source: Own description, drawing on Pehe (2014), Powell and Tucker (2014), Nölke and Vliegenthart (2009) and Campbell and Pedersen (2014)

10.4) Slovak neoliberalism and fiscal framework reforms

The evolution of Slovak fiscal policy-making and the country's fiscal framework has happened in several reform episodes since the End of Communism at the beginning of the 1990s. In the following I discuss key periods of the last three decades in four subsections based on detailed process tracing.

The first subsection describes the rise and fall of Mečiarism following the end of Communism and the independence of Slovakia from the Czech Republic. It highlights how the atmosphere of autocratic nationalist economic centralism was countered by a movement of neoliberal policy-makers that organised in independent think tanks that criticised the political and economic direction of the country and increasingly gained relevance over the course of the 1990s.

The second subsection engages with the political break with Mečiarism and the neoliberal turn of the late 1990s and early 2000s. It shows how an epistemic community of young, internationally educated policy advisors and policy-makers came to power and implemented a highly neoliberal reform agenda. Drawing on the support and legitimacy from international institutions, domestic decision-makers enacted sweeping fiscal reforms such as a flat tax and a major reform of Slovakia's fiscal governance. The subsection also shows that the neoliberal networks and agenda remained influential even after a change in government.

The third subsection discusses the way up to the central constitutional fiscal framework reform that was supported in 2011 by all six parliamentary parties, establishing one of the most stringent national sets of fiscal rules and institutions across Europe. It highlights how two well-connected economists and policy advisors made a reform draft, which was subsequently included in electoral manifestos leading to the formation of a cross-party parliamentary committee, which elaborated the details of the reform. Inside information from the committees highlights how politicians were eager to propose the most stringent fiscal frameworks possible.

The fourth subsection, finally, discusses the effects of the Slovak debt brake on national fiscal policy-making and how additional requirements from the European level were integrated in the domestic fiscal framework, completing the overall structure of the originally planned set of fiscal rules and institutions.

10.4.1) The rise and fall of Mečiarism

Among the six studied cases, Slovakia was the only one under Communist leadership after World War II and thus before joining the European Union and the Eurozone. Following the so-called Velvet Revolution, Slovakia's predecessor Czechoslovakia transitioned from one-party rule to democracy, equally switching from a command economy to a market economy. Civic movements in both parts of the country promoted the end of Communism and guided the transition process. In Slovakia this was 'Public against Violence' (VPN), while the 'Civic Forum' was at the forefront in the Czech Republic. According to Meseznikov and Smilov (2015: 4), "the leading, driving force within the VPN movement was a group of liberally oriented intellectuals (prevailingly scholars in social and human sciences) and civic activists", who guided particularly the first two years of the transition.

During this period, Vladimir Mečiar came to power, becoming the first prime minister of Slovak constituent state after the first free elections in 1990. Liberal forces also dominated the transition in the constituent republic of Czechia. Under the Czech prime minister Vaclav Klaus, the country began to set out a radical process of economic transformation towards a free market economy (see Bohle and Greskovits 2012: 76, 144). Klaus, an economist by training, was described by Appel and Orenstein (2018: 22) as a 'neoliberal economist', favouring "an avant-garde approach known as 'voucher' privatization (or coupon privatization)".

This approach was met by a strong opposition from Mečiar, who – in contrast to a large part of the VPN – represented a more nationalist and populist approach for Slovak politics (see Fisher et al. 2007: 987). Its liberally-oriented wing became increasingly concerned with Mečiar's practices, reproaching him "authoritarian leanings, lack of cooperativeness and application of political methods incompatible with democratic system of governance" (Meseznikov and Smilov 2015: 8). In 1991, this led to a split of the VPN, with Mečiar founding the party Movement for a Democratic Slovakia (HZDS). HZDS subsequently won the 1992 parliamentary elections and the rift between the neo-liberal Klaus and nationalist Mečiar ended with the dissolution of Czechoslovakia and the creation of Slovakia and the Czech Republic.

In the following years, the domestic capitalist model of Slovakia started to differ considerably from the Czech Republic, "exhibiting the most nationalist features among all the Visegrád countries. Privatisation under (…) prime minister Vladimir Mečiar sought to create a national entrepreneurial class that would conduct business in Slovakia's interest" (Bohle and Greskovits 2012: 145). He did so by cancelling further waves of 'voucher privatizations' and rather "selling enterprises directly and at favourable terms to political friends and local enterprise managers" (ibid.: 146). This approach and broader economic and political policies such as "welfare paternalism, subsidies and protective regulation for inherited industries, and nationalism" became subsequently known as Mečiarism (ibid: 145-146).

In practice, this idea-set of nationalist economic centralism subordinated "economic and political policy to power politics", made "use of nationalism and identity politics to attempt to de-legitimize opponents (and to spread fear in society about the dangers to the state)", aimed to weaken "the basic institutions of market democracy where they gave opponents access to wealth or power", and gave "priority to internal power considerations over external incentives in defence, foreign investment and joining the EU" (Fisher et al. 2007: 987-988).

With short interruptions during 1991-1992 and 1994, Mečiar served as Slovak prime minister from 1990 until 1998. Over these years, the increasingly autocratic approach of 'politicised' statism taken by Mečiar (Fisher et al. 2007: 989) was met with strong opposition from (neo-)liberal forces, who organised in think tanks, other types of NGOs and, increasingly over time, inside the parliamentary opposition. Particularly think tanks became a key location for proponents of neoliberalism and critiques of a semi-authoritarian state, "both in ideological and organizational terms" (Meseznikov and Smilov 2015: 3). Many of them envisioned "a completely changed Slovakia along the lines of neoliberal ideological principles" (Fisher et al. 2007: 989).

During the 1990s, think tanks were seen as the central actors scrutinising and criticising the work of the government. Meseznikov and Smilov (2015: 29) called the 1990s the "golden age of think tanks" in Slovakia. To distance themselves from the anti-democratic practices under Mečiarism, Slovak think tanks were particularly keen on remaining independent from the state, and thus strictly avoiding public funding (ibid.: 24-25). Even if the country is a stable, if flawed, democracy nowadays, domestic think tanks generally still try to avoid perceived capture through state funding.

One of the most important think tanks – particularly in the 1990s – was MESA10 (Macro Economic and Social Analyses, which was founded by 10 (neo-)liberals. Among them were Mikuláš Dzurinda and Ivan Mikloš, who subsequently became the main opponents of Mečiarism and other nationalist, paternalist, and populist forces, taking key government positions from 1998 onwards. As the think tank describes itself, "MESA10 champions individual liberty, free market economy, and a government of limited powers. It promotes private initiative, individual rights, democratic principles, and values such as free competition, equality of chances, free enterprise, openness of the economy, and inviolability of private ownership" (MESA10 2019).

Another highly relevant think tank during the 1990s was the F.A. Hayek Foundation, which was founded in 1991 by neoliberal Slovak economists. In their own words, "the core mission of the F. A. Hayek Foundation is to establish a tradition of market-oriented thinking in Slovakia" (F. A. Hayek Foundation 2020). The institution highlights endorsements from neoliberalism advocates such as Milton Friedman and Steve Forbes, and stresses its proximity to people such as Sir Roger Douglas (the architect of the neoliberal economic turn in New Zealand). The F.A. Hayek Foundation also became a recruiting ground for liberal governments.

Given the nationalist – almost isolationist – policies of Mečiar, Slovak think tanks strongly engaged in international networks to draw on external resources and create connections with external actors (see Meseznikov and Smilov 2015: 27).

10.4.2) The break with Mečiarism and the neoliberal turn of the 2000s

During the late 1990s, the dominance of Mečiarism came increasingly under pressure. Several high-profile scandals, such as attempted 'gerrymandering' against the Hungarian minority (see Baer 2001: 98), the so-called Kovac scandal (see Barber 1995), and problems with the banking sector gradually undermined the prime minister's position. At the same time the opposition forces managed to form a more united front, calling for an opening of the country and its accession to European and international institutions.

Following the 1998 parliamentary elections, while still forming the biggest party, Vladimir Mečiar's HZDS lost power (see Henderson 2004). A broad coalition across the political spectrum under the leadership of the subsequent prime minister Mikuláš Dzurinda formed. His liberal-conservative Slovak Democratic Coalition (SDK), only established in 1997, took power together with the social-democratic SDL', the pro-Hungarian SMK and the centre-left SOP. Next to Dzurinda, also Ivan Mikloš of MESA10 joined the government, becoming the deputy prime minister for economy.

During the 1998-2002 parliamentary term, as Fisher et al. (2007: 990) have pointed out, "what might be described as a neoliberal epistemic community began to sketch out in more detail the policies they wanted to see introduced in Slovakia". From being completely shut out of power, a considerable number of politicians and advisors holding a neoliberal idea-set reached key

government position, most importantly Dzurinda and Mikloš from MESA10. Ahead of the 2002 elections (see Haughton 2003), Dzurinda's party transformed into the SDKÚ. While Mečiar's L'S-HZDS constituted again the largest party, the social-democratic SDL' was suffering heavy losses, being largely replaced by the new party SMER led by former party member Robert Fico (see Meseznikov and Smilov 2015: 14). The liberal-conservative forces managed, however, to form a coalition that was ideologically much more coherent than the broad coalition of the previous government. Under renewed prime minister Dzurinda, Mikloš became finance minister, being supported by the pro-Hungarian SMK, the conservative KDH and the liberal party ANO, founded and led by the media businessman Pavol Rusko.

During the 1998-2002 parliamentary term, the government's focus was on dealing with the economic and fiscal problems created by Mečiarism and to push and prepare for EU accession. The common pro-European stance held together the ideologically diverse coalition. Especially due to the opposition of the social-democratic SDL', deep neoliberal reforms did not take place, but were increasingly prepared. With the electoral win of the liberal forces in 2002, a 'neoliberal turn' took place in Slovak politics, which "emerged from a deep, ideologically informed collaboration between highly placed political officials and innovative policy advisors" (Fisher et al. 2007: 977).

According to Fisher et al. (2007: 991), finance minister Ivan Mikloš was the central figure of this policy turn. Already during his time as deputy prime minister for the economy in the previous term, "he built a small team of advisors" and subsequently "surrounded himself with young, Western-trained economists" at the finance ministry (ibid.: 991-992). In addition, Mikloš was given a lot of liberty by prime minister Dzurinda to determine economic policy. Among government officials and advisors, not only Dzurinda and Mikloš came from a think tank background. Both Fisher et al. (2007) and Meseznikov and Smilov (2015) identified several neoliberal key policy-makers from other think tanks and NGOs, such as the F.A. Hayek Foundation and INEKO. The latter was founded in 1999 by Eugen Jurzyca, another central figure in the Slovak economic policy field.

The neo-liberal idea-set held among fiscal policy elites during the early 2000s was also supported by other influential actors such as the business community (particularly the banking sector) and a majority of journalists. A key player among the former was Martin Barto, "who served as chief economist of the Slovenska sporitel'na bank, before being appointed to the board of the National Bank of Slovakia in December 2004, becoming deputy governor in early 2005" (Fisher et al. 2007: 992-993). Also the domestic Central Bank was thus under strong influence of neoliberal thinking.

This "network of neoliberal thinkers gained policy influence, [offering] Slovakia a clear explanation of the crisis facing the country's economic institutions and a range of ideologically consistent blueprints to reform or replace them" (Gould 2009: 8-9, see also Fisher et al. 2007: 978). Many of the key people that developed these reforms "had been sitting on the side-lines as part of the NGO sector since before Slovakia's independence. Others had been studying cutting-edge neoliberal reforms at universities in the United States and Western Europe" (Fisher et al. 2007: 991). They

possessed the ability to use internationally developed idea-sets and apply them back to the specific environment of Slovakia.

With a starkly neoliberal government in power, these expatriate economists with strong technical training began to return home to 'make a real difference' (Mathernova and Rencko 2006: 629,636). Those that did not directly join the government served as external advisors from different think tanks and international financial institutions, particularly through the World Bank and the IMF. Among the key projects of the second Dzurinda government was a radical reform of the tax system, introducing a 19 percent flat tax on personal and corporate incomes in 2004, fiscal consolidation measures, a major reform of fiscal governance, and significant changes to the labour laws and pension systems.

The pathbreaking reforms based on a neoliberal idea-set were not only possible due to the strong coherence across the government parties and its advisors, but also due to the weakness of the opposition and interest groups, which did not provide any coherent vision that would have explained existing problems and present solutions to address them (Fisher et al. 2007: 996). As Mathernova and Rencko (2006: 639) have pointed out, Slovak interest groups generally "lacked the capacity to mobilize forces and block changes", contrasting the country to others with more entrenched interest group systems such as Germany or France. This was also highlighted by Appel and Orenstein (2018: 115). In the relatively short period from the end of Communism to the stark reform period of the early 2000s, potential opponents to the reforms had little time to form powerful and well-organised organisations, making it easier for a cohesive government coalition to push through large reform packages.

In their neoliberal reform fervour, domestic fiscal policy actors were surely helped by "the promise of international integration and advice from international organizations" (Mathernova and Rencko 2006: 635, see also Appel and Orenstein 2018: 46). What is generally shared among scholars, however, is that the Slovak 'neoliberal turn' in the early 2000s is not explicable without referring to an ideational explanation and the epistemic communities that developed and translated neo-liberal solutions into the domestic context of a post-communist country (see e.g. Fisher et al. 2007: 991, Bohle and Greskovits 2012: 158). Factors such as EU "accession, the competition for foreign capital, demographic shifts or cultural change" (Fisher et al. 2007: 978) or the question of access to international bond markets (Mathernova and Rencko 2006: 639) cannot adequately account for the switch to neoliberalism in Slovakia.

While being generally supportive of the domestic reform agenda, international institutions did not push the second Dzurinda government to undertake radical reforms. It was rather domestic politicians and economists that solicited organisations such as the World Bank and the IMF: "Assistance was driven by demand, not supply, with local staff able to shape the donors' agenda to meet the governments' needs" (Mathernova and Rencko 2006: 638). Ensuring the support from external actors was seen as a means by the ruling fiscal policy actors to increase the domestic legitimacy of their reform proposals (ibid.: 633).

Rather than being forced upon Slovakia, domestic policy-makers were enthusiastic about the technical assistance and advice given, to a dominant degree, by World Bank officials (as visible from Article IV consultations of the early 2000s, but also later on). These same documents show that the World Bank, for example, was even concerned about the pace and size of neoliberal reforms in Slovakia and urged the Dzurinda government to slow down and attenuate its reform efforts (IMF Article IV Reports 2003, 2004, see also Fisher et al. 2007: 992, Appel and Orenstein 2018: 27-28).

After four years of outright neoliberalism under the guidance of finance minister Ivan Mikloš, the 2006 Slovak parliamentary elections ended the 8-year long rule of SDKÚ-DS and its political partners. Robert Fico's Smer-SD sharply increased its political weight, gaining 29.1% of the popular vote. The nationalist SNS managed to re-enter the parliament, after having fallen below the necessary threshold in the previous elections. Mečiar's L'S-HZDS strongly lost, finally losing its central role in the domestic political system. As the liberal ANO party failed to enter parliament, Dzurinda's coalition lacked a majority. Instead, Fico formed a centre-left nationalist and populist coalition with the SNS and the L'S-HZDS. Since its foundation in 1999, Fico had moved the party from a populist and 'non-ideological' self-definition to a centre-left position, partly filling the hole that the social-democratic SDL' had left in the Slovak political spectrum. He did so, first by subscribing to the 'Third Way' concept in 2002 and to 'Social Democracy' before the 2006 elections", accordingly renaming the party from Smer to Smer-SD (Meseznikov and Smilov 2015: 14).

Originally it was feared, the Fico would significantly alter the orientation of Slovak fiscal policy-making. But rather than shelving the fiscal targets of the liberal-conservative coalition, he promised to follow them, allowing the country to join the Euro in 2009 (Fisher et al. 2007: 994). According to Gould (2009: 3), "the success of his predecessor's reforms (…) weakened the case for a major rollback of policies. The Fico government thus never felt compelled to offer a coherent social democratic policy vision appropriate to a small and extraordinarily open export economy". Rather, "Fico's government left the main framework of Dzurinda's neoliberal reforms in place and contented itself to make changes at the margins". The governing coalition "continued to make strides towards fiscal consolidation in accordance with [the] Maastricht convergence criteria" (ibid.: 4).

Under prime minister Fico, Ján Počiatek (also Smer-SD) became finance minister. He held a dominant position in the government's fiscal and macroeconomic policy-making, similar to Ivan Mikloš in the previous government. Trying to reassure the corps of high-level public officials in his ministry, he kept or even recruited public officials and advisors from the Dzurinda era. Počiatek retained, for example, Richard Sulík, who had served as a special advisor of Mikloš, providing the blueprint for the 2004 flat tax reform (which was based on his master's thesis). Shortly after leaving the finance ministry in 2007, Sulík founded his own party, the neoliberal Freedom and Solidarity (SaS), which has been a relatively constant feature of Slovak party politics since then.

With Michal Horváth (playing a very important role later on in the creation of the Slovak fiscal framework) and Martin Filko, two other ministry officials of the 2002-2006 term were recruited by the Smer-SD led government (Gould 2009: 14). Filko held the position of chief economist at the Slovak finance ministry, was Director of the Institute of Financial Policy (IFP), and later also worked as an advisor for SDKÚ-DS prime minister Iveta Radičová. More broadly, under Počiatek, the finance ministry "provided a haven for talented, liberal analysts who felt ideologically unwelcome in other ministries (…). As a result, the Ministry of Finance (…) established a reputation as a centre for policy expertise and fiscal discipline" (Gould 2009: 14).

What is remarkable here is that key government advisors with a neoliberal outlook managed to remain influential even when the government and its supporting parties completely changed. This also shows how strongly neoliberalism had become entrenched in Slovak fiscal policy elite circles after the early 2000s (and has remained to be so until now). The Slovak experience is, however, not extraordinary among post-communist countries. Based on an encompassing analysis of Central and Eastern European countries, Appel and Orenstein (2018: 37-38) found that especially "in the 'Visegrád countries of Central Europe and the former Soviet Baltic republics, neoliberal reform governments often were overturned by left governments that continued – or even accelerated – the reforms".

10.4.3) The Slovak Fiscal Responsibility Act

In December 2011, the constitutional Fiscal Responsibility Act (FRA) 2011 was passed unanimously by the Slovak parliament, setting up one of the most stringent fiscal frameworks in the Eurozone. It was the result of several years of negotiations, set-up and framed by two domestic policy advisors/researchers, L'udovít Ódor and Michal Horváth. Both Ódor and Horváth were well connected to subsequent governments led by different parties in the late 2000s and early 2010s.

Horváth joined the finance ministry in 2007, shortly after the 'social-democratic SMER-SD had won the 2006 elections, with Robert Fico becoming prime minister and Jan Počiatek taking over the position of finance minister (both from SMER-SD). Horváth was hired in relationship to the country's Eurozone accession (which took place in 2009), serving as an advisor to the finance ministry and as a link between the European institutions and the Slovak finance ministry. During the following years, Horváth gained increasing importance for the finance ministry, gradually replacing the country's state secretary as a representative in the economic and financial committee (EFC) on the European level (Interview Horváth, Interview Novysedlak)[19]. At the national level, Horváth worked closely with SMER-SD finance minister Jan Počiatek (2006-2010), as well as with the following SMER-SD finance minister Peter Kazimir (2012-2016). He was, however, also well connected with the 2010-2012 government led by the conservative SDKÚ-DS, in which Ivan

[19] Horváth was, for example, involved in the taskforce led by Herman Van Rompuy proposing a reform of the European fiscal framework. The taskforce's final report entitled "Strengthening economic governance in the EU" was published in October 2010.

Mikloš served again us finance minister (he held this position previously during the neoliberal reform years of 2002-2006).

L'udovít Ódor, more senior than Horváth, had already served as the chief economist of the Slovak finance ministry from 2003 to 2005 (while Ivan Mikloš was finance minister) and subsequently served as Executive Director for Research and a board member at the Slovak Central Bank (NBS). When a SDKÚ-DS led coalition came again to power in 2010, Ódor became an advisor to the prime minister (Iveta Radičová) and the finance minister (Ivan Mikloš) in the country's government office. In his function at the NBS, Ódor was also talking part in meetings and committees on the European level. Both Horváth and Ódor were thus well embedded in the networks of subsequent governments in the late 2000s. Given the timing when each of them became governmental advisor, Horváth seemed to be more closely related to SMER-SD (in the interview, he also told an anecdote about a meeting with trade unionists), while Ódor was probably closer to the SDKÚ-DS.

Already in 2005, the two economists had a discussion on how to (further) develop a domestic fiscal framework in Slovakia. While Ódor was in favour of introducing national fiscal rules (based on expenditure rules and a 'debt anchor'), Horváth was a strong supporter of fiscal institutions such as national fiscal councils, on which he had already worked during his studies (Interview Horváth, Interview Ódor). After several years of exchange, they realised (similarly to the evolution in academic thinking on these issues) that fiscal rules and councils could actually be complementary: "You cannot have perfect rules, and imperfect rules need judgement in their implementation, and judgement can come from an independent institution" (Interview Horváth).

The idea for the creation of a comprehensive Slovak fiscal framework was then finally born during a meeting of the Economic and Financial Committee (ECF) in 2009, where both Horváth and Ódor were present. Under the impression of the economic crisis in the US, and its probable impact on Europe, they became worried about the crisis impact on national public finances. Both economists deemed the Slovak fiscal institutions insufficient to deal with this situation and lacking credibility. They also thought that the existing European fiscal framework was probably not going to provide a binding constraint for national policy-makers and wanted to rather rely on a domestic set of fiscal rules and institutions (Interview Horváth, Interview Ódor).

Drawing on the existing economics literature on fiscal rules and institutions (predominantly rooted in public choice thinking), they united both strands of research into an NBS Working Paper entitled "Making fiscal commitments credible", which was published in December 2009. The paper stated that it had several objectives: critically analysing the existing domestic fiscal institutions, proposing a comprehensive fiscal framework reform, kick-starting an 'expert discussion' on the issue, and thus offering to political decision-makers "an inspiration for a programme of transparent, responsible and credible fiscal policy" (Horváth and Ódor 2009: 4).

Following the concepts of the public choice literature their goals for the new set of fiscal rules and institutions was "to create a stronger commitment device whereby it would be more costly and

difficult for economic policy-makers to deviate from a responsible track than today" (ibid.: 4). As weaknesses of the existing framework in 2009, they also referred to the existence of a 'deficit bias' (based on time inconsistency in fiscal policy-making) (ibid.: 9), the key concept of public choice scholars justifying the need for constraining fiscal institutions. Among the authors they cite are, for example, key texts of this strand of research by Kydland and Prescott (1977), Cukierman and Meltzer (1986), and Drazen (2004). Horváth and Ódor also pointed out the shortcomings of the Stability and Growth Pact, stressing for example the lack of binding discretion constraint, "as the penalty mechanisms have never been used".

Based on an analysis of existing fiscal frameworks in other countries and their effects on fiscal policy-making, the two Slovak economists then made their proposal for a domestic set of fiscal rules and institutions, including a number of additional public finance concepts such as 'net worth' and 'long-term sustainability'. To ensure the latter, the authors suggested to implement an integrated set of fiscal rules, with a debt as an 'anchor' for fiscal policy-making. Given the expected evolution of Slovak demography, Horváth & Ódor suggested "to set a top limit for official gross debt at the level of 50% of GDP in a constitutional act" (Horváth and Ódor 2009: 24-25) and thus below the 60% debt ceiling of the Maastricht criteria.

Serving as a limit of last resort (long-term perspective of public finances), the debt ceiling was to be accompanied by a more operational expenditure ceiling (medium- to short-term), which was to be oriented towards ensuring the long-term sustainability of Slovak public finances. The expenditure ceiling proposal of the two economists was quite complex, but in principle based on structural deficits. To keep the fiscal rule approach compatible with the European fiscal framework, Horváth and Ódor advocated for using the consolidation requirement of the SGP of 0.5% as the minimal level of consolidation towards achieving long-term sustainability (ibid.: 27). For the municipal level, their discussion paper suggested the introduction of a 'golden rule' together with a debt ceiling (ibid.: 30).

More broadly, the authors proposed a reform of the budgetary process, further increasing the transparency of public budgeting. In addition to a comprehensive set of fiscal rules, Horváth and Ódor also advocated for the establishment of an independent fiscal council, which was to play an important role "during the process of setting and evaluating the achievement of fiscal targets" and to increase budgetary transparency (ibid.: 31). They suggested to install this 'fiscal responsibility board' within the Slovak parliament, consisting of three board members to be supported by a technical secretariat. For the entire set of reform measures, the two economists stressed the importance of putting them inside a constitutional law (ibid.: 34). In contrast to the final reform, the discussion paper did not contain any detailed suggestions for (automatic) correction or sanction mechanisms.

Planned as the starting point for an expert discussion on the introduction of national fiscal framework and to provide political decision-makers with a ready-made reform package, Horváth and Ódor indeed succeeded in pushing forward the domestic debate on a Slovakian debt brake

already in late 2009/early 2010. While partially informed by the discussions at the European level (e.g. through the participation of Horváth in the Van Rompuy taskforce), the plan for a domestic set of fiscal rules and institutions gained relevance in Slovakia before there was any move towards the support of new or strengthened national fiscal frameworks among EU leaders.

Both advisors used their existing networks and close relationships with leading politicians and public officials to disseminate their approach, including their problem statement and their proposed solution. They also presented their work to the economic experts of all 'relevant' political parties ahead of the parliamentary elections of June 2010 in the hope of creating a consensus across the political spectrum on the need for a substantial fiscal framework reform (Interview Ódor). Michal Horváth further detailed that "there was an informal gathering in a hotel, with all the political parties, before the elections, where we presented the idea (…) [and] the main parties they were (…) sympathetic, and they were happy to think along those lines" (Interview Horváth, see also Slovak parliament – Kollar 2011).

They encouraged the different parties to "include some of the elements of our proposal [in]to their election programmes, in order to have a kind of a more consensual view on this" (Interview Ódor). As Ódor pointed out, it was important to them to convince the political actors that there was a need for a stricter fiscal policy-making and that they could pick and choose parts of the fiscal framework proposed to them (ibid.) And indeed, they seemed to manage persuading "actually all parties to put that into their election manifestos" (Interview Horváth).

An analysis of the electoral manifestos of Slovak parties largely confirms these statements, with parties across the political spectrum including – in one or another form – many of the elements of a domestic fiscal framework as laid out in the 2009 discussion paper of Horváth and Ódor (see Table 10.2). Out of the eight most 'relevant' parties in the 2010 parliamentary elections, six parties finally managed to cross the 5% hurdle in June 2010 (L'S-HZDS and SMK-MKP failed by a narrow margin). Out of these six parties, five had included the introduction of national fiscal rules (and institutions) in their electoral manifestos. The manifestos of the liberal and conservative parties SDKÚ-DS, KDH, and SaS all contained sections that were very similar or even identical to the proposal of Horváth and Ódor. All of them had been in opposition from 2006 to 2010. SMER-SD's electoral promise resembled the expenditure ceiling suggestion of their discussion paper, while MOST-HÍD's suggestion differed from the economists' approach.

While Robert Fico's SMER-SD was able to win a large plurality of the vote in the 2010 elections (34.8%), the four opposition parties SDKÚ-DS, KDH, SaS, and MOST-HÍD agreed on a coalition. Based on the developing consensus on a fiscal framework reform among the parliamentary parties, a formal working group (a parliamentary committee) was established to discuss its details (Interview Novysedlak). For Horváth and Ódor it was important that the reform was not seen as a 'government proposal' because that could have led to a rejection of any law by the opposition, rather continuously aiming for creating a cross-party consensus (Interview Ódor).

Table 10.2 – Proposals for fiscal framework reform included in the 2010 electoral manifestos of Slovak parties

SMER-SD	„In order to strengthen the binding nature of the multi-annual general government budget, including the extension of the period for which the budgetary framework is established, the government will introduce expenditure ceilings" (SMER-SD 2010: 11)
SDKÚ-DS	"We will introduce clear rules of discipline in public finances so that governments can no longer deceive citizens about the real development of their management, as the current government does through various tricks. We will begin to closely monitor the net wealth of the Slovak Republic, i.e. the difference between total assets and liabilities of the state. We will introduce binding spending ceilings, whereby the government will always be forced to decide how to allocate a predefined volume of resources among different priorities. We will create a separate independent institution to monitor the development of public finances and regularly inform the public about it. It will be led by independent experts who will be under pressure from any popular government" (SDKÚ-DS 2010: 23).
KDH	The KDH will promote the anchoring of the debt brake based on the concept of the state's net wealth in the form of a constitutional law to prevent future generations from being indebted and increasing debt service spending" (KDH 2010: 11). "The KDH debt brake contains the following rules: - Introduction of a ceiling for public debt of 45% of GDP - Introduction of binding expenditure ceilings leading to a reduction in the long-term deficit of the sustainability of public finances of at least 0.5% of GDP annually" (KDH 2010:11). "In order to assess the compliance with the rules for responsible fiscal policy and to increase transparency and information for the Parliament and the public, we propose the establishment of an independent council for fiscal responsibility" (KDH 2010: 11).
L'S-HZDS	-
SMK-MKP	[not available]
SNS	-
SaS	„Adopt a constitutional law on a balanced state budget by 2014, committing the government to reduce budget deficits year-on-year so that it can achieve at the latest for 2014, for the first time in Slovakia's modern history, a balanced budget. That law should be constitutional in order to reduce the likelihood of a fundamental change with any new governments" (SaS 2010: 9). "Adopt a constitutional law on a fiscal rule for gross public debt up to a maximum of 50% of GDP. The rule will only apply until you reach a balanced budget" (SaS 2010: 9). "Establish limits for the regions, cities and municipalities on annual debt servicing costs up to a maximum of 25% of their annual income over the last three years and on gross debt up to a maximum of 50% of their assets" (SaS 2010: 11)
MOST-HÍD	„Adopt a legal obligation to compile and present a balanced or surplus public budget in case of expected positive GDP development above 3%" (MOST-HÍD 2010: 9)

Source: 2010 electoral manifestos of Slovak parties

The working group met regularly while, at the same time, the drafting of a law started in the finance ministry. During this process, both Horváth and Ódor continued to be strongly involved, with Horváth stating: "we worked on every single detail (…) of that law" (Interview Horváth). The working group was composed of 'high-profile politicians' and economic experts, including two members of all the different parties represented in the Slovak parliament at the time. Among them was, for example, Peter Kazimir (SMER-SD), who became finance minister in 2012. L'udovít Ódor himself chaired the working group (Interview Ódor).

L'udovít Ódor, in his function as governmental advisor, managed to ensure the governmental support of the SDKÚ-DS led liberal-conservative coalition that was in power from 2010. Ódor

stated that he – amongst other people – persuaded prime minister Iveta Radičová that introducing a national fiscal framework was a good idea. Importantly, "it was quite easy in the sense that there was no opposition in these circles to my proposal", meaning the two groups of "advisors at the prime minister's office and [the] advisors at the finance ministry" (Interview Ódor).

On the side of the opposition, according to several interviewees, working group member and later finance minister of the SMER-SD, Peter Kazimir proved important in convincing the social democrats (and the broader left-wing community) to support a substantial fiscal framework reform. According to Horváth, Kazimir managed to convince SMER-SD party leader and former prime minister Robert Fico (again prime minister from 2012 onwards) that a domestic set of fiscal rules and institutions was a good idea. Despite suspicions from left-wing circles, Fico trusted the advice of Kazimir who was described by Ódor as being "very 'hawkish' in terms of fiscal policy" (Interview Horváth, Interview Ódor).

The atmosphere inside the parliamentary working group was generally described as constructive by the different involved political actors and advisors. There was no strong dissensus among the represented parties on the necessity of a domestic fiscal framework. According to Ódor there was "not a huge debate whether as to spend a lot or to be conservative and fiscally prudent, but the question in Slovakia was, whether to be prudent or very prudent" (Interview Ódor). Horváth described the situation similarly. Rather than generally questioning a potential fiscal framework, the main discussions among the working group members were actually about the level of fiscal rule limits "and there was a sort of a race to the bottom there. So if the debt ceiling was criticised, it was because it's too high, not because it's there" (Interview Horváth), meaning that some policy-makers wanted to make the original proposal even more discretion constraining.

Overall, the working group largely adopted the proposal of the 2009 discussion paper, making only some minor adaptations. Everyone agreed that the domestic fiscal framework should be based on a constitutional law, which would make it difficult to reverse it when different political actors could come to power in the future. This was also a key wish of the economists' proposal. Similarly, there was a consensus on the introduction of a debt brake (Interview Ódor).

The main points of contention were which liabilities and assets should (not) be part of the calculation of the debt level such as consideration on the gross or net level of debt, the inclusion of liabilities arising from European rescue mechanisms, and who was to be responsible for calculating the numbers. As Horváth stressed, "we wanted to tie the debt ceiling to a measure outside the country so that it's not something that could be influenced by local politicians" (Interview Horváth). After negotiations, the central fiscal rule for the central government level was to become a debt ceiling of 60% of gross debt (based on Eurostat data), but with various kinds of sanctions (see the section on the Slovak fiscal framework further above) starting from 50%. To accommodate those parties that wanted to have an even lower debt ceiling, a compromise was found. Over a defined period of time, the debt limits were to fall by 10% of GDP to 40% (50%) (Interview Horváth).

During the negotiations the parliamentary working group also further specified the kind of sanctions to apply in case of rule non-compliance. The original discussion paper had remained rather vague on this point. As Horváth pointed out, also on this issue politicians were rather outbidding each other on harsher sanction mechanisms rather than making them more forgiving. While the final fiscal framework reform included the freezing of politicians' salaries when crossing specific debt limits, some working group members wanted to go even further, aiming at cutting salaries" (Interview Horváth).

Horváth stated that they actually had to reign in proposals of working group members to automatically oust governments if public debt levels reached the maximum level of sanctions. In the end the most severe penalty in the sanction mechanisms included in the final draft was an automatic vote of no-confidence in the Slovak parliament, allowing parliamentarians, however, to support the government. (Interview Horváth). The original proposal for a national fiscal council, the later Council for Budgetary Responsibility (CBR), remained largely intact over the course of the negotiations. It was, however, attached to the Slovak Central Bank rather than the parliament. The reason behind this were the experiences with the Hungarian fiscal council, whose independence was dismantled in 2010 (only two years after its establishment), following the electoral victory of Viktor Orbán (Interview Horváth).

The most significant difference of the final draft of the Slovak fiscal framework reform from the original proposal by Horváth & Ódor was that the planned expenditure ceiling – while being mentioned in the constitutional law – was never implemented. As Article 7 (3) of the fiscal responsibility act stated "the procedure for setting the public expenditure limit shall be specified by law". Such a law was, however, never passed subsequently. As the fiscal framework reform delegated the introduction of an expenditure ceiling to another law without specifying its design nor creating any direct obligations for its implementation, this allowed politicians to put a binding expenditure ceiling on the side (Interview Novysedlak, Interview Golias).

According to Horváth, this simply "was a part of the deal eventually. (…) I think it was the price for getting it [the constitutional reform] through" (Interview Horváth). Ódor similarly stated that the expenditure ceiling "was originally in the draft law, but in the end, in order to achieve this consensus in parliament, we had to make this (…) compromise", calling it "one of the disappointments with this process" and "the price for the constitutional method" (Interview Ódor).

As the main reason for the non-inclusion of a binding expenditure ceiling, both argued, independently from each other, that some actors (in particular the later SMER-SD finance minister Kazimir) found the expenditure ceiling to be "too much of a straightjacket", limiting the political room for manoeuvre during the annual budgeting process and creating a sort of budgetary auto-pilot (Interview Horváth, Interview Ódor, Interview Suchta). The most operational fiscal rule of the overall fiscal framework reform was thus left out. Originally planned as a 'last resort

instrument', the debt ceiling with its highly stringent and automatic set of sanction mechanisms thus became the central fiscal rule in the Slovak fiscal policy-making system (Interview Horváth).

During the negotiations inside the parliamentary working group, the economic crisis of 2008/09 transformed into the European debt crisis with the 2010 public debt default of Greece. In October 2011, when the crisis further aggravated and bond interest rates skyrocketed across most European countries, the liberal-conservative government coalition tumbled over a vote on the expansion of the Eurozone's EFSF rescue fund. Facing strong critique from one of the coalition partners, the liberal Freedom and Solidarity (SaS) party, against supporting crisis countries with Slovak financial resources and guarantees, prime minister Iveta Radičová (SDKÚ-DS) linked the parliamentary vote on the EFSF expansion to a vote of confidence in the government (Santa and Lopatka 2011). Failing to ensure an absolute majority, the government had to step back. To avoid a broader fallout for the Eurozone, the main opposition party SMER-SD agreed to support the EFSF expansion just a week later, reaching the necessary votes for the law to pass, but "had demanded a reshuffle or resignation as the price for its support" (Santa and Lopatka 2011).

Interestingly, the parliamentary working group continued and finished negotiations after the fall of the government and months before the following elections in March 2012. The constitutional fiscal framework reform as laid out above passed with unanimous support of all the six parliamentary parties at the time (Interview Golias). While the dominant neoliberal idea-set among Slovak experts, politicians and public officials can explain the stringency and design of the implemented set of fiscal rules and institutions, rising interest rates and difficulties to issue government bonds on the international bond markets helped to bring the reform about even under a caretaker government. As L'udovít Ódor put it: "So in that situation we told the them, look, we need to somehow separate ourselves from the rest of the countries in order not to get under pressure and to avoid contagion from other countries. So let's send a signal that we are really responsible and so let's adopt this law, which was already (…) in the parliament, and discussed in a parliamentary group, and everybody was so scared at the time that (…) it went through the voting process quite easily" (Interview Ódor).

In Ódor's view, there was a need for such a type of crisis in order to implement the Slovak fiscal framework but admitted "that even without crisis there was some kind of willingness among the political parties to change our fiscal framework" (ibid.). He argued that it was a combination of ideas and the crisis which was instrumental in agreeing on such a comprehensive reform. Horváth, similarly, highlighted that politicians were scared due to the difficulties to refinance public debt on the financial markets. He stated that "they were looking for anything that could sort of boost the credibility of their future commitments" and the readymade institutional fiscal framework solution was ready to be implemented (Interview Horváth).

In hindsight, Radovan Durana, analyst at the liberal think tank INESS, pointed out that L'udovít Ódor was the most important person inside the working group, helping to reach a compromise across parties. He found that "we were lucky that this constellation of political parties and experts

were able to create this" (Interview Durana). The consensus was really achieved inside this small circle as the reform proposal "was not shared with the general public or some other experts" (ibid.).

Given the roots of the Slovak fiscal framework reform, the passed law had complete domestic ownership. It was surely made to generally fit within the broader European fiscal framework, but the push for a national set of fiscal rules and institutions came considerably ahead of the supranational one. "That distinguishes this from frameworks elsewhere in Europe, in many places they were a result of the [fiscal] compact, whereas this was before the fiscal compact" (Interview Horváth)[20].

10.4.4) Adaptations to the European fiscal framework and the post-crisis period

Following the fall of the liberal-conservative government, the 2012 Slovak parliamentary elections brought a landslide victory for SMER-SD. This was also due to the so-called 'gorilla scandal', whereby widespread corruption inside political circles was uncovered, mainly hurting the former leading government party SDKÚ-DS. Particularly former prime minister Dzurinda and former finance minister Ivan Mikloš came under crossfire due to secret recordings (Cienski 2012). SMER-SD under the leadership of Robert Fico managed to achieve an absolute majority in parliament, with Peter Kazimir becoming finance minister. In the first months of the new government, the council for budget responsibility was set-up. Interestingly, Michal Horváth and L'udovít Ódor were not only behind the establishment of this national fiscal council but were also appointed as two of the three members of the fiscal council (CBR 2020).

With the agreement on the fiscal compact at the European level, the new government was also charged with implementing its national requirements, as well as the six-pack and two-pack measures reforming the SGP. It finally did so only in late 2013, amending the 2004 law on budget rules, to introduce a structural deficit rule mirroring closely the obligations arising from the TSCG and the general fiscal rules of the SGP. In addition to the highly constraining sanction mechanisms of the debt rule, and in line with European requirements, the structural deficit rule also entailed a correction mechanism. Its application cannot, however, be enforced by law, allowing the Slovak government to simply explain the reasons for budgetary non-compliance to parliament (Interview Relovsky).

As a more operational rule than the debt ceiling, the structural deficit rule partially filled "the gap left by the absence of the expenditure ceilings" (Interview Horváth). But while "in theory, it plays an important role, in practice, it doesn't" (ibid.). As Branislav Relovsky of the Slovak Central Bank has pointed out "there were several cases, where the Council for Budget Responsibility suggest[ed]

[20] "And it helped us that also the European Union, or the euro area, moved in this direction, actually, but later on, also the two pack and the directive for national fiscal frameworks, you know, refers to these independent institutions, but since we started this work two years earlier, we were able to build this very quickly and also get some respect at the European level" (Interview Ódor).

(…) starting the correction mechanism, and the ministry of finance came with the explanation: but there are some special circumstances, [that's] why we cannot start [it]" (Interview Relovsky).

Due to the economic crisis and the European debt crisis the Slovak public deficit and debt levels strongly increased. This immediately made the debt ceiling of the constitutional fiscal framework reform binding for political decision-makers. SMER-SD, with its absolute majority thus had to counteract in budgetary terms to comply with the fiscal rules set up just months before. From 28.6% of GDP by the end of 2008, Slovak public debt increased to 51.8% by the end of 2012 (public debt was still only at 43.5% of GDP one year earlier).

This meant that from 2013 onwards the fiscal framework's first sanction mechanism was activated. By the end of 2013, public debt had reached 54.7%, coming very close to the 55% limit, where the third level of sanctions would have started. To avoid automatic spending cuts to the subsequent annual budget, the government took fiscal countermeasures, mainly through tax increases (Interview Durana) but also through expenditure cuts. Since 2013, the Slovak government has managed to keep the public debt level below the third level of sanctions, having pushed it below 50% since 2018.

A symbol of the dominance of neoliberal thinking among Slovak fiscal policy elites, Radovan Durana of the liberal think tank INESS stressed that "the [SMER-SD-led] government had a parliamentary majority in the period 2012 to 2016, and they could [have found] a constitutional majority to change it, if they would have like to at the time. But they didn't and that was very positive, or I evaluated positively that even the leftist populist party controlling the majority in parliament didn't touch the debt brake" (Interview Durana).

In recent year, the introduction of binding expenditure ceilings has been put again on the table, also to fulfil the requirement of the constitutional fiscal responsibility act (Interview Horváth, Interview Ódor, Interview Suchta, Interview Relovsky, Interview Novysedlak). The finance ministry's Institute for Financial Policy (IFP) had been charged with elaborating an expenditure ceiling which is to be informally applied in a testing phase over the coming years. Based on a structural deficit approach, the IFP is attempting to create a fiscal rule, which would be "broadly aligned with the European fiscal rules in terms of [the] expenditure benchmark" but which would also reflect the country specific fiscal rule needs/requirements of Slovakia (Interview Suchta). This recent interest in refocusing the national fiscal framework more towards an expenditure ceiling approach also corresponds to the debate on a substantial reform of the European fiscal framework, which has gathered momentum over the last two years among European experts and high-level public officials (see Interview Relovsky).

10.5) Conclusion of the Slovak case

The process-tracing in the Slovak case has provided a comparatively complete picture of the factors influencing the stringency, design and timing of individual fiscal framework reforms. The long-term assessment of evolutions in the Slovak fiscal policy-making and knowledge regimes has shown how actors holding neo-liberal ideas have gained significant ground after the fall of Communism and Mečiarism and have institutionalised them in think tanks and through their close ties with the executive. The neoliberal idea-set envisages a small role for the state in the economy and stresses the importance of fiscal rules and institutions to constrain fiscal policy discretion.

The analysis has highlighted the key role of two policy advisors (L'udovít Ódor, Michal Horváth) in bringing about the most stringent national fiscal framework among the six studied country cases and most likely among all eurozone member states. It also identified successive finance ministers from different parties (Ivan Mikloš SDKÚ-DS, Peter Kazimir SMER-SD) to promote fiscal policy restraint and constraining fiscal frameworks. Ample written and oral evidence from a wide variety of origins has supported the argument that a dominant national macroeconomic idea-set has strongly influenced the Slovak set of fiscal rules and institutions. In particular the origins of the constitutional Fiscal Responsibility Act 2011 are traceable in detail, from the 2009 NBS working paper by Ódor and Horváth over the inclusion of key elements of their proposal in various electoral manifestos for the 2010 parliamentary election and the negotiations in the parliamentary working group to the final adoption of the law.

Article IV reports, interviews and secondary literature have shown the close entanglement between national authorities and international organisations (IMF, World Bank) which promote stringent fiscal frameworks. The empirical evidence does, however, not suggest that these organisations used coercive actions. Rather, Slovak fiscal policy actors holding a neoliberal idea-set sought external actors as allies to legitimate, promote and implement policies in line with the ideas they held.

The only alternative explanation that can also partially explain Slovak fiscal framework reforms is the influence of financial markets. Rising bond interest rates and difficulties to refinance public debt in 2011 played a role in the unanimous adoption of the constitutional fiscal framework reform during a time of domestic political upheaval, as politicians wanted to signal credibility towards markets. The financial markets explanation, however, mainly explains the timing rather than the stringency or the design of the Slovak set of fiscal rules and institutions.

Neither public opinion nor economic models/interest groups seemed to have played any major role in national fiscal framework reforms. While the theoretical expectations for the economic models argument would be in place (Slovakia constitutes a dependent market economy), interest groups lack political strength in the Slovak case. Their relative weakness might actually explain why fiscal policy actors managed to introduce such a stringent fiscal framework with a largely 'best practice'-design, as they were absent as 'filter mechanisms' (Interview Ódor) and potential veto players on specific elements of the fiscal framework.

11) Austria

11.1) Introduction to the Austrian Case

In this case study on Austria, I show how a specific set of national macroeconomic ideas influenced the introduction and reform efforts of the Austrian fiscal framework, as well as fiscal policy-making more broadly. I summarise this idea-set under the umbrella term of 'Austro-pragmatism'. It describes – at large – a marked ideational flexibility towards the management of the macroeconomy and public finances among Austrian fiscal policy-makers, public officials and experts.

Austro-pragmatism is characterised by a relatively malleable hybridisation and translation of – often competing – idea-sets into concrete policies and institutions. Pragmatic idea and policy mixes with a focus on outcomes rather than on the normatively 'right' ways to act have been and continue to be common in Austrian fiscal policy-making. These hybrids have also shaped the resulting Austrian fiscal framework across different reform periods. Compared to the fiscal frameworks of other eurozone member states, it currently takes on an intermediate position in terms of stringency.

It is important to note that pragmatism constitutes rather a meta-idea-set than a fully developed idea-set such as, for example, Keynesianism, monetarism, neoliberalism, ordo-liberalism or statism. Pragmatism does not prescribe concrete politico-economic understandings, policies or institutions *a priori*. Rather it lays out the way through which fiscal policy actors arrive at political solutions for specific problems or situations. Pragmatism also entails scepticism towards the general applicability of truth claims made by individual idea-sets, stressing the importance of context for their validity. This has significantly limited the influence of international public choice thinking in Austria, which is central to the idea of discretion-constraining fiscal frameworks.

Austro-pragmatism manifests itself in the ambiguous meanings fiscal policy-makers, public officials and experts assign to the role of the state in the economy and to the role of (fiscal) rules and expertise in fiscal policy-making. In principle, acceptance of fiscal rules is high in the Austrian context. Their adoption generally happens rapidly (particularly following international developments), often understood as a purely technical matter rather than a politicised issue. This is fostered by a domestic legal culture that encourages the juridification of norms. But at the same time, rule compliance has been patchy over the years.

The last two decades show a pragmatic handling of rules as binding norms. When other policy goals seemed more urgent or worthwhile, political decision-makers have not hesitated to amend domestic fiscal rules or put them aside at least temporarily. Fiscal policy actors largely consider 'successful' problem-solving as more important than the adherence to a coherent set of macroeconomic ideas. In case of non-compliance, governments have generally ignored existing legal requirements to enforce fiscal consolidation. They have also changed fiscal rules whenever they did not suit a specific chosen fiscal policy path rather than adapting this path to rule obligations.

Of course, Austro-pragmatism has not been static across the last decades. The underlying – and often competing – idea-sets held by various political actors have generally moved towards a stronger focus on fiscal consolidation, mirroring a process that took place across most eurozone member states. This has affected actual policy outcomes as well, but without ever having become overly dogmatic. The increasing focus on structural deficit limits as the central criterion for compliance has, however, allowed for a continuing – yet ambiguous – consensus among proponents of more Keynesian and more neoliberal ideas on how to manage the macroeconomy and public finances.

In terms of concrete macroeconomic policies, Austro-Keynesianism (interestingly, sometimes also referred to as Austro-Monetarism) constituted, particularly during the 1970s, a distinctive form of such an ideational pragmatism in the Austrian case. It later got replaced by less emblematic policy mixes containing a stronger focus on fiscal consolidation. Key tenets of the Austrian interpretation of Keynesianism have, nevertheless, been pursued continuously since then. This includes anti-cyclical macroeconomic management (partly going beyond automatic stabilisers) and public support for investments (particularly in R&D). Also, the traditional acceptance of rules as – in principle – useful tools to manage the economy and political action has endured.

Pragmatism is heavily embedded in Austria's policy-making, production, and knowledge regimes. The country's character as a federal consociational democracy, organising production via a highly-corporatist coordinated market economy, and developing and diffusing ideas in a negotiated knowledge regime, is surely conducive to ideational pragmatism. But institutional factors do not prescribe dominant ideas in the Austrian context either. Central elements of social partnership and (federal) political cooperation are based on informal and voluntary participation and have been circumvented periodically in the past when it was deemed politically opportune. But even during these periods, ideational pragmatism has largely continued to guide political action when it comes to public deficits and reforms of the national fiscal framework.

Nevertheless, the importance of the social partners has decreased in recent times, and policy-making has – more broadly – become less consensual. Interestingly, however, recent reforms of the Austrian fiscal advisory council, which traditionally gives an important role to the social partners and their in-house experts, have further embedded pragmatism in the institutional framework. This stands in contrast to many other countries, where knowledge is increasingly, or even exclusively, sought via 'independent' economists such as internationally oriented academics that are often more favourable to public-choice thinking.

An interesting aspect of Austro-pragmatism is the fact that it makes the country more susceptible than other cases for alternative explanatory factors to play a role in fiscal framework reforms. As economic and political contexts change, fiscal policy actors have sometimes adapted their reasoning relatively quickly. Particularly the 2011 episode on the Austrian debt brake reveals considerations about the (perceived) influence of financial markets (and to a certain degree rating agencies). These, however, affected rather the timing than the contents of the constitutional reform effort. Also, its

partial failure was not due to ideational concerns about public deficits and debt but based on unsuccessful interest-driven bargaining between the parties represented in the Austrian parliament. This contrasts with the fierce ideational battles fought out in other countries over this issue. Beyond the recent crisis period, the smooth introduction of early fiscal framework reforms in the late 1990s and early 2000s was also made possible by the pragmatic understanding of rules among fiscal policy-makers. They perceived them to be of a purely technical nature, not causing any substantive clash with the prevalent ideas of fiscal policy-makers, public officials and experts.

The following sections will, first, delve deeper into the idea-set of Austro-pragmatism and its relationship with concrete policy mixes such as Austro-Keynesianism and subsequent idea and policy hybrids. The chapter then provides an overview of the political, economic, and research institutions in which Austro-pragmatism is embedded and reproduced, and analyses the various domestic fiscal framework reforms since the early 1990s and the processes leading up to them. In-depth process tracing shows how Austro-pragmatism affected institutional changes and fiscal policy-making across time, and how policy entrepreneurs and translators have made use of it. Whenever pertinent, the following sections also discuss the role of alternative explanations, such as the influence of financial markets/rating agencies on fiscal framework reform efforts.

11.2) The Austrian macroeconomic idea-set

11.2.1) Austro-pragmatism

One of the defining features of the Austrian ideational landscape related to the management of the macroeconomy and public finances is what I call the idea-set of Austro-pragmatism. I argue that in the Austrian case, this form of pragmatism can account for major evolutions in fiscal policy-making, the configuration of the national fiscal framework, as well as patterns of rule compliance and non-compliance.

In general terms, pragmatism describes the "quality of dealing with a problem in a sensible way that suits the conditions that really exist, rather than following fixed theories, ideas, or rules" (see Cambridge Dictionary 2019). It is "an approach to problems and situations that is based on practical solutions" (ibid.). In the philosophical tradition of the same name, pragmatism stands for "an approach that evaluates theories or beliefs in terms of the success of their practical application" (see Oxford Dictionaries 2019). Pragmatism is thus "a philosophical method for doing rather than a philosophical theory per se" (Biesenthal 2014). As a philosophy, pragmatism was originally developed by American thinkers such as William James, Charles Sanders Peirce and John Dewey.

Two of pragmatism's key elements are the focus on problem-solving (capacities and abilities) and the view of truth as being contextual and provisional (see Biesenthal 2014). First, the activity of problem-solving is central to pragmatist thinking and action. Problem-solving is tightly linked with the human experience of the surrounding world and starts out with the discovery or identification of problems that need to be addressed. Pragmatists then apply problem-solving which

"incorporates the successful application of concepts, beliefs or theories in a particular situation. The main measure of success is a satisfactory outcome with regard to the problem to be addressed" (ibid.). Pragmatism thus "aims to uncover practical knowledge – knowledge that works in a particular situation" (ibid.) rather than being universally applicable.

A second defining feature of pragmatism is a contextual and provisional understanding of truth. In the view of pragmatists, ideas, beliefs, scientific concepts and theories "are not true per se" but are merely "instruments to make things true …[and]… they are only true when one experiences their practical consequences in particular situations", thus being successful in problem-solving (Biesenthal 2014). Rather than being 'objective', truth is thus "simply the currently best knowledge available for a particular purpose (…) and therefore always subject to fallibility through further human inquiries" (ibid.). This allows pragmatists more easily to switch between different idea-sets adapted to particular situations or to hybridise them for the solving of new problems.

To sum up, pragmatism is a meta-idea set in the sense that it does not prescribe specific policy actions *a priori*. It centres on the practice of problem-solving, which strives to arrive at the best possible solution for a problem in an iterative fashion. This links pragmatism closely to the logic of abduction, which stands in between more inductive and deductive methods to gain knowledge about the 'real' world. Pragmatism is sceptical towards the 'objective' truth claims and universal applicability of many other philosophical traditions and ideas. It views their explanatory power invariably as contextual and provisional. One might always identify a better explanation or solution for a problem, or changing contexts render a specific approach obsolete and demand its replacement with a more 'successful' approach.

Pragmatism thus entails a weighing of the applicability and success of tools for problem-solving, which in the field of fiscal policy-making are typically macroeconomic idea-sets. Acting pragmatically does not exclude the respective fiscal policy-makers from holding hold specific idea-sets or coherent ideologies. Rather, actions are not bound to the problem identification and problem-solving paths proposed by the held idea-sets (and which might be inadequate in a given situation). Instead, they can deviate significantly in the search for the best solution for a specific problem in a particular context.

In general, this means that pragmatic fiscal policy actors exhibit a considerable degree of ideational flexibility towards the management of the macroeconomy and public finances. To ensure 'successful outcomes', concrete policy actions are relatively malleable. Problem solutions might mix and hybridise different idea-sets, even if they entail strongly diverging and contradicting truth claims about the world. And if the mixing of different idea-sets has led to 'successful' outcomes in the past, then it is unlikely to be replaced by a more coherent ideational outlook, at least in the short term.

Pragmatist practices could also be the result of particular institutional contexts in which compromise between different fiscal policy actors is recurrently demanded by the institutional set-

up. Pragmatism would then be a means to overcome ideational differences between actors which hold diverging macroeconomic idea-sets. This, however, does not mean that countries with a lot of veto-points are automatically dominated ideational pragmatism. Instead, the adherence to different dogmatically held idea-sets could also lead to stasis and a lack of reforms.

I argue that in the Austrian case, a majority of fiscal policy-makers, public officials and experts has generally adhered to the meta-idea-set of pragmatism over the course of the last decades. This does not mean that political actors are necessarily aware of the philosophical tradition and adapt their thinking and actions deliberately to a pragmatist logic. They rather follow pragmatism as a practice to engage with challenges in fiscal policy-making. This has allowed fiscal policy actors to continuously modify parts of their underlying respective economic idea-sets, and to react relatively flexible to changing economic and political problems through incremental change in applied idea elements.

Pragmatism towards public deficits and debt is widespread among the different parties represented in parliament, the public administration, and the main social partners. Particularly the organisations representing the political centre-left and left, such as the SPÖ, the AK, and the ÖGB, have adhered strongly to Austro-pragmatism over the last decades and continue to do so. The Green Party has also moved in this direction since the late 1990s. Pragmatism, however, also applies to a considerable part of the conservative ÖVP and to a lesser extent also to the right-wing FPÖ. The lack of 'ideologism' in the Austrian case has made it difficult for internationally developed economic idea-sets on public deficits and debt (such as public choice thinking) to replace previously existing idea-sets. Elements of these ideas and some of their concrete institutional solutions might be translated into the national context, but always under pragmatic considerations.

11.2.2) Austro-pragmatism in practice

Austro-pragmatism and Austro-Keynesianism

As Austro-pragmatism stresses the importance of successful outcomes rather than of ideational coherence, actual fiscal policy measures and reform efforts are often ambiguous policy mixes. This makes it difficult to assign them to a specific ideational outlook. Particularly during the 1970s, however, a distinctive form of policy mix developed, often referred to as 'Austro-Keynesianism'. It was, however, so difficult to pin it down to specific economic idea-sets, that some observers also defined it as 'Austro-Monetarism'. Hannes Androsch (2017: XIV), who served as finance minister at the time, said that "in practice, neither one nor the other term really touches the core, because in practice it was a 'policy mix', a pragmatic economic policy, in which – thanks to the position of the trade unions – also income policies played an important role". Austro-Keynesianism thus described "the Austrian policy mix of demand management mixed with elements of supply side economics (as investments-, savings-, export- or labour market promotion), supported by hard currency policy and income policy based on accord between the social partners" (Holzmann and Winckler 1983: 184).

Holzmann and Winckler 's (1983: 184) critical analysis of Austro-Keynesianism pointed out that "it is a home-made concept which incorporates classical relics, neo-classical extensions, monetaristic presumptions, or just common-sense economic policy besides some kind of Keynesianism". The pragmatism of Austro-Keynesianism can be discerned from the lack of theoretical underpinnings of the approach. The term "stems more from a spontaneous use than from well reflected considerations" (Holzmann and Winckler 1983: 184). Androsch (2017: XI) agreed broadly with this analysis, stating that the government at the time did not have any " 'magic formula' for the turbulences and the following challenges" of the 1970s. He stressed that the government rather "reacted 'flexibly-pragmatic', although always on the basis of fixed values and basic principles". Androsch (2017: XIV) also highlighted that "this very pragmatic tradition of thinking" comprised actors across the political and institutional spectrum[21], with many SPÖ politicians also supporting a 'hard currency' policy. In the European context of the time, this was highly untypical for socialists and social democrats.

The evaluation of Austro-Keynesianism's success was mainly based on its ability in securing full employment and comparatively low inflation rates in the aftermath of the first oil price shock (see Holzmann and Winckler 1983). Androsch (2017: XVI) added that economic growth and per capita income growth during the 1970s significantly surpassed other OECD countries and member states of the European Community, making Austria an international role model. But as Holzmann and Winckler (1983) pointed out, it was very difficult to evaluate why the chosen policy mix was actually successful. They stressed that due to the lack of theoretical foundations, Austro-Keynesianism "works as long as the overall performance is acceptable, but it will create severe political decision problems if the economic performance of Austria turns worse" (Holzmann and Winckler 1983: 199). This statement underlines my argument of pragmatism in the Austrian case. Austro-pragmatism has served as the underlying meta-idea guiding fiscal policy-making and 'successful policy outcomes' have supported this approach over time, even if there is no clear ideational guideline for policy action. This has allowed for a continuous adherence to pragmatism up to now.

Successive policy mixes after Austro-Keynesianism

After the early 1980s, Austro-Keynesianism got replaced by less emblematic domestic idea- and policy mixes, also because the paradigmatic struggles between Keynesianism and Monetarism were largely won by the latter at the international level. Similar to other countries, a stronger focus was laid on fiscal consolidation. Politicians were, however, building on deficit norms that were already developed in Austria during the 1970s. They drew on the so-called Seidel formula which sought to keep annual public deficits at or below 2.5% of GDP. More broadly, the switch from a more Keynesian to a more Monetarist thinking took place very gradually in Austria. This was also because the government had already run a 'hard currency' policy in the preceding time period.

[21] Androsch (2017:XIV) mentions actors such as Anton Benya (president of the ÖGB from 1963 to 1987, SPÖ), Erich Hofstetter (ÖGB secretary, SPÖ), Karl Waldbrunner (first vice president of the OeNB, SPÖ), Heinz Kienzl (director general of the OeNB, ÖGB), Rudolf Sallinger (head of the Wirtschaftsbund, ÖVP) and Georg Albrecht (head of the macroeconomic unit at the OeNB). In a 2006 book Karl Waldbrunner is described as a "pragmatic visionary" (see Androsch et al. (2006).

Key elements of Keynesian thinking had been adapted to the domestic pragmatist context already under Austro-Keynesianism, adhering to some parts while ignoring others. Key tenets of the Austrian interpretation of Keynesianism were a focus on full employment, the importance of anti-cyclical macroeconomic management, based mainly but not exclusively on automatic stabilisers (Austria also possessed of an extra-budget [Konjunkturausgleichsbudget] to deal with economic downturns), and continuing support for (public) investment, with a particular focus on R&D investments (see Der Standard 2011). Even during the 1970s, the Austrian government did not make much use of active demand management through fiscal policies, rather ensuring stable inflation rates.

This thinking was not abandoned after the end of Austro-Keynesianism. Subsequent policy mixes integrated elements of more monetarist, neo-liberal or third-way thinking into the Austrian approach of managing the macroeconomy and public finances whenever it suited political decision-makers. Importantly, the large state-owned industries were privatised in the 1980s, 1990s and early 2000s, removing them as a tool to stabilise overall employment. But while Keynesianism got discredited among fiscal policy elites in many advanced democracies and replaced with a generally more neoliberal outlook, Austrian key policy actors across the political and institutional spectrum still point out the importance and relevance of Keynesian thinking (at least in the domestic terms of the concept, allowing for a blend with competing economic ideas)[22]. This makes Austria stand apart from the other studied country cases. I thus argue that the pragmatic use of different economic ideas is the consequence of the broader Austro-pragmatism in place.

Austro-pragmatism itself has surely experienced changes over time. I nevertheless contend that its key tenets have largely remained in place, even if available economic idea-sets, economic and political conditions, and fiscal policy institutions have changed gradually over time. One of the main reasons for the stability of pragmatism in Austria is the overall stability of the broader policy-making, production, and knowledge regimes in which it is embedded. In particular the political party system, as well as intra-party stability, have remained largely steady over time. This is accompanied and fostered by generally long and steady careers among politicians, public officials and experts, with relatively low job mobility and key actors holding the same (key) positions in fiscal policy-making often for decades. And even if a new generation of fiscal policy-makers and academics is replacing older generations, often holding different and less-pragmatist mind-sets (Interview Schratzenstaller), the stable employment structures might help to assimilate incomers into the dominating pragmatist idea-set.

Additionally, while some of the older forums of exchange between the government, the social partners and other relevant institutions have ceased to exist in the last decades, the strengthened

[22] The term „Keynesianism" was used repeatedly by different interviewees without being evoked by the interviewer. It was discussed by politicians across political party families, representatives of the social partners and experts from research institutions. Interestingly, Keynesianism was perceived as a useful idea-set to manage fiscal policy-making. It was, however, reduced by most actors to the idea of anti-cyclical macroeconomic management, stressing the idea that deficits during economic downturns were to be repaid with surpluses in subsequent boom phases. Most interviewees actually stated that fiscal policy-making had not been "Keynesian" enough in the last decades, with too little consolidation efforts in phases of strong economic growth.

fiscal advisory council and other renewed more informal meetings between fiscal policy actors (such as a Budget Jour-Fixe organised by Margit Schratzenstaller of the WIFO) allow for a continuing exchange of different economic ideas in largely non-public forums. I argue that this improves both the understanding and acceptance of competing idea-sets and also raises more scepticism towards the unconditional validity and applicability of one's own held economic ideas. In my view, these institutional patterns manage the influx of young fiscal policy actors that often replace more partisan-actors in the central fiscal policy institutions such as the finance ministry, the Austrian Central Bank, research institutions such as the WIFO and the I, as well as the social partners.

Accelerated change in leading personnel has been nurtured by the first right-wing coalition between the ÖVP and the FPÖ in 2000, initially putting a stronger focus on fiscal consolidation. But subsequent reform efforts and fiscal policy measures showed that a largely pragmatist outlook to fiscal policy-making remained in place. Interestingly, the 'black-blue' government enacted tax increases in a phase of economic growth, actually enforcing anti-cyclical fiscal policy-making in the Austrian understanding of Keynesianism. With the return to the Grand Coalition in 2006 and the subsequent Great Recession and debt crisis, reform patterns remained pragmatic. And the most recent FPÖ-ÖVP government (2017-2019) has largely repeated the fiscal policy pattern of the early 2000s. It made fiscal consolidation efforts towards a balanced budget in a phase of strong economic growth, this time, however, without resorting to tax increases.

11.2.3) Details of Austro-pragmatism

In macroeconomic and public finance terms, Austro-pragmatism entails several more concrete beliefs on the role of the state in the economy and the role of (fiscal) rules and expertise in policy-making. These are also related to the legacy of Austro-Keynesianism.

The role of the state in the economy

First, pragmatism prescribes an ambiguous role to the state in the economy. As the idea-set of pragmatism focuses on problem-solving, political actors should become active – and use fiscal policy – in times of need, thus, when there is a fiscal policy problem to be addressed. Here, some of the remaining key tenets of Austro-Keynesianism come in, stressing the role of the state in providing macroeconomic stabilisation. This means that public deficits and debt are not problematic per se. They should, however, be used in an anti-cyclical fashion, which would lead to successful policy outcomes. Margit Schratzenstaller (vice-head of the WIFO), a key actor in the Austrian fiscal policy-making field, said, for example, that "in principle there has never been a dogma that public debt per se is not acceptable at all and so forth, but one has seen that relatively pragmatic, I would say Keynesian, during the crisis (…)". This means that there are situations, where the state can and should play a role in the Austrian economy. Periods of fiscal policy discretion are, however, to be defined by political actors in specific contexts.

The role of rules and expertise to guide fiscal policy-making

Second, Austro-pragmatism and the Austrian version of Keynesianism are also visible in the role assigned to rules to guide macroeconomic and public finance decision-making. In general terms, Keynesianism has a clear preference for discretionary policy-making, which gives fiscal policy actors the ability to act and react in a largely unconstrained fashion to achieve desirable economic outcomes. Austro-Keynesianism, in contrast, has also a long tradition of supporting rules, typically as so-called formulas, such as the Seidel formula (keep public deficits at or below 2.5% of GDP) and the Benya formula (wage increases should recompensate for inflation and capture half of the gains from overall productivity growth in the economy).

In Austro-pragmatism, explicit norms and rules are thus seen as 'good' and useful. Their (non-)application is nevertheless based on pragmatic considerations. There is no ideational foundation in Austro-pragmatism which demands rule compliance for successful policy-making. This contrasts with, for example, the suggestions of academic work on reputational costs and time-inconsistency. Rather, political actors enforce rules only 'when they work' in the sense of leading to 'successful' policy outcomes. This is, however, a process that can and is to be negotiated between different political actors, giving a considerable degree of importance to economic expertise. Due to pragmatism's focus on problem-solving and its view of truth as contextual and provisional, fiscal policy experts are needed to continuously evaluate applied fiscal policy strategies and devise new ones if the existing ones are deemed 'unsuccessful'.

Regarding fiscal rules, Schratzenstaller pointed out that "ultimately, the rules have to be complied with (…). But how the way to rule compliance looks like, and in the end, if it takes a year longer or less long, that is another question and I think that in Austria that is seen relatively pragmatic" (Interview Schratzenstaller). She also called the implemented fiscal framework "a pragmatic implementation of what the EU prescribes" (ibid.). Markus Marterbauer (vice-president of the Austrian fiscal advisory council and head of the macroeconomic unit of the AK) stressed that Austria had to adapt "to the European idea that fiscal policy should be bound by rules" (Interview Marterbauer). There he referred to the underlying public choice approach to fiscal frameworks, which views stringent fiscal rules and rule compliance as crucial for successful policy outcomes. But as Marterbauer pointed out, "one has tried to align this with the 'Austrian principle' " arguing that the "intra-Austrian stability pact is also handled – I believe – in a relatively pragmatic fashion" (ibid.).

Marterbauer equally stated that a 'certain pragmatism' would prevail inside the Austrian fiscal advisory council towards fiscal rule compliance (Interview Marterbauer). He highlighted the substantial uncertainties in its assessment, particularly related to forecasted deficits. This would lead the fiscal council to endorse vague wordings and to – 'hopefully' – make deficit forecasts in a more cautious fashion (ibid.). While Austrian fiscal policy actors are, in principle, open to implement new and different macroeconomic idea-sets in the national context, they can be adapted in a relatively flexible fashion to fit the prevailing pragmatist reasoning in place.

Principal policy entrepreneurs and translators of economic ideas

In the Austrian case, successful policy entrepreneurs that act as hybridisers and translators of economic ideas are those actors that manage to construct policy mixes which correspond to the underlying idea-set of Austro-pragmatism. Over the last decades there has been no clear pattern of which kind of fiscal policy actors drive such reform efforts. Specific reforms were pushed either by politicians, high-level public officials or experts. Substantive reforms were, however, only achieved when they were preceded by either particularly intensive or long negotiations between actors across the fiscal policy field.

The central intra-Austrian stability pact reforms were accompanied by the periodic negotiations of the Austrian fiscal equalisation mechanism, including the representatives of the Bund, the Länder and the municipalities. These negotiations were prepared by public officials that are continuously in contact and prepare the political discussions which take typically place over several rounds of high-level meetings. The exact reform measures were then based on political leadership. The Austrian stability pact 2001, for example, was driven by finance minister Karl-Heinz Grasser (FPÖ, later independent).

The significant constitutional budget law reform of 2007 (implemented in 2009 and 2013 respectively) was planned and orchestrated from the finance ministry under the guidance of Gerhard Steger, who served as head of the budgetary section from 1997 to 2014. Steger installed an informal parliamentary reform committee in 2004, which included representatives of all political parties represented in parliament, high-level public officials of the finance ministry, and several additional experts and stakeholder such as the Court of Auditors. The informal committee allowed for continuous exchange among the different fiscal policy actors and to achieve, in Steger's (2010: 6) words 'win-win-situations' for all the involved stakeholders.

11.3) Austrian political, economic, and research institutions

Since the end of the Second World War, Austria has developed a specific set of political, economic, and institutional features that provide a frame in which macroeconomic and fiscal policy-making ideas and policies are developed, debated, and enacted. To better understand and embed evolutions in Austrian fiscal policy-making and fiscal framework reforms, it is important to consider these features in more detail. This also helps to locate the central fiscal policy actors among political parties, the bureaucracy, and research institutions, and in which ways and forums these actors interact. Finally, it also allows us to identify the developers and carriers of domestically specific idea-sets, the channels through which they diffuse and reproduce these ideas, and how ideas, institutions, and interests are related to each other.

11.3.1) A consociational policy-making regime

As a policy-making regime Austria forms a consociational democracy (see Lijphart 1969). Politics is organised in a parliamentary democracy with pseudo-semi-presidential features, as the president is voted directly by the population, but largely holds a ceremonial role (Lijphart 2012: 110). Regarding elections, Austria has a system of proportional representation with party lists on all government levels. It comes along with a multi-party system with comparatively strong and 'disciplined' parties.

Many of the features that make Austria a 'consociational democracy' have been shaped with the formation of the Second Austrian Republic after the end of the Second World War. This entails a number of defining features: (1) a consociationalist and consensual style of democratic governing, (2) the logic of 'Proporz', (neo-)corporatism under the form of an extensive social partnership, as well as (3) an administrative and party-based cooperative federalism (see Dachs et al. 2005). These features still largely characterise the Austrian case now, even if some of them have been weakened, transformed, or partially replaced over time.

Particularly in the first two decades after 1945, several grand coalitions between the two major parties, the centre-left social democratic party (SPÖ) and the centre-right people's party (ÖVP), institutionalised an extensive corporatist system with consensual tripartite negotiations between employees' organizations, employers' organizations and the government, the 'social partnership'. At the same time, they also installed the so-called 'Proporz' system which distributed posts in government, state-owned industries and in the public administration according to the electoral support for the different parties.

The SPÖ and the ÖVP dominated this 'Proporz' system, with roughly equal public support for several decades. In practice, the Austrian state and its institutions became basically shared by the two major parties, demanding constant political deliberation and consensus between them. The same was true for the social partners, where the ÖVP dominated the Austrian Economic Chamber (WKO) and the Chamber for Agriculture (LKÖ), while the SPÖ was tightly integrated in the Chamber of Labour (AK) and the Austrian Trade Union Federation (ÖGB). This approach was a direct consequence of the inter-war polarisation and short civil war between the socialists and the governing conservatives in 1934. To avoid such a situation in the aftermath of the second world war and to allow for reconstruction, the main political actors deemed it as both necessary and desirable to create an institutionalised balance of power and necessary cooperation between the two main political parties.

With the formation of the first republic after the First World War and the implementation of the Austrian constitution in 1920, Austria established itself as a federalist state with a comparatively strong role for the central government (Bund) and nine weak federal states (Bundesländer, often simply labelled as Länder). This resulted in comparatively very limited legislative powers and little proper financial resources for the Länder, often merely serving as executors of federally legislated

measures. The upper chamber of parliament representing the Länder is also only equipped with little veto powers (see Lijphart 2012: 201).

But while the Länder seem formally weak vis-à-vis the central government, in practice Austria is shaped by a strong administrative and party-based federalism (Luther 1997, Der Standard 2018b). Many interviewees stressed this point, such as employees of the parliamentary budget office: "The Länder certainly do have a very strong position in the real functioning of the Austrian state" (Interview Berger and Sindermann). The former head of the budget department of the Austrian ministry of finance, Gerhard Steger, put it even more forcefully: "The constitutional reality in Austria is that the power emanates from the federal states and the federal government is in reality a very very weak institution" (Interview Steger).

Particularly the organisation of political parties leads to this outcome. First, political parties are organised mainly at the level of the federal states, which gives federal state party leaders and heads of federal states an important say at the level of the central government. The federal party executives tend to be dominated by representatives of the different federal states which means that "it is always nine against one against the Bund, no matter what it's about" (Interview Steger). Second, publicly financed party funding is heavily biased towards the Länder level. As Hubert Sickinger calculated, the Länder party organisations receive more than 70% of publicly available funding (Der Standard 2018b). Finally, the electoral system gives considerable power to the Länder party organisations, as most members of parliament that get voted into the lower chamber of parliament are selected via the regional and federal state party lists. Party funding, the electoral system, and the internal organisation of Austrian political parties thus lead to a strong role of the Länder in the Austrian political system.

Many of these defining features of the Austrian policy-making regime have come under critique or have been challenged over the last decades. The consociational 'sharing' of the country between the two main parties was criticised for its tendencies of patronage and clientelism. With the strengthening of the right-wing FPÖ and the arrival of the Green Party in the 1980s, SPÖ-ÖVP governments needed to act and the situation improved to a certain extent. But while Proporz was reduced through the privatisation of companies, a lower number of positions for the two main parties, and a removal of proportional representation in many federal and municipal governments, the "'Parteibuchwirtschaft' is still dominating in Austria" (Die Zeit 2012). In addition, there are constant calls for a reform of the political, economic, and administrative relations between the Bund and the Länder, which have, however, met strong resistance by the Länder so far.

11.3.2) A neo-corporatist production regime

Austria's production regime is centred around the logic of a coordinated market economy (see Hall and Soskice 2001). It features a very pronounced corporatist system with powerful peak associations, entailing mandatory membership for both employees and employers in the social partners Chamber of Labour (AK) and the Austrian Economic Chamber (WKO) respectively (see

Tálos 2005, 2008). Based on a so-called 'double parity', the main chambers are accompanied by the Austrian Trade Union federation (ÖGB) on the employees' side, and by the chamber for agriculture (LKÖ) and the Federation of Austrian Industries (IV) on the employers' side. The IV is an informal addition to the structure of social partnership and represents larger and more export-oriented companies. The social partners themselves are organised in a strongly hierarchical fashion, with the peak associations exerting strong discipline over the lower tiers of their respective organisations. This also allows them to negotiate and enforce sector-specific collective labour agreements with basically 100% of workers covered, and to ensure a very low number of strike days in international comparison (Lesch 2017, Der Standard 2018a).

While the main social partners stand on solid legal and financial foundations, social partnership itself is organised on a voluntary and informal basis. Tries to mould the social partnership into a legal framework in the 1950s were struck down by the Austrian constitutional court. This means that the functioning of the social partnership depends on the actors' willingness to play along the commonly agreed-upon 'rules of the game'. Due to the strong links of the main social partners to the two historically dominating parties, the social democratic SPÖ and the conservative ÖVP, they have traditionally played an important role in Austrian policy-making, often described as a 'shadow government' (e.g. Interview Kogler). The so-called 'Dritte Lager' (represented by the right-wing FPÖ) has long challenged the close ties between the two main parties and the mandatory social partners, being itself excluded from the key post-war institutions. It, thus, recurringly challenges corporatism, calling for a removal of mandatory membership to the AK and the WKO. This view is largely shared by other opposition parties, in particular by the liberal NEOS.

Beyond the economic institutions, Austria has a highly diversified economy. In 2017, it ranked 10th globally on the Economic Complexity Index (ECI) of the MIT (see Simoes and Hidalgo 2019). The Austrian economy has a relatively large and export-oriented manufacturing sector, comprised of many so-called 'hidden champions' (see Simon 2009). These are small- and medium-sized enterprises (SMEs) that often focus on niche products and are either market leader in Europe, or among the top-3 globally (see Jungwirth 2015, Hoepke 2016). Production focuses on machinery, metal products, cars and car parts, as well as pharmaceuticals (see Simoes and Hidalgo 2019). SMEs are also a reason for the high R&D intensity, with Austria ranking second in the EU with expenditures of 3.19% of GDP (Statistics Austria 2018). Austria has one of the world's biggest tourism sectors in relationship to its size, which contributed 8.8% to GDP in 2016 (BMNT 2019) and considerably improved the balance-of-payments.

In addition to a competitive industrial export sector and a large tourism sector, the Austrian economy also has important banking and commerce sectors, which are mainly oriented towards countries of Central Eastern Europe. With the Eastern enlargement of the European Union, Austrian companies have become an important provider of foreign direct investments, using their privileged location to strengthen economic ties and profit from capital scarcity among the Central and Eastern European (CEE) countries (see Wolfmayr 2010). Among many CEE countries, Austria has been the most important FDI provider in the 2000s and 2010s (Rom 2017). Both for

manufacturing exports and tourism, Austria is strongly dependent on Germany. Many manufacturing enterprises are suppliers or subcontractors to German industry, especially those focused on vehicle parts. German visitors also play a crucial role for the tourism industry, accounting for more overnight stays than domestic tourists (BMNT 2019). Economic downturns in Germany thus typically have a strong impact on Austria's economic output.

11.3.3) A negotiated knowledge regime

Austria's research institutions are organised as a 'negotiated knowledge regime' through which macroeconomic and fiscal policy expertise is produced, diffused, and taught. I derive this classification from the work of Campbell and Pedersen (2014: 218), who originally developed it for the case of Denmark. Two semi-public research organisations, the WIFO (Austrian Institute of Economic Research) and the IHS (Institute for Higher Studies), are particularly important in the Austrian case. Both institutions are co-financed by the government and the social partners (as well as receiving some third-party funding) and are charged by the government to provide it with macroeconomic forecasts that are presented jointly (with separate forecasts) to the public twice per year (see e.g. ORF 2019).

Particularly the WIFO currently plays a central role in the field of (macro-)economic research and expertise. It is the biggest institution in the field in terms of financing and staff. The WIFO is also highly integrated and connected within the academic, political, and corporatist system of Austria, as several interviews showed. Among the 20 most 'important' Austrian economists, according to an annual survey conducted by Die Presse (2018), five are working or have until recently worked for the WIFO. In the ranking, three WIFO economists were under the top 5 (Christoph Badelt, Margit Schratzenstaller, Stephan Schulmeister). Interestingly, they are proponents of relatively different economic ideas, with Schulmeister having a strongly Keynesian perspective (see Schulmeister 2018, Gasser 2018), while Schratzenstaller and Badelt are more 'mainstream' economists (see e.g. Gaulhofer 2018). The IHS is represented with three current or former economists in the economists' ranking of Die Presse (2018). The central WIFO employees have, however, a stronger focus on budgetary and macroeconomic questions.

Recent additions to the ecosystem of semi-public scholarly research organisations include the smaller institute EcoAustria, which has already found some recognition in the last years. Agenda Austria (supported by the IV) and the Momentum Institute (supported by AK and ÖGB), two other relatively new institutions rather fit into the category of advocacy research organisations (think tanks), having a more – at least more visible – political orientation. More broadly, however, think tanks still play only a minor role in the Austrian fiscal policy field.

In contrast to other countries studied in this dissertation, also the main corporatist organisations, the AK and the WKO, possess a considerable degree of macroeconomic and fiscal policy expertise in the form of in-house research units. Due to the corporatist structure of the state and various participation and access points, members of the social partners are highly involved in matters of

macroeconomic policy-making. This is helped by their representation inside the Austrian fiscal advisory council, which is an important domestic discussion forum. Also the ÖGB and the IV possess some dedicated departments for issues of budgetary policy, but also fund external work, e.g. through the Momentum Institute, and EcoAustria and Agenda Austria respectively.

Universities and their professors play a less significant role in the Austrian case than they do in other countries (e.g. Germany). They are nevertheless important in educating the macroeconomic and fiscal policy elite. The two most important Austrian universities in this regard are the WU Wien (Vienna University for Economics and Business) and the University of Vienna. The IHS also provides an important post-graduate programme, and educating specialists in economy, political sciences, and sociology has been one of the main reasons for its establishment. All of these institutions are situated in the capital of Austria, Vienna.

Particularly the WU Wien has a long history of educating fiscal policy elites, which often became politicians in the SPÖ. Some former and current policy elites have also been educated at the University of Innsbruck, with the universities in Graz, Linz and Klagenfurt playing more marginal roles. Interestingly, very few politicians, public officials and experts in the Austrian case have studied in Germany or Switzerland, showing a certain isolation inside the German-speaking fiscal policy field. This contrasts with Germany, which has strong academic links to Switzerland, for example, to St. Gallen and Basel.

In terms of traditional actors in the field of the macroeconomy and fiscal policy, the Ministry of Finance and the OeNB (Austrian Central Bank) have analytic units for fiscal and budgetary matters. In comparison to other countries, both institutions do possess average-sized departments and expertise on these issues. Since 2012, the parliament disposes of a parliamentary budget office, which provides macroeconomic and budgetary expertise to parliamentarians. This has helped especially opposition parties to have access to a high-quality policy analysis (Interview Berger and Sindermann). Previously, only parties in government and the two parties strongly linked with the social partners had easy access either via the finance ministry or by drawing on the expertise of the AK/ÖGB and the WKO/IV respectively. All parties represented in parliament additionally have party academies (similar to party foundations in other countries) at their disposal, which, however, do not have significant capacities for macroeconomic and budgetary analysis. Neither do they take on the role of party-affiliated think tanks.

Most of the institutions mentioned above find a forum in the Austrian fiscal advisory council, whose secretariat has also accumulated experts on budgetary matters over time. Next to a university professor in economics as its president, the government traditionally appoints a number of leading figures from different universities, heads of units from the ministries of finance and economy, and the general director of Statistics Austria as fiscal advisory council members. The social partners generally appoint members from the AK, the ÖGB, the WKO, and the LKÖ. As non-voting members, also the Austrian Association of Municipalities, the Austrian Associations of Cities and Towns, and the Federal Heads of Government Conference are part of the Austrian fiscal advisory

council. Finally, also representatives of the OeNB and the parliamentary budget office can take part in fiscal council meetings in an advisory role.

The Austrian fiscal advisory council has at least partly replaced formerly used joint forums of the government and the social partners. While historically, the joint commission on wages and prices, with its sub-committees such as the so-called advisory board for economic and social affair has played an important role for macroeconomic policy-making, these forums are basically discontinued nowadays. Next to the fiscal council, a more informal 'budget-jour fixe', which has been mentioned by many current actors, seems to have partially taken over the role of the advisory board. It is organised by Margit Schratzenstaller, deputy head of the WIFO.

Overall, the still corporatist nature of the Austrian state is strongly embedded in the Austrian knowledge regime. Semi-public research organisations, especially the WIFO, which is co-financed by the social partners and the government, play a central role in the production of macroeconomic knowledge, and serve as a forum where different actors can meet. The Austrian fiscal advisory council equally allows for ample exchange between the experts from different institutions in the field of fiscal policy-making. The two main Viennese universities as well as the I educate most of the actors involved in Austrian fiscal policy-making. In comparison to less corporatist countries, the social partners are important actors in the knowledge regime, possessing considerable expertise and are well-integrated with political parties and the wider research field.

While Germany also has a rather corporatist structure, there are nevertheless differences in the knowledge regime with Austria. While having several semi-public research organisations, knowledge production is surely more centralised in Austria. In addition, knowledge production is less outsourced to dedicated research institutions, and thus resembles more countries like Denmark (see Campbell and Pedersen 2014: 172-214). Special attention should thus be given to the role of Austrian semi-public scholarly research organisations and the analytic units of the social partners to understand evolutions in Austrian fiscal policy-making and fiscal framework reforms.

11.3.4) Austro-pragmatism and the institutional set-up

Table 11.1 summarises the main features of the Austrian policy-making, production, and knowledge regimes. Taken together, there are several reasons why the institutional set-up invites to ideational pragmatism. The consociationalist policy-making regime and the coordinated production regime contain a considerable number of – at least potential – veto players through the federalist and corporatist arrangements of the state. Important decisions on fiscal policy-making and the fiscal framework thus have to be taken in joint decision-making processes. There are thus several discussion forums in place between different levels of government and the social partners.

The permanent exchange between fiscal policy actors is fostered, bringing together different points of view. The non-public character of many of these meetings allows debates on different economic ideas to be issue-oriented. And even when no consensus can be formed on a specific policy matter,

it nevertheless helps actors to gain an understanding of the reasoning of other actors. Pragmatist views are also fostered by and reproduced inside the negotiated knowledge regime, which integrates a wide variety of different actors of the Austrian fiscal policy field.

Concerning knowledge production, the WIFO plays a central role in discussion processes, hosting researchers which hold a wide variety of different economic ideas. In contrast to the research institutions in many of the other case studies, it is difficult to assign the institute to a singular economic idea-set, even if it originally tended towards a Keynesian interpretation of the economy. This is surely supported by the fact that the institute is co-financed by the main social partners, which continue to hold key positions inside the institution.

Table 11.1 – Austrian policy-making, production, and knowledge regimes

Austria	
Policy-making regime (Political institutions)	
Classification (Lijphart 1969)	***Consociational democracy***
System of government	Semi-presidential parliamentary democracy (weak president)
Centralism/federalism	Formally: weak federalism with a weak upper chamber In practice: strong administrative and party-based federalism
Electoral system	Proportional electoral system with party lists on all governmental levels
Party system and structure	Multi-party system with strong 'disciplined' parties
Production regime (Economic institutions)	
Classification (Hall & Soskice 2001)	***Coordinated market economy***
Organization and role of employee/employer organizations	Pronounced corporatism with mandatory membership for both employees and employers in the main social partners ("Austro-Corporatism") Hierarchical organization of social partners in umbrella organizations All economic sectors and firms covered by collective labour agreements
Economic structure	Highly diversified economy with high knowledge intensity Large manufacturing sector comprised of 'hidden champions' (SMEs) producing mainly machines, metal products, cars and car parts, pharmaceuticals Large tourism sector, important banking and commerce sectors with an orientation towards Central and Eastern European countries Strong dependence on Germany in both industry and tourism
Knowledge regime (research institutions)	
Classification (see Campbell & Pedersen 2014)	***Negotiated knowledge regime***
Central knowledge producers	Semi-public scholarly research organizations, analytic units of the social partners
Central educators	WU Vienna, University of Vienna, I
Overall organization of the macroeconomic & fiscal policy field	
Institutional factors supporting Austro-pragmatism	Discussion forums Austrian fiscal advisory council Semi-public research organizations co-financed by the social partners Informal meetings organised by the WIFO

Source: Own description, drawing on Lijphart (1969), Hall and Soskice (2001) and Campbell and Pedersen (2014)

11.4) Austro-pragmatism and fiscal framework reforms

The following subsections provide a detailed process-tracing of the key episodes of Austrian fiscal policy-making and framework reforms. As the national fiscal framework has been adapted relatively often since the 1990s, I divide the analysis in seven reform episodes that mostly centre on single initiatives but integrate several legislative changes when they fit together.

The first of the subsequent sections shows how national fiscal policy-makers implemented several elements of the Maastricht Treaty and the SGP domestically following Austria's 1995 EU accession. They viewed the introduction of the European deficit norms into national legislation (the original Austrian Stability Pact) as a 'logical' and technical consequence of EU membership.

The second subsection focuses on the highly mediatised 'zero-deficit' episode of the early 2000s. The finance minister at the time, Karl-Heinz Grasser saw an opportunity to make his mark, both at the national and international level, by calling for the achievement of a balanced budget, equally strengthening the domestic stability pact. In hindsight the reform efforts had only limited success, but as part of a broader discussion among the Austrian fiscal policy elite, the idea of balancing the budget over the cycle gained prominence, anticipating evolutions at the European level and allowing for an integration of Austro-Keynesian ideas into the national fiscal framework.

The third subsection highlights, how three subsequent reforms of the Austrian Stability Pact (2005, 2008, 2011) carried – in principle – this objective, but allowed for a flexible interpretation of rule compliance and the trajectories of public finances. In all three occasions, the deficit limits of the Pact were relaxed to allow for rule-compliance, rather than adapting fiscal policies through more 'ambitious' consolidation efforts.

The fourth subsection centres on one of the most comprehensive Austrian fiscal framework reforms, the constitutional budget law reform of 2007, which was implemented in two steps in 2009 and 2013. The reform was driven by the long-standing head of the budget department of the Austrian finance ministry, Gerhard Steger, who established an informal parliamentary committee including most relevant domestic fiscal policy-makers. By creating a 'win-win situation' for all of the implied actors, stressing the 'best practice' character of the reform which would make Austria a forerunner in fiscal governance, and using international organisations as external support, he managed to get the support of all parliamentary parties. The chosen approach of the rolling expenditure ceilings with non-cyclical and cyclically adjustable spending lines was also compatible with the Austrian version of Keynesianism entailed in Austro-pragmatism.

The fifth subsection deals with the largely failed constitutional debt brake reform of late 2011. As the Austrian bond spread towards Germany increased, governmental fiscal policy-makers felt pressures from international financial markets. To counteract the divergence between Austrian and German bonds, the government proposed the introduction of a constitutional debt brake similar to the German model. It, however, did not manage to secure a qualified majority in the Austrian

parliament. The three opposition parties at the time where all, in principle, ready to support the reform project but demanded concessions in other matters of fiscal policy matters that corresponded to their individual preferences. The government proposal thus became a bargaining chip for party interests, instead of being a battle ground over the concrete design of the suggested fiscal framework adaptations.

The sixth subsection stresses the pragmatic implementation of the European requirements of the Fiscal Compact and the SGP reforms into the Austrian fiscal framework. On the one hand, the Austrian Stability Pacts 2011 and 2012, as well as the law on the Austrian fiscal advisory council, strengthened the national set of fiscal rules and institutions. On the other hand, however, they also entrenched institutional features of Austro-pragmatism, such as the role of the social partners in the domestic fiscal council. Furthermore, the – for the moment – final version of the ÖStP denationalised the Austrian fiscal framework to a certain extent. Moving away from domestically negotiated deficits limits, the current fiscal rules refer more explicitly to the European level.

The final subsection discusses the most recent evolutions in Austrian fiscal policy-making and the latest reform initiatives concerning fiscal frameworks. It highlights the renewed drive towards a 'zero deficit' and different plans to further tighten the fiscal rules by fixing them on a constitutional level or to flexibilise them by giving more room for public investment.

11.4.1) EU-accession and the first Austrian Stability Pact (ÖStP 1999)

Austrian EU accession is a useful starting point for a detailed analysis of Austrian fiscal policy-making and reforms of the national fiscal framework. Having applied for EU membership in 1989, Austria became a member of the EU in 1995, together with Sweden and Finland, two other previous EFTA member states. As many interviewees across parties and institutions have highlighted, joining the EU and accepting the Maastricht criteria was one of the major turning points in the history of Austrian fiscal policy-making in the post-war period, where changes had otherwise been very gradual over time (see Becker et al. 2015: 7). Gerhard Steger, for example, pointed out that "EU accession is a very important break in this continuum. Due to the prerequisite of joining the third stage of EMU, some changes were necessary in Austria, which would have not taken place without EU membership" (Interview Steger).

Most importantly, the goal of being eligible for the common currency demanded significant consolidation efforts in the second half of the 1990s, particularly as the federal budget reached a deficit of 6% in 1995. This was due to several reasons: the international recession of the early 1990s, a partial overturn of budgeted expenditures by the constitutional court and interestingly also EU accession itself, with Austria becoming a net contributor (Interview Oliver). To comply with the Maastricht criteria to join the euro, which was a key objective for the government, it thus had to rapidly reduce the public deficit, leading – at the time – to the biggest austerity package in the history of the Second Republic (Interview Rossmann, Interview Oliver, Interview Matzinger and Fleischmann).

Beyond a stronger focus on consolidation efforts, EU and EMU accession highlighted the importance of an integrative view of public finances, as the Maastricht criteria's deficit and debt limits refer to a general government perspective (including the budgets of the central government, the subnational governments, and social security). As Anton Matzinger and Eduard Fleischmann of the finance ministry stressed, "greater attention has been paid to the fact that the entire state must present itself to the outside world, and here the federal government is responsible to the European Union for the [budgetary] result of the entire state" (Interview Matzinger and Fleischmann). This reorientation towards an integrated view of the budgets of the different levels of government was also the key reason behind the negotiation and implementation of the original Austrian Stability Pact. As Gerhard Steger put it, "without the general government perspective demanded by the EU, this would not have happened" (Interview Steger).

To be clear, the Maastricht criteria and the subsequent agreement on the European Stability and Growth Pact – which took place largely in parallel to the discussions on the first domestic stability pact – did not oblige the Austrian government in any way to implement or strengthen its national fiscal framework. But as the European deficit and debt limits targeted the general government rather than the central government, this led to a reflection process among the Austrian fiscal policy elite. There was "a general feeling in our political leadership that it is necessary to create better coordination" (Interview Matzinger and Fleischmann).

The federal government was concerned of how it "could manage to get the Länder and the municipalities on board" in terms of fiscal consolidation and how it could ensure "that if we do something at the federal level, they will not do anything else at the Länder or municipal level" (Interview Steger). On the other side, the Länder and municipalities were concerned that the federal government would take decisions on consolidation measures without their consent, passing on financial burdens to the lower levels of government. Subsequently, "there was an interest on all three sides to carry out a 'juridification' of this substrate" (ibid.), to introduce the European deficit norms into the Austrian legal order and to formalise the obligations of each level of government. Steger argued that this "everything must be made legal"-approach was part of 'Austrian culture', stating that there was a similar culture in Germany (ibid.). Interestingly, however, in Germany no such formalisation of European requirements across the different levels of government took place until the German debt brake was adopted in 2009.

Becoming the head of the budget department in 1997, Steger was following the negotiations of the original Austrian Stability Pact up close. In his recollection of the events, short-term finance minister (1996-1997) and subsequent chancellor (1997-2000) Viktor Klima of the SPÖ was one of the key drivers of the reform inside the government coalition with the ÖVP. On the side of the Länder, Herbst Sausgruber (ÖVP, governor of Vorarlberg) and Karl Stix (SPÖ, governor of the Burgenland) led the negotiation efforts.

The negotiations on the first Austrian Stability Pact followed the traditional consociational political logic, with "a very pronounced culture of consensus" and with social partnership radiating into the

field of fiscal policy-making (Interview Matzinger and Fleischmann). To them, the agreement on the ÖStP 1999 "ultimately represents a self-commitment for the municipalities, for the Länder, but also for the Bund, in order to achieve – in the common interest – the European objectives" (ibid.). Because of this reasoning, the concrete deficit limits of the original Austrian Stability Pact were de facto 'obvious' due the Maastricht criteria and "it was more a question of breaking it down and distributing it among the individual levels of government accordingly" (ibid.).

From the outset of the negotiations, the ÖStP was explicitly connected with the Austrian fiscal equalisation mechanism and its accompanying law, the FAG. As the head of the department of the Austrian fiscal constitution and fiscal equalization mechanism, Anton Matzinger, summarised, "fiscal equalisation in Austria means the distribution of tax revenues between the Bund, the Länder and the municipalities, with taxes being collected almost entirely by the federal government through the federal tax offices, and then distributed according to fixed rules in a fiscal equalisation law between the federal government, the Länder, and the municipalities, and which are then supplemented by a further system of transfers for fine-tuning" (Interview Matzinger and Fleischmann). He further highlighted that the fiscal equalisation law was a temporary law, which was periodically renegotiated by the finance minister, the financial officers of the Länder, and the representatives of the peak associations of the town and municipalities (ibid.).

The linking of the Austrian Stability Pact with the fiscal equalisation mechanism allowed for integrated negotiations on the distribution of tax revenues to achieve jointly agreed fiscal objectives. This actually gave a considerable degree of power to the Länder, in using the deficit limits of the ÖStP to demand additional funds to allow for rule compliance.

After lengthy negotiations, the Austrian parliament finally agreed on the first Austrian Stability Pact to come into force by 1999. The legal instrument of choice for its implementation was a 15a-agreement. This paragraph of the constitution "offers the possibility of concluding contracts between the different levels of government, public-law contracts, which are also adopted and ratified by the respective legislatures and thus attain the rank of a law" (Interview Matzinger and Fleischmann). In its text, the ÖStP (1999) mentioned the FAG several times. In particular, it allowed for a renegotiation of the Stability Pact in the case of changes in the financial endowment of the different levels of government. The ÖStP (1999) also limited the validity of the agreed-upon deficit quotas to the next agreement on a FAG.

The ÖStP (1999) integrated, for the first time, the nominal deficit limit of 3% of GDP of the general government – as demanded by the Maastricht criteria – into national legislation. It also defined the shares of each level of government, assigning 2.7% percent to the Bund, and 0,3% to the Länder and municipalities, with detailed quotas for each of the Länder and their respective municipalities. This also allowed to define who would be responsible to pay how much in the case of EU financial sanctions if the European fiscal rules criteria were to be breached.

Following the consociational policy-making style, the Austrian Stability Pact put a lot of focus on budgetary coordination and installed several committees through which such coordination could take place. It also allowed for a sharing of budgetary results that were better than required by the ÖStP, 'giving' them to other governmental bodies that did not manage to comply with the set deficit limits. This was clearly a decision influenced by Austro-pragmatism. In other federal countries, such as Germany or also Switzerland such an approach was not taken. It showed the absence of a coherent ideational outlook of the role of rules to constrain fiscal policy discretion, as potential 'moral hazard' due to such a construction did not seem to be of concern to Austrian decision-makers.

In the parliamentary debate on the introduction of the first Austrian Stability Pact, the governing grand coalition of SPÖ and ÖVP viewed the ÖStP 1999 as a 'logical' consequence of the supranational obligations of the Maastricht Treaty (1992) and the original SGP (1997/1998) for federal countries such as Austria. Potential distributional and political consequences of that agreement were barely mentioned, nor – for the overwhelming part – ideological concerns. Marianne Hagenhofer (SPÖ) pointed out that Austria had committed itself to budgetary discipline towards the EU, and that the Austrian Stability Pact would address this issue by fixing the deficit limits of each level of government and the sharing of sanctions in the case of non-compliance and by installing committees for the exchange of information and effective budgetary coordination. Günter Stummvoll (ÖVP) equally called the Austrian Stability Pact "a very important technical and organisational prerequisite for achieving the objectives laid down in the Maastricht Treaty, which are not only objectives for the Bund, but objectives for the Bund, the Länder, and the municipalities; a coordination instrument at the federal and Länder level, which ensures that we actually achieve these stability objectives".

None of the – then three – opposition parties supported the ÖStP 1999. Wolfgang Nußbaumer (FPÖ) voiced strong concerns about the constitutionality of the agreement (shared by the liberal LiF) and criticised the shift of power away from the different parliaments towards the executive. While being supportive of the idea of more budgetary coordination, Nußbaumer, however, also doubted that the finance minister would actually enforce the Austrian stability pact in case of non-compliance. Volker Kier's (LiF) main point of critique was the structure of the fiscal equalisation mechanism, denouncing that the federal states had been the winners in each phase of the construction of the existing fiscal-political system. Instead of a consultation mechanism, Kier demanded a better fiscal equalisation mechanism and a real tax reform. Only Madeleine Petrovic (Green party) was worried about the macroeconomic and budgetary effects of the ÖStP. She argued that it would not help to maximise national welfare but rather lead to expenditure cuts in various policy areas. Interestingly, Petrovic did not reject the reform in principle, but demanded to complement the fiscal rules with employment, social and health policy objectives.

Overall, the first Austrian Stability Pact was understood as a strictly technical law, which would not put any additional policy constraints on national policy-makers, being a logical consequence of participation in the common currency. Only the Green party differed from this general outlook.

One of the pact's main functions was seen to accompany the periodic renegotiations of the fiscal equalization mechanism, which would allow the federal and the subnational levels of government to mutually hold each other accountable for complying with the negotiation results. Many fiscal policy actors, however, also felt that the ÖStP actually empowered the Länder to demand 'sufficient' funding for their expenditures, which is in line with the view of a strong de facto federalism in Austria.

Taken together, the implemented fiscal framework corresponded strongly to the idea-set of Austro-pragmatism. The introduction of the European rules onto the national level was seen in a very pragmatic fashion, arising as a 'logical' consequence from EU accession. Ideological reasoning was largely absent, which is rare for fiscal framework reforms in a comparative perspective. The approach to rule compliance was also highly pragmatic, allowing different governmental bodies to share deficits. The ÖStP 199 was thus more interested in overall outcomes rather than compliance as an intrinsically important goal in fiscal policy-making for each individual Land or municipality. Together with periodic changes to the fiscal equalisation mechanism, the Austrian Stability Pact was adapted several times (2001, 2005, 2008, 2011, 2012). While being strengthened over time, particularly in 2001 and 2011/2012, the ÖStP nevertheless retained a significant degree of flexibility towards rule compliance and a quite agnostic view on the meaning of rules themselves.

11.4.2) The PR-consolidation of Mr. 'Zero-Deficit' (ÖStP 2001)

The Austrian 'zero deficit'

An important strengthening of the Austrian Stability Pact took place in 2001. This was linked to the national elections of 1999 and the subsequent coalition talks, which brought substantial political change. After more than a decade of grand coalitions, a self-declared reform government was formed ÖVP and FPÖ. The ascent to power of the right-wing populist Freedom Party was met with broad national and international disapproval. In an unprecedented move, the EU even imposed political sanctions on Austria. Due to the heightened international scrutiny of the new government, the EU also criticised an initial lack of fiscal consolidation efforts in the first budget draft of the incoming government (Fürweger 2012: 31, Interview Samonig). To counter these concerns, the new FPÖ finance minister Karl-Heinz Grasser quickly set out the achievement of a balanced budget by 2002 – the so-called 'zero-deficit' (Nulldefizit) – as the overarching goal of the government's budgetary strategy. This was welcomed at the international level (Fürweger 2012: 32).

The announcement of the 'zero deficit' was heavily mediatised (Fürweger 2012, Innerwinkler 2010) and many interviewees called it a marketing or branding effort of Grasser (e.g. Interview Steger, Interview Kogler). The finance minister, for example, set up a 'debt clock' in the Viennese city centre, with a countdown towards the achievement of the zero deficit by the end of 2002. The government also initiated an 'information' campaign with the slogan 'future without debt', which suggested that the achievement of a balanced budget would mean that Austria was without public debt rather than without no new net debt (Innerwinkler 2010: 128).

In his most-known budget speech in the Austrian parliament in October 2001, Grasser summarised the government's stance on fiscal policy with the catchphrase "a good day begins with a consolidated budget". He criticised the debt policies of previous SPÖ finance ministers and formulated his fiscal policy goal as aiming "to end a misconceived Keynesianism that, in the form of Austro-Keynesianism, had served as a pretext for massive public indebtedness, and to liberate the country again from public debt" (Grasser quoted in Obinger and Tálos 2006: 26). While political marketing played a big role, the ÖVP-FPÖ government and Grasser were indeed interested in significant reforms of Austrian fiscal policy-making, at least in the first years of their mandate (Interview Steger).

The government rapidly put consolidation measures for the Austrian public finances into place. Due to relatively strong tax increases, fortunate economic circumstances, and one-off measures, the planned 'zero deficit' for 2002 was seemingly already achieved in 2001 (Fürweger 2012: 33, Interview Matzinger and Fleischmann, Interview Kogler). Privatisations of major public enterprises, cash transfers from the Austrian Central Bank to the federal budget, the outsourcing of debt from the general government sector, and the imposition of interest payments on tax debts held by companies led to unexpectedly high revenues. The nominal budget balance improved strongly in a short period of time (Interview Matzinger and Fleischmann).

With a strategy of public concertation among different political actors, and by framing the achievement of a balanced budget as a national effort, Grasser managed to move the whole political spectrum towards a more restrictive fiscal stance (Innerwinkler 2010: 125). This was helped by an SPÖ under the leadership of Viktor Klima in the late 1990s and Alfred Gusenbauer in the early 2000s, who were both receptive to the third-way politics exercised by Gerhard Schröder and Tony Blair. Also inside the Green Party, a more fiscally conservative wing had asserted itself in internal party elections, with the economics professor Alexander Van der Bellen leading the party, supported by macroeconomist Werner Kogler (who is currently the leader of the Green Party) (Interview Kogler, see also Innerwinkler 2010: 125). Differences remained, however, on how to achieve a balanced budget and in which terms a budget should be balanced (in nominal terms or across the cycle).

The premature achievement of the 'zero deficit' led the ÖVP-FPÖ government to the conclusion that it could s begin to reduce taxes, which had particularly been an electoral promise of the FPÖ (Interview Matzinger and Fleischmann). In practice, this meant to reverse the tax increases that had helped to balance the budget. Together with the economic downturns of the early 2000s and the costs of a major flooding along the Danube in August 2022, the government reduced its balanced budget ambitions. In addition, the FPÖ abandoned the 'zero deficit' in the aftermath of an internal dispute on tax reform between different party wings. In hindsight, the 'zero-deficit' of 2001 "existed only on paper" (Fürweger (2012: 32). Due to corrections made by Eurostat (linked to outsourced debts and one-off measures) and changes in the European System of Accounting (ESA), it became clear that Austria had actually run deficits throughout the early 2000s (Interview Matzinger and Fleischmann, Interview Oliver, Interview Kogler).

The ÖStP 2001

While the reform efforts in fiscal policy-making were only partially successful and were later reversed to a certain extent, the drive towards a balanced budget fostered by finance minister Grasser also led to a reform of the Austrian Stability Pact. The ÖStP 2001 served to pin down a trajectory for the budget balances of all levels of government for a four-year period towards the 'zero deficit' objective. At the time, it was going significantly beyond the European deficit rules. The ÖStP 2001 limited the annual public deficits of the federal government to -2.05% (2001) and -0.75% (2002-2004). It also demanded the Länder to run nominal budgetary surpluses of 0.75% across the whole four-year period and set a balanced budget limit for municipalities.

The reformed Austrian Stability Pact continued to allow the different governmental bodies to share their deficits, through which governments with better-than-required budgetary outcomes could 'help out' governments that ran 'excessive' deficits. The ÖStP 2001 also strengthened the existing fiscal framework through the introduction of a sanction mechanism including financial penalties, which was accompanied by a political arbitration committee. In case of non-compliance, a rather complex procedure was to be set in motion, passing through Statistics Austria, the Austrian court of auditors and finally discussed by the arbitration committee. Decisions were to be taken on a consensual basis. In addition, the government reformed the Austrian public debt committee, changing the balance of power by increasing the share of government-nominated members at the expense of the social partners.

The 2001 reform of the Austrian Stability Pact was adopted in November 2001, shortly after Grasser had announced a balanced budget for the following year and with budgetary data already suggesting a zero-deficit to be in reach for 2001. As for the first Austrian Stability Pact, also the ÖStP 2001 was closely linked to a renegotiated fiscal equalisation mechanism (FAG 2001). The pact was not only supported by the ÖVP and the FPÖ, but also by the opposition party SPÖ, which played an important role in the negotiations due its strength in certain Länder.

In the parliamentary debate on the Austrian Stability Pact 2001, the ÖVP and the FPÖ stressed the alleged European obligations of Austria to reform the national fiscal framework. They argued that the EMU would legally prescribe member states to establish and implement national stability pacts, which would aim at balanced budgets our surpluses in the medium-term (even if this was not the case). (Jakob Auer ÖVP, Irina Schoettel-Delacher FPÖ). Delacher argued that the stability goals of the original pact from 1999 were not able to deliver on those requirements, which required different budgetary policies and fiscal rule requirements.

The SPÖ, which voted for the ÖStP 2001, nevertheless held an ambiguous position during the parliamentary debate. At the same time, Kurt Heindl (SPÖ) argued that his party could support the pact as "it is to be regarded as a technical law" but also criticised the government's fiscal policy-making focused on the achievement of a 'zero deficit' instead of broader macroeconomic concerns: "Nobody, not even the Maastricht criteria, has forced us to pursue a zero-deficit policy with this

speed and severity" calling the 'zero deficit' policy a 'fetish' of the government. Pointing out an emerging economic slowdown, the SPÖ criticised the government's procyclical fiscal policy-making to achieve a nominal balanced budget (Hannes Bauer SPÖ, Kurt Eder SPÖ). Instead, the party suggested to aim for balanced budgets across the economic cycle rather than pushing through a consolidation process 'at all costs'. The Green Party held a similar position on fiscal policy-making, but opposed the ÖStP 2001 because of the little room for manoeuvre it gave for adjusting fiscal policy to changes in the macroeconomic environment (Werner Kogler, Green Party).

Another point of critique from the opposition focused on the change of the composition of the public debt committee. Kogler (Green Party) considered that the reform of the fiscal framework would 'silence critical voices in the future' by giving the representatives delegated by the government a *de facto* majority in the committee, turning it into a 'government advisory committee'. Finally, Kogler (Green Party) was sceptical of the new sanction mechanism to ensure adherence to the deficit limits.

In sum, the 2001 reform of the Austrian Stability Pact was again seen as a necessity stemming from EMU membership. Supporters of the reform stressed the need to inscribe the Stability and Growth Pact's medium-term objective of a budget in balance or even surplus into the national legal order. While there was actually no such requirement, the government's interest in proving its reform and consolidation capacities to the European Union and its members surely played a role in the implementation of the ÖStP (2001).

Many of the involved actors stressed once again the technical and 'logical' aspect of national fiscal framework reform which already played a role for the original ÖStP. The main political opposition party SPÖ justified its support for the reform by viewing the reform as a technical law which did not have any direct fiscal policy consequences per se, even if actual fiscal policy-making was criticised. While highlighting the nominal 'zero deficit' goal of the ÖStP 2001, the government coalition also acknowledged that the ultimate objective were balanced budgets over the economic cycle (Hans Müller FPÖ), thus moving towards an understanding of structural budget balances. This move was actually supported from the left side of the political spectrum, with critique mainly touching the actual implementation of fiscal consolidation measures. This reasoning corresponded strongly with the remnants of Austro-Keynesianism contained in Austro-pragmatism, which had always shown support for such an approach to budgetary policy. Overall, the strengthened fiscal framework and the stronger focus on budgetary consolidation was made possible by an integration of key tenets of Austro-Keynesian thinking into the marketing approach of Grasser, moving gradually from a nominal approach to public deficits to a more structural one among the government parties in the years after 2001.

11.4.3) Flexible fiscal framework adaptations (ÖStPs 2005, 2008, 2011)

In the ten years after the well-remembered 'zero deficit' episode Austrian fiscal policy-making was marked by an overarching interest in achieving balanced budgets across the economic cycle, without, however, clearly defining the cycle. This approach was periodically interrupted, when other fiscal policy matters such as tax reform became more important to political decision-makers than public deficits.

During this period, the Austrian Stability Pact was modified three times, in 2005, 2008 and 2011, with policy actions demanded by the existing legislation itself and negotiations guided mainly by the respective governments in power. Each time the ÖStP reforms were linked to a renegotiated fiscal equalisation mechanism, with the latter generally being seen more relevant by politicians. Interestingly, all of these reforms were used to flexibilise the requirements of the previously set deficit limits, while continuing to aim for a balanced budget towards the end of the validity period of each ÖStP (except for the ÖStP 2011 due to the Great Recession).

Along with these key developments in the Austrian fiscal framework, the political landscape evolved as well. After the break-down of the first ÖVP-FPÖ coalition in 2002, another one was formed for the period until 2006. In this second right-wing coalition, the ÖVP held a considerably more dominant position, also because the FPÖ was weakened from internal party disputes and a final split into two separate parties in 2005. At that point, the party leadership under FPÖ key figure Jörg Haider formed the national-liberal BZÖ, which remained in government until the end of its term. In 2006/2007 finally, a new grand coalition formed, which, after early elections in 2008, continued its work in a similar configuration during the Great Recession and European debt crisis until 2013. Among the major fiscal policy reform episodes during this period was the large 2004/2005 tax reform, the infamous 'spending spree' of the Austrian parliament in the run-up to the 2008 elections (Der Standard 2017), as well as a major consolidation package in 2010 to deal with the aftermath of the Great Recession.

During the 2000s, but particularly during the years in which Grasser served as finance minister (2000-2006), there were continuous attempts to circumvent the scope of the national fiscal framework, to comply with its fiscal rules. Various levels of government engaged in a 'stretching' of fiscal rules (Interview Reiss). At the federal level, the finance ministry outsourced publicly-owned companies such as the Austrian railways (ÖBB) to exclude their deficits and debt from the Maastricht criteria (Interview Matzinger and Fleischmann). At the Länder and local level, this also applied to municipal companies, infrastructure companies and the Länder hospitals (Interview Reiss).

All of these efforts to circumvent the requirements of the Austrian Stability Pact where, however, in vain as they all became later reintegrated into the overall deficit calculations through ex-post revisions by Eurostat and the introduction of the ESA 2010. Importantly, the fiscal rule 'stretching'

was interpreted by fiscal policy actors in generous terms. Rule non-compliance was neither punished politically, nor did it lead to demands of budgetary correction for 'excessive' deficits in subsequent years (ibid., Interview Matzinger und Fleischmann). Even in cases, such as the financing of hospitals, where "it was actually clear from the outset, that it was a [rule] circumvention concept on the part of the Länder, they were not punished for it" (Interview Reiss). In these lenient conditions, the different Stability Pact reforms until 2011 took place. Having an overall consolidation objective in mind, actual rule compliance was considered of secondary importance.

ÖStP 2005

In December 2004, the ÖStP (2005) and the FAG (2005) were discussed in the Austrian parliament together with an additional health care reform package that affected different levels of government. The Austrian Stability Pact 2005 sets a deficit trajectory from a limit of -1.8% in 2005 to a nominal balanced budget by 2008. The ÖVP-FPÖ coalition government in power presented the discussed set of legislation as one of the most important budget packages of the 2002-2006 parliamentary term (Günter Stummvoll, ÖVP). For the fiscal equalisation mechanism, finance minister Grasser (independent) stressed that a consensus was found across party lines regarding the distribution of revenues, "that speaks in favour of a basic consensus on very, very important issues that has long distinguished Austria".

In contrast to the previous Austrian Stability Pact, the SPÖ did only support the FAG (2005) but not the ÖStP (2005). Christoph Matznetter (SPÖ) argued that his party would not support the pact because it supported a pro-cyclical fiscal policy-making by the ÖVP-BZÖ government at the federal level, with restrictive actions in recessions and expansionary behaviour during economic booms. Both Dietmar Hoscher and Kurt Gaßner (SPÖ) denounced the interplay of the new ÖStP in combination with the government's 2004/2005 tax reform and the 2005 budget, which would lead to lower public investment rates and constitute neoliberal policies. While seeing the necessity of a pact between different Austrian governments levels regarding public finances, the Green Party did neither support the ÖStP nor the FAG 2005. One of the key reasons discussed by Kogler (Green Party) was that the new fiscal equalisation mechanism did not improve on the complicated structure of equalisation payments that lacked corresponding responsibilities for tasks, expenditures and revenues.

ÖStP 2008

In December 2007, a new FAG (2008) and ÖStP (2008) were again discussed jointly in the Austrian parliament, where a new grand coalition under chancellor Alfred Gusenbauer (SPÖ) had constituted. Amending the deficit limits of the previous Stability Pact for 2008, the ÖStP (2008) lowered the stringency of the Austrian fiscal framework, circumventing likely rule non-compliance for the running year. It laid, however, out a fiscal consolidation path that went beyond a nominal balanced budget, reaching and subsequently holding a budgetary surplus of 0.38% of GDP for the period from 2010 to 2013. Additionally, the debated legislation also contained a major reform of the federal budget law – discussed further below – as well as a reform of financial market

supervision (FMA). Interestingly Günter Stummvoll (ÖVP) did not even mention the reformed ÖStP as any of the major discussion topics.

The 2008 reform of the fiscal equalisation mechanism and the Austrian stability pact took place one year earlier than schedule, to give higher equalisation payments to the Länder and municipalities. According to Kai Jan Krainer (SPÖ), "it was negotiated earlier, because the Länder could not get by with their money to finance their tasks. That is also evident from the fact that they were not able any longer to fulfil their share for the Maastricht criteria, for the general government deficit". This highlights, how the Austrian fiscal framework has been repeatedly modified whenever rule requirements do not seem to correspond with 'successful' policy-making rather than to enforce the existing fiscal rules. As for the previous ÖStPs, the opposition parties criticised the unwillingness to substantially reform the structure of the fiscal equalisation mechanism (Bruno Rossmann Green Party, Lutz Weinzinger FPÖ) Interestingly, there was no discussion on the numerical deficit limits of the ÖStP 2008, which aimed for a budgetary surplus starting from the year 2010, something that had not been envisioned in previous ÖStPs. The parliamentary parties either agreed or simply did not pay attention to this fact.

ÖStP 2011

In July 2011, the ÖStP 2011 and a prolongation of the existing FAG 2008 until 2014 were adopted in the Austrian parliament. Additionally, the package contained a new care fund financed by the federal budget and to be used by the Länder for care services (particularly for older people). Again, the reform measures flexibilised the rule requirements of the Austrian Stability Pact, which was, however, largely due to the Great Recession and the European debt crisis. It also allowed to incorporate the additional deficits that were incurred due to the costly measures voted in late 2008 after the breakdown of the Gusenbauer government. The parliament agreed on a retrospective suspension of the previous ÖStP for the years 2009 and 2010 based on the 'exceptional circumstances' of the crisis.

As previously, the ÖStP 2011 set a fiscal consolidation path for the general government. For the first time since the 1999 version, it did not aim for a balanced budget during its period of validity, limiting the public deficit merely to -2.4% of GDP by 2014. The reformed Austrian Stability Pact also removed the previously existing budget surplus targets for the Länder. Beyond the fiscal rules, the ÖStP 2011 was the first to contain substantial changes since the 2001 version. It introduced upper limits to public guarantees, which played an important role in Austria (Die Presse 2012), demanded more budgetary transparency, and further detailed several elements of the sanction mechanism. The Pact defined more concretely the tasks and responsibilities of the different involved institutions, such as Statistics Austria, the court of auditors, and the arbitration committee, giving them also the right to control compliance with public guarantee limits. In addition, it further detailed how the arbitration committee should be set up to deal with fiscal rule non-compliance. Importantly, however, the ÖStP 2011 did not fix exact numerical limits for public guarantees, whose setting was left to the respective governmental body.

In the parliamentary debate, then finance minister Maria Fekter (ÖVP) argued that the prolongation of the FAG was mainly connected to the care package of the federal government and the negotiations with the Länder that surrounded it. The care fund itself also was the main issue discussed. The ÖStP 2011 with its strongly differing new numerical fiscal goals in comparison to the ÖStP 2008 received considerably less attention. Werner Kogler (Green Party), in principle, supported the tightening of the pact's sanctioning mechanism as well as the inclusion of limits for public guarantees, even if they were not explicitly written down in numerical terms. The Green Party, however, did not support the ÖStP 2011 because it did not approve of the budgetary path set out by the pact.

Overall, the Stability Pact reforms of 2005, 2008 and 2011 showed a relatively flexible approach to rule compliance, with deficit limits being periodically adapted to fit fiscal policy needs, rather than the other way around. And as the ÖStP continued to be linked with the renegotiations of the fiscal equalisation mechanism, it was only of subordinate importance in comparison to the fight over the distribution of budgetary revenues across the different levels of government. Most parliamentary parties supported the basic goal of a balanced budget across the economic cycle, having, however, different priorities that should come along with it. In particular, the opposition parties were interested in reforming the complicated and opaque fiscal equalisation mechanism, but progress on this front remained very slow and incremental. Again, the idea-set of Austro-pragmatism was very prevalent among the key fiscal policy actors, supported by a consociational policy style, demanded by the Austrian federal system.

11.4.4) The strategic victory of Mr. 'Budget' (Budget law reform)

On the role of 'best practice' in fiscal framework reforms

In parallel to the Austrian Stability Pact and its iterations over the course of the 2000s, another change of the national fiscal framework was planned for several years with negotiations finishing in 2007, the constitutional budget law reform. In contrast to the ÖStP, the new budget law was not initiated by politicians or legal sunset clauses that triggered reform processes. Instead, it was the public administration, with the head of the finance ministry's budget department, Gerhard Steger, who was taking the lead. This was acknowledged by fiscal policy actors across parties and institutions (Interview Kogler, Interview Schratzenstaller, Interview Marterbauer).

As Steger himself stated, "the motivation for the budget law reform did not come from politics, but from the administration, inspired by international examples and the strong network that we had inside the budget department, for example, with the OECD". Inside the budget department itself, Anton Matzinger was another key actor (Interview Marterbauer). In addition, Steger's major reform effort also depended on political support, which he was given by four consecutive finance ministers from three different parties. Steger saw also the long-term budgetary spokesperson of the SPÖ, Jan Krainer, as one of the allies that had supported the reform.

First elements of a broader reform effort of the Austrian budget law were already tested under Rudolf Edlinger (SPÖ) in the late 1990s, who had installed Steger – who was also an SPÖ member – as the head of the budget department in 1997 (Fritzl 2010). The main negotiations of a new budget law happened when Grasser (FPÖ, later independent) was finance minister, but also the two following finance ministers Wilhelm Molterer and Josef Pröll (both ÖVP) helped to implement the finalised reform project in national legislation. In Steger's view this basic support for his fiscal framework plans was their "biggest reform contribution" (Interview Steger). Werner Kogler (Green Party) also pointed out that the budget law reform took place "under the favour of the finance minister [Grasser], who, however, did not even concern himself with the matter or even wanted to. He had only noticed that it is something that can be sold as modernisation" (Interview Kogler).

Gerhard Steger thus was the 'mastermind' behind the constitutional budget law reform, which he meticulously planned, as he laid out in detail in a 2010 OECD publication entitled "Austria's Budget Reform: How to Create Consensus for a Decisive Change of Fiscal Rules" (Steger 2010). Trained as a political scientist, he viewed the reform effort basically as an exercise in successful 'change management'. Steger described the starting point of the overall reform process as a "growing dissatisfaction within the federal administration, as the weaknesses of this system became more and more obvious" (Steger 2010: 2). The administration was discontent with the lack of a "binding, medium-term perspective for budgeting" which created planning problems, budgeting based on inputs rather than performance results, as well as a lack of financial information "for steering the budget adequately" because of the "monopoly of classic, cash-based cameralistics" (Steger 2010: 2).

The budget department thus began to develop reform ideas to counter these problems and sought political support for its reform agenda. In the late 1990s and early 2000s, several pilot projects experimented with more budget flexibility and a performance orientation. The budget department found that "the results of these pilot projects were very encouraging: the administrative and budget culture in the respective administrative offices improved considerably and civil servants were much more motivated than before" (Steger 2010: 2). Steger found these pilot projects to be crucial for the overall reform process as it "became obvious that new fiscal rules could generate better fiscal results and better performance at the same time". This logic fits very well Austro-pragmatism with its focus on 'successful' policy-making rather than policy-making based on ideological grounds.

As a basis for the following discussion process, the budget department undertook "an analysis of international examples of new fiscal rules to create a comprehensive steering model for the Austrian federal budget. As far as international examples were concerned, Austria gathered respective information mainly via the OECD Working Party of Senior Budget Officials" (Steger 2010: 2). According to Steger (2010: 2-3), "this network had considerable influence on the Austrian reform, as the international experience, both successes and failures, was a crucial source of inspiration for integrating lessons learned in the Austrian model. Austria asked the OECD secretariat to write a country report on budgeting in Austria and OECD staff was invited by Austrian authorities to

present the results of the country report and additional OECD experience on fiscal rules reforms. This helped to persuade the Austrian government to stick to the reform process".

Several interviewees pointed out that Sweden had been the primary role model for the Austrian budget law reform, and an example for broader fiscal policy-making (Interview Kogler, Interview Matzinger and Fleischmann, Interview Berger and Sindermann). After a massive financial and fiscal crisis in the 1990s, Sweden had completely changed its national fiscal framework and managed to move from high deficits and public debt ratios to budgetary surpluses and low indebtedness. Fiscal policy actors across different Austrian institutions were quite familiar with the Swedish experience and pointed out that the then finance minister and later prime minister of Sweden, Göran Persson, had visited Austria several times to present his reforms. Bernhard Felderer, former head of the Austrian fiscal advisory council, described Persson as "a priest who said, debt brings you into the sphere of power of others, and nothing is more shameful as if you suddenly get told by others, you have made a bad policy and you must do it now like this in the future" (Interview Felderer).

For Steger, Sweden was a role model particularly for the introduction of a medium-term budgetary framework. Concerning performance budgeting, the budget department borrowed from New Zealand: "We were looking for a lean, not excessive, system for performance budgeting, focused on the most important things, and for this we liked New Zealand quite a lot" (Interview Steger). The UK was used as a cautionary tale, where earlier performance budgeting efforts had – according to Steger – turned into a 'bureaucratic monster'. Steger, however, also stressed that "we did our own thing. So we looked at a lot of things internationally, but did not do copy-and-paste (…) but tried to adapt it to our circumstances as we assessed them". He thus served as the central translator of more international ideas on fiscal frameworks and fiscal governance into the Austrian context, adapting them to the pragmatist style of fiscal policy-making. Rather than serving to alleviate a 'public deficit bias' or to reign in 'time inconsistency', Steger stressed the logic of problem-solving and becoming a 'best practice model' for other countries. In general, fiscal policy actors were rather interested in Austria's relative position in comparison to other states than the concrete measures themselves.

Based on these foundations, the Austrian budget law reform was negotiated "in a very long consultation process with the parties, with all the parties represented in parliament, no matter whether government or opposition which took place outside of the public sphere" (Interview Steger). After some discussions inside the finance ministry, an informal committee – the budget law reform advisory council – was established in autumn 2004 and remained in place for roughly two years (Steger 2010: 3, Interview Kogler).

Each of the parties was represented by their budgetary spokespeople as well as their parliamentary secretaries, which were the designated budget specialists of the respective parliamentary group. In addition to all parliamentary parties, the working group also included the constitutional service of the federal chancellery, the court of auditors, as well as the finance ministry itself. Steger stressed very much that it was their aim to get all relevant actors involved, in particular all different parties:

"we wanted the system to be supported by everyone. You never know who will be in government in four years' time or in five years' time and who will be in opposition" (Interview Steger).

The budget department of the finance ministry was in charge of the process, developing and presenting its ideas to the different involved actors, which were then discussed in the committee. Based on the political feedback provided by the parties, and the technical feedback given by the constitutional service of the federal chancellery and the court of auditors, the budget department then revised its proposals and submitted them again for discussion.

To gain support for the planned budget law reform, Steger set up a comprehensive package that would create – in his own words – 'win-win situations' for all the different involved actors and would help to overcome potential resistance: "The oppositions were part of the master plan and we knew how to respond to them. We had always already thought beforehand about who can say anything against it and how do we counter it. It was a really well-planned project from start to finish". While this could simply have been 'credit claiming' (see Weaver 1986, Bonoli and Natali 2012), many interviewees have highlighted the strategical finesse of Steger, stressing his competence and the well-functioning budget department under his leadership (e.g. Interview Krainer).

In his 2010 report and the 2017 interview, Steger detailed the different elements of the overall reform plan to benefit specific stakeholders. The medium-term budgetary framework and accrual accounting were for the 'fiscal hawks' inside parliament, performance budgeting and gender budgeting were included to bring the more leftist parties on board. Particularly gender budgeting was important for the Green party (Interview Steger). For the parliament more broadly, the reform foresaw more rights and a more central role of the Nationalrat in the budget process. This included the creation of a parliamentary budget office, performance information in the annual budget bill and stricter budget-reporting requirements of the administration (Steger 2010: 3). The federal chancellery and the court of auditors were both given additional information, monitoring, and control rights, many in relation to performance budgeting. For Steger (2010: 4) the line ministries posed the biggest resistance but could also be convinced or at least appeased by giving them more flexibility both in budget preparation and execution.

Steger and the budget department reached out to the broader public to gain support for his reform project and to lock-in political support. As he laid out, the "main target groups were scientists, journalists and foreign multipliers" (Steger 2010: 4). To gain internal support among the public administration, finally, Steger deliberately sought a strategy where his department drew on the expertise of its own civil servants rather than external consultants. In his view this allowed to draw on the available in-house knowledge and helped to increase the acceptability of the reform among public officials.

Another key element for ensuring the 'success' of the budget law reform was the decision of the budget department to not allow votes on individual parts of the overall package: "In the end we

told everyone that you can only have the package as a whole. (…) That was the calculation from the beginning that we put different topics together which are connected, that form a comprehensive picture, but that there would also be something for everyone" (Interview Steger). In Steger's recollection, "this concept has completely worked out, so I can't remember concerning the federal government, if we have lost anything essential along the way" (ibid.).

But while the budget law reform was originally designed to cover also the Länder level, there was strong resistance from the subnational level. The reform would have meant to align the different accounting systems for a better comparability, which was, however, strongly opposed by the heads of government of the federal states. In the end, the reform was thus limited to the federal government. Some of its main tenets were nevertheless extended to the Länder and municipalities with the estimates and balance of accounts decree (VRV) of 2015 (entering into force by 2020).

Steger's overall reform strategy seemed to pay off because in December 2007, on the same day as the reform of the Austrian Stability Pact 2008, a constitutional budget law reform was adopted in the Austrian parliament with unanimous support of all parties. Together with an implementing law at the ordinary law level, this fiscal framework reform constituted a massive change in Austrian fiscal governance. In terms of fiscal rules, the central element of the new budget law was the establishment of a medium-term budgetary framework with expenditure ceilings for the federal government that supplemented the deficit limits of the Austrian Stability Pact. It required parliament to produce a multi-annual budgetary framework law which would act as a boundary for the annual budget laws of the Bund. These framework laws had to provide binding expenditure ceilings for each year for the next four years. They also had to specify upper spending limits for specified missions rather than just an overall spending limit. While most missions had to have fixed upper limits, a few categories of spending could have more flexibility, specifically those that changed significantly with the economic cycle. This gave room for automatic stabilisers to work.

The new budget law allowed to surpass the expenditure limits due to exceptional crises or if excessive spending was covered either through savings or additional revenues. The law also prescribed that in the absence of a valid framework law, the upper limits of the last year, which was covered by such a law, would apply. The reform set the voting of the budget framework law for spring, half a year ahead of the negotiations on the respective upcoming annual budget. The budget law reform did not put any restrictions on voting a new budget framework law during the validity of a previous one. So while legally annual budget laws would need to comply with the expenditure ceilings set in the budget framework law, it is possible to simply change the expenditure limits with a new law and thus allow to vote an annual budget that would have been non-compliant with a previous framework law. Since the first budget framework law for the period of 2009 to 2012, governments have made ample use of these opportunity as I have shown in the detailed analysis of the Austrian fiscal framework in chapter 5.

In the parliamentary debate on the new budget law, politicians across the political spectrum praised the constructive atmosphere and excellent cooperation inside the committee that developed the

constitutional budget law reform. The coalition partners stressed that with the reform, Austria was becoming a European forerunner and best-practice-model in budget management (Günter Stummvoll ÖVP, Jakob Auer, ÖVP). Auer (ÖVP) argued that the new budget law was oriented towards the principles of sustainability, multi-annuality, flexibility, and transparency. The SPÖ welcomed the compromise between more stringency and more flexibility in fiscal and budgetary matters (Hannes Bauer SPÖ) and argued that the reform supported a net debt perspective which would make the usefulness of public investments more visible to politicians (Jan Krainer SPÖ).

Günter Stummvoll (ÖVP) lauded the highly professional reform approach based on informal discussions with the heads of the parliamentary group with the goal of achieving the broadest possible political consensus. He thanked Steger, stating that without his know-how and practical experience, the reform would have probably not taken place. Stummvoll viewed the overall reform package in the same terms as Steger, calling it a "classic win-win situation" for all involved actors. As all opposition parties also supported the reform, most of their representatives equally lauded the new budget law during the parliamentary debate on its adoption (Alois Gradauer FPÖ, Josef Bucher BZÖ). Critiques were mainly directed against the Länder which had resisted their inclusion in the budget law reform.

A joint analysis of the preparation, negotiation and conclusion of the constitutional budget law reform reveals that one of the most comprehensive fiscal framework changes in Austria was based on a domestic push for modernisation and 'best practices' coming from inside the finance ministry (Interview Schratzenstaller). The long-time head of the budget department, Gerhard Steger initiated, planned, and orchestrated a broad reform that went beyond simple changes in fiscal rules but also significantly changed broader fiscal governance. The reform approach was surprisingly little influenced by specific macroeconomic idea-sets. It was rather structured by the meta idea-set of Austro-pragmatism.

The reform effort was neither due to a crisis, nor was it do due to changes at the European level (Interview Schratzenstaller). In principle, it was a problem-solving approach of the finance ministry to overcome several (perceived) existing shortcomings in the budget process. Rather than being determined by specific macroeconomic thinking, the budget department looked for successful examples of fiscal frameworks and fiscal governance around the globe and cherry-picked those elements that it deemed to be adequate for Austria. Given the perceived success of the Swedish fiscal framework in fiscal consolidation, the expenditure ceilings were largely borrowed from Scandinavian but other features were also taken from countries such as New Zealand.

'Successfulness' rather than ideational coherence was key for selecting and putting together different reform elements. Another interesting feature of the budget law reform was the unanimous support among the parliamentary parties, as well as the broad inclusion of other actors of the fiscal policy field, showing a repeated pattern of consociational fiscal policy-making (Interview Schratzenstaller). In line with the typical mixing of policy ideas in Austro-pragmatism, many politicians highlighted that the budget law reform made the domestic fiscal framework at the same

time more stringent and more flexible. In line with the general interpretation of Keynesian ideas in the Austrian context, also the possibility for anticyclical policy-making was stressed by most fiscal policy actors.

11.4.5) Fiscal framework reform as a bargaining chip (Austrian debt brake)

Dealing with perceived external pressure

When the European debt crisis intensified in the second half of 2011, politics at the national and European level became increasingly hectic. In late October 2011, a Euro Summit on the worsening crisis took place in Brussels. At this occasion, the heads of states and governments of the eurozone took the first steps towards the Fiscal Compact, with a preliminary agreement of the member states to implement "rules on a balanced budget in structural terms translating the Stability and Growth Pact into national legislation, preferably at constitutional level or equivalent by the end of 2012" (Euro Summit Statement 2011: 8, Faymann 2011, Fekter 2011). This led to the negotiation of the Fiscal Compact, with a first draft by mid-December 2011. After several rounds of revisions until the end of January 2012, a final agreement was made in early-March 2012 (Kreilinger 2012).

In Austria, the results of the Euro Summit of October 2011 led to a rapid push towards the implementation of a national balanced budget rule, for the first time breaking the cycle of periodic ÖStP and FAG negotiations. The chancellor at the time, Werner Faymann (SPÖ), addressed the proposed time frame of the common statement of the heads of states and governments subsequently in the Austrian parliament, arguing that "we should not wait until the end of next year to take such a decision but build this foundation as fast as possible". The original plan of the governing parties SPÖ and ÖVP after the Euro Summit was to pass a constitutional debt brake, similar to the German model, even before the end of 2011. Josef Cap (SPÖ), in line with Faymann, stressed that "the point is that it is not imposed from abroad, how we have to construct our budget in a balanced fashion. I want that we can decide on this with national sovereignty".

This approach resembled to a certain extent the way in which the Austrian government had dealt with the supranational requirements of the Maastricht criteria and the original Stability and Growth Pact in the late 1990s, pre-emptively taking domestic action. The reform efforts towards a debt brake were, however, also strongly driven by concerns about the public bond spreads and ratings. As chapter eight on financial markets has highlighted, the growing bond spreads between Austria and the market leaders on public bond markets in the second half of 2011 made fiscal policy actors in the government, the finance ministry and the Austrian Central Bank increasingly nervous. This created a sense of urgency to take action in the fiscal policy field. The strengthening of the national fiscal framework was seen as a solution to reign in rising bond spreads.

While having resisted the idea of a constitutional debt brake in Austria following the German example, the SPÖ changed its minds due to the context of the European debt crisis. Efforts to implement such a debt brake were then organised by the federal chancellery, the finance ministry,

and supported by the Austrian Central Bank (Interview Krainer, Inam and Sattmann 2011). The then governor of the OeNB, Ewald Nowotny (who had been budgetary spokesperson of the SPÖ at a previous moment of his career) played an important part in convincing the larger coalition partner to support a constitutional debt brake (see Inam and Sattmann 2011).

As the government wanted to quickly go forward with its reform proposal, there was little time for discussions with opposition parties. The governing grand coalition, however, needed support from at least one of the three opposition parties to adopt a constitutional fiscal framework law, which were at the time the Green Party, the FPÖ, and the BZÖ. In the weeks leading up to the vote in parliament in early December 2011, a big controversy broke out between the government and the opposition. Each of the opposition parties was making specific demands to be met by the government for their agreement on the debt brake, which the government did not want to give in to.

The parliamentary debate on the introduction of a constitutional debt brake was led in a particularly confrontational style. It was practically the opposite of the debate on the constitutional budget law in 2007, where policy-makers across the political spectrum had praised the consensual and productive negotiations. Lacking a two-third majority, the parliament finally passed a trimmed-down version of the debt brake as ordinary legislation, simply including a 0.35% structural deficit limit for the general government level in the general budget law. More comprehensive fiscal framework reform efforts were postponed and to be negotiated with the Länder for a follow-up reform of the Austrian Stability Pact in 2012.

To justify the fiscal framework reform, Karlheinz Kopf (ÖVP) stated that "democracy is certainly the form of decision-making we want, but it has a small flaw: that it permanently exerts a moral temptation on politicians to buy voters with borrowed money – one could also say with the money of voters' children". Kopf viewed a constitutional debt brake as the solution to this problem, as it would constitute "a self-constraint for all of us against this moral temptation" to live beyond their means. In the whole Austrian case study, this was one of the only – and probably most clear – references to fiscal illusion and a 'public deficit bias', key ideas that underpin public choice thinking and the institutional solutions developed by international organisations. The SPÖ saw rather financial markets at fault but arrived at the same conclusions as the ÖVP. Its representatives claimed that implementing fiscal rules was a way to "tame the markets" rather than to surrender to them (Josef Cap SPÖ) and that the debt brake was needed as a European instrument of trust between all the member states rather than as a national instrument *per se*.

Both chancellor Werner Faymann (SPÖ) and finance minister Maria Fekter (ÖVP) saw the preliminary decisions at the European level as a means to resolve the European debt crisis. They also considered the conclusions from the October 2011 Eurogroup meeting an important impetus to already build the national foundations for an Austrian debt brake ahead of a final European agreement to show the country's 'responsibility'. As the opposition parties did not want to support without their own conditions attached, members of the governing coalition portrayed them as

being driven by self-interest instead of thinking about the national interest (see Jäger 2011). Josef Cap (SPÖ), for example, criticised especially the FPÖ for making negotiation demands that would have nothing to do with the topic at hand, fleeing from their responsibilities for the country.

The opposition parties countered that the government had not approached the opposition in the weeks ahead of the vote to negotiate a compromise for a constitutional majority and was fleeing negotiations. The parties also presented their individual demands for a support of a constitutional fiscal framework reform. The FPÖ demanded binding public referenda on EU-level reforms, the Green Party wanted the introduction of a wealth tax, and the BZÖ required a ceiling for the overall tax quota. (Heinz-Christian Strache FPÖ, Eva Glawischnig-Piesczek Green Party, Josef Bucher BZÖ).

At the same time, the opposition criticised the constitutional debt brake proposal as 'rhetoric' and a 'placebo' rather than a real reform. Both Strache (FPÖ) and Glawischnig-Piesczek pointed out that consolidation measures did not demand constraining fiscal rules but rather political willingness on the side of the government. The opposition parties also argued that the government itself did not know whether it would actually want a debt brake (Alois Gradauer FPÖ) or in "in which direction the so-called debt brake should lead" (Eva Glawischnig-Piesczek Green Party). Elmar Podgorschek (FPÖ) argued that "neither Red nor Black want this debt brake. On the SPÖ side, the trade unions are braking, and also the SPÖ of Upper Austria is braking. On the other side, with the Blacks [ÖVP], the federal heads of state are braking, and the association of municipalities doesn't really want this debt brake".

As visible from the parliamentary debate on the constitutional debt brake in December 2011, the role of financial markets was an important factor for the reform effort. While this could have been simple rhetoric, further interviews and secondary sources have highlighted that there was indeed considerable concern about the sovereign bond spreads towards Germany, leading to political action. Urged by central bank governor Nowotny, the leadership of the grand coalition government pushed a constitutional reform. But as the parliamentary debate further revealed, there was still considerable disagreement among the SPÖ and the ÖVP about the meaning and the concrete elaboration of the domestic debt brake, even if it was to be largely modelled on the German one.

While at least one of the conservative parliamentarians showed ideational affinities to the public choice approach, highlighting the existence of a 'deficit bias' that needed to be reined in, the SPÖ deputies stressed the signalling function of the reform to calm financial markets. Interestingly, however, they tried to frame this as an attempt to 'tame markets'. The opposition parties were, in principle, all ready to support a constitutional debt brake, but in practice they tried to attach their own policy projects to the reform. This means that they did not see much value in the government's approach to constrain fiscal policy discretion, either because it would simply not work or because politicians would, in any case, find ways to circumvent it. The FPÖ's framing of the reform effort as a 'placebo' summarises this very well. Given that lukewarm support for the Austrian debt brake

by the government itself and its use as a bargaining chip by the parliamentary opposition, there is no clear pattern of preference for either a stringent or a lenient fiscal framework visible.

11.4.6) A pragmatic implementation of European requirements (ÖStP 2012, Fiscal Council)

Following the partly failed constitutional reform effort of late 2011, the discussions on an Austrian debt brake continued in the following months up to July 2012, in which the Austrian Stability Pact was reformed a last time, moving away from periodic renegotiations towards a more permanent system (Interview Matzinger and Fleischmann). Without the support of the opposition for a constitutional debt brake, the government used the tried route of a 15a-agreement between the Bund and the Länder to further strengthen the national fiscal framework. In the first half of 2012, the supranational negotiations on the TSCG and the ESM were completed, which demanded ratification by national parliaments. In addition, the TSCG's Fiscal Compact and the Six-Pack required the introduction of a national fiscal framework.

The discussions on the Austrian Stability Pact 2012 were tightly interlinked with the ESM and the Fiscal Compact. On the 4th of July 2012, the Austrian parliament passed the ESM with a constitutional majority, secured by the support of the SPÖ-ÖVP government by the Green Party. On the same day, the government coalition also ratified the Fiscal Compact, which was, however, not accepted by any of the opposition parties (no constitutional majority was needed). In the respective parliamentary discussion, the government parties stressed how the Fiscal Compact would help to guarantee sustainable fiscal policies across Europe, binding other countries more tightly to budgetary consolidation.

The opposition, however, broadly argued that the Fiscal Compact would not be able to significantly constrain the fiscal policies in other countries. They highlighted that it would be the actual budgetary policies and not an institutional mechanism which would be most relevant for financial markets. Additionally, the opposition parties voiced concerns about the constitutionality of the Fiscal Compact. The Green Party, the FPÖ and BZÖ even submitted a constitutional challenge (Interview Kogler), which the Austrian constitutional court did subsequently, however, not affirm (VfGH 2013). In the budgetary committee, critiques were – according to Jan Krainer (SPÖ) – mainly on technical aspects of the Fiscal Compact, such as how to properly calculate the structural deficit.

Only two days after the adoption of the ESM and the Fiscal Compact, the Austrian Stability Pact 2012 was passed in parliament. As the main tool to implement the requirements of the TSCG into Austrian law, the ÖStP 2012 significantly amended the previously existing pact. It also made the pact permanent, ending the direct link with the formerly equally periodic Länder fiscal equalisation mechanism negotiations and setting permanent deficit and debt limits. The main reform element was the introduction of a system of multiple fiscal rules, integrating all of the fiscal rules described

in the TSCG, not only the structural deficit rule whose transposition into the national legal framework was mandatory.

The ÖStP 2012 explicitly put into place the nominal 3% Maastricht deficit limit, the structural deficit rule of the TSCG with 0.45% (debt brake), the expenditure ceiling (expenditure brake) as well as the debt reduction rule mentioned in the intergovernmental treaty. The ÖStP 2012 also provided a path towards compliance in nominal deficit terms for the years from 2012 to 2016 to ensure rule compliance when the pact finally came into full force by 2017. The reform reintegrated the 2011 debt brake from the general budget law into the domestic pact, fixing a structural deficit of 0.35% for the Bund and 0.1% for the Länder. To ensure rule compliance, the Austrian Stability Pact 2012 introduced control accounts for the different levels of government. For each of the governmental bodies, the amount of 'excessive' deficits or deficits lower than demanded would be added up inside these control accounts, demanding their reduction after passing a cumulative threshold.

The expenditure rule and debt reduction rule of the TSCG was transposed simply by referring to the European requirements, and explicitly defined as subordinate to the structural deficit rule. More broadly the ÖStP 2012 also allowed for exemptions from all domestic fiscal rules when changes at the European level were made, to a certain extent denationalising the domestic Stability Pact. The monitoring and sanctioning mechanisms were also amended without, however, significantly increasing their stringency. The ÖStP 2012 was later further specified by a technical 'debt brake decree" (2013) and 'completed' with the transformation of the Austrian public debt committee into the fiscal advisory council. It gave the council formal independence, endowed it with additional tasks and resources, such as the evaluation of compliance with the structural deficit limits.

In the parliamentary session on the adoption of the ÖStP 2012, also another fiscal equalisation law was passed. This time, however, it was also adopted for an 'indefinite' period of time. Additionally, a heavily mediatised tax treaty with Switzerland was discussed. Rather than discussing domestic issues during the debate, European level developments were at the centre of the debate on the national Stability Pact, with deputies often referring to the ESM and the TSCG *per se*. Concerning the domestic level, the question of equalisation payments was clearly more important than the concrete fiscal rules, mirroring previous debates. For the Austrian Stability Pact 2012, the discussions particularly circled around the municipalities and their difficulties. Overall, there was comparatively little discussion of the constraints of the new fiscal rules themselves. When the issue was addressed, it was mainly about potential austerity at the European level rather than in Austria. Compared to the heated debate on the Austrian debt brake in December 2011, the need to create confidence in Austrian public finances for financial markets featured less prominently.

The governing coalition stressed that strict rules were necessary to have coordination between the different levels of government (Christoph Matznetter SPÖ, Maria Fekter ÖVP). To gain the support of the Länder and municipalities the reform package fixed future tax revenue sharing between the Bund and the Länder with a key of 2/3 to 1/3. Fekter (ÖVP) welcomed the

introduction of a sanction mechanism, which – in her view – would be disciplining for all governmental bodies and avoid that one federal state could continuously free-ride on the sustainable policies of other federal states. And Konrad Steindler (ÖVP) praised the structural deficit in comparison with the Maastricht deficit, allowing for the inclusion of the economic cycle.

Many of the critiques of the opposition repeated points previously made in the context of the failed constitutional debt brake reform and focused on the supranationally relevant laws rather than on their implementation in the national context. Mainly the Green Party also addressed the national level. Its representatives criticised that the Austrian Stability Pact 2012 was not taking into account the different starting positions of the Länder when applying the rules, that the structural deficit rule was arbitrary and too complicated for the lower levels of government and that it should be replaced by a 'golden rule' (Bruno Rossmann Green Party, Werner Kogler Green Party).

Once again, there was relatively little discussion about the strengthened fiscal framework itself. Nobody challenged the fact that the ÖStP 2012 introduced not only the structural deficit rule, which was required by the Fiscal Compact but also an expenditure and debt rule in line with European norms, for which no obligations existed. Also the concrete limits were not put into question. Only the Green party was concerned about the operability of a structural deficit rule, stressing the inherent complexity and volatility of the rule.

In July 2013, the most recent reform of the Austrian fiscal framework took place. Following the requirements of the TSCG and the reformed SGP, the public debt committee was renamed the Austrian fiscal advisory council. This new independent council was made compatible with the European norms. Overall, the different parliamentary parties responded positively to the proposed changes. Minor critiques were voiced by some members of the opposition. In a rather consensual style, the grand coalition picked up several amendments proposed by the opposition. The government included the parliamentary budget office in an advisory role into the new council and made it obligatory for Statistics Austria and all governmental bodies to provide the necessary budgetary data for analysis. This showed the general consensus on the reform direction.

Speakers of the government parties SPÖ and ÖVP positively mentioned the improved budgetary surveillance mechanism through a now independent fiscal council (Günter Stummvoll ÖVP). Jakob Auer (ÖVP) simply pointed out that the EU-requirements demanded the introduction of an independent fiscal council by the end of October, with which the proposed reform complied. The opposition criticised that the parliamentary parties would not have any say in the appointment of council members (Alois Gradauer FPÖ) and the composition of the council (Rainer Widmann BZÖ). The Green Party was largely supportive of the more independent nature of the Austrian fiscal advisory council and its additional tasks (Bruno Rossmann Green Party).

Both the reform of the ÖStP (2012) and the creation of the Austrian fiscal advisory council happened in a highly pragmatic fashion. Fiscal policy actors were generally neither concerned nor overly optimistic about the changes to the Austrian fiscal framework.

11.4.7) The 'turquoise zero' or 'zero-deficit' revisited (Recent reform initiatives)

In parallel to the negotiations of the ÖStP (2012), a second large consolidation package (after 2010) was passed in the first half of 2012. The fiscal consolidation measures as well as the favourable development of economic growth, partly due to Germany's strong performance, helped to considerably improve the budgetary situation in Austria. Under another grand coalition (first led by Werner Faymann, then by Christian Kern, both SPÖ) the nominal deficit path laid out by the domestic pact was largely complied with.

Following intensive lobbying for an income tax reform from the social partners, particularly the employees' side, these consolidation efforts were, however, interrupted in 2016. Part of a broader package, this reform led to temporary deficits, while a structurally balanced budget was already reached in 2015. This showed once again that rules and rule compliance in Austria are – in principle – seen as useful, but that they can be at least temporarily abandoned when other fiscal policy goals are perceived to be more urgent.

After several disagreements inside the grand coalition, early elections were called in 2017, leading to the formation of a new ÖVP-FPÖ government. Supported by strong economic growth in 2017 and 2018, the new coalition under the leadership of chancellor Sebastian Kurz revived the 'zero deficit' goal of pre-crisis times. The government also reopened the debate on a constitutional debt brake (Interview Schratzenstaller), but while the government parties as well as the liberal NEOS supported this, they lacked a constitutional majority (Interview Samonig). The SPÖ, which had also called for a constitutional debt brake in 2011, has more recently considered a constitutional amendment as unnecessarily constraining the fiscal room for manoeuvre.

After the fall of the ÖVP-FPÖ government in spring 2019 following the so-called Ibiza scandal, the three right-wing parties nevertheless passed a constitutional debt brake in the lower chamber of the Austrian parliament. While a technocratic caretaker government had taken over ahead of the parliamentary elections in the autumn of 2019, this step just ahead of voting day was an example of 'symbol politics'. The planned reform needed also a 2/3 majority in the upper house of the parliament, where the SPÖ and the Green Party however possessed a blocking minority and had already announced before the vote in the lower chamber that they would not support the constitutional debt brake, which they did a few days after the elections (Der Standard 2019). Once again, rather than being underpinned by macroeconomic thinking in support of stringent fiscal rules, the attempted strengthening of the national fiscal framework was guided by party political ambitions as the involved actors knew that the reform would not be adopted.

Even if fiscal consolidation has become again slightly more central to political decision-making in Austria over the course of the last years, it remains pragmatic. The budgetary spokesperson of the FPÖ, Erwin Angerer, for example pointed out that while "it must be the objective at each governmental level, that the money that is made available should be sufficient", he also stressed

that "I don't think it's right to put a budget surplus or a 'zero deficit' as the non-plus-ultra above everything else" and highlighted the need for political room for manoeuvre (Interview Angerer). The parliamentary secretary of the ÖVP specialised in the budget, Andy Samonig, did not think that it was impossible to have the SPÖ support a constitutional debt brake. Closely in line to the experiences of the 2011 debt brake reform effort, he said that "one would have to pay with something that is very expensive" (Interview Samonig). And even if a constitutional debt brake would be adopted, it would not necessarily mean much in the Austrian context as Margit Schratzenstaller pointed out ironically that "in Austria there are many things in the constitution …". All of this points at the continuing importance of an underlying pragmatic meta idea-set guiding decisions on fiscal framework reforms and policy-making.

11.5) Conclusion of the Austrian case

The in-depth analysis of the Austrian case has highlighted the role of the domestic macroeconomic idea-set of Austro-pragmatism in continuously influencing the stringency, design and timing of national fiscal framework reforms since the late 1990s. Taking a long-term perspective, the case study has identified the long-standing roots of Austro-pragmatism and how it is easily deeply embedded in the country's post-war policy-making, production and knowledge regimes. Importantly, and in contrast to other dominant national idea-sets, Austro-pragmatism constitutes rather a meta idea-set, not prescribing *a priori* a specific role to the state in the economy nor to the role of rules and expertise to guide fiscal policy-making. Instead, it mixes and hybridises understandings from different idea-sets to achieve 'successful' policy-making.

While it is particularly difficult to identify the presence of a meta idea-set, a number of empirical clues support my view that Austro-pragmatism plays a dominant role in the Austrian fiscal policy field. First, the positioning of political parties towards fiscal consolidation and fiscal frameworks has been relatively volatile over time. This is indicative of an absence of more coherent macroeconomic idea-sets, allowing preferences on fiscal outcomes and institutions to be adapted rather flexibly depending on economic and political conditions, and idiosyncratic problems or challenges to be addressed over time. Second, fiscal framework reform efforts in Austria were less accompanied by ideational battles than in other countries but rather by pragmatic considerations, which do not put specific ideational understandings into question. Austro-pragmatism has invited for decision-making based on technical considerations and allowed for interest-based bargaining over reform efforts. Third, the ideational flexibility in Austro-pragmatism has allowed for a comparatively flexible and lenient approach to rule compliance, depending on 'making sense' in a particular context. As Austro-pragmatism is not based on theoretical key tenets such as, for example, public choice thinking, changes in self-commitment are generally not perceived to be particularly problematic.

Pragmatist thinking has been central in several Austrian fiscal framework reforms, such as the 2007 constitutional budget law reform and the implementation and periodic modifications of the

Austrian Stability Pact since 1999. Over time, it has allowed various fiscal policy actors to serve as policy entrepreneurs, such as politicians (Karl-Heinz Grasser) and public officials (Gerhard Steger). Strong process-tracing evidence was available especially for the 2007 budget law reform and the failed 2011 constitutional debt brake. In a 2010 paper, Steger laid down the reasons for the constitutional budget law and described the political process behind it, confirmed by interviewees across the political spectrum. He highlighted the 'cherry picking' approach from foreign 'best practice' models and the inclusion of various elements to please different parties, creating 'win-win' situations. The failure of the constitutional debt brake was also telling of the dominance of Austro-pragmatism and the absence of other strong macroeconomic idea-sets, in which opposition parties used the reform as a bargaining chip for their own policy preferences beyond the fiscal framework itself.

The alternative theoretical approach with the most explanatory power in the Austrian case was the financial markets argument. Especially the political efforts to implement a constitutional debt brake were driven by concerns over rapidly rising bond interest rates and spreads, and the conviction that Austrian politics was to signal policy credibility towards financial market actors. As for the Slovak case, the financial markets approach explains the timing of particular reform efforts rather than their stringency or broader design.

12) France

12.1) Introduction to the French case

In this chapter I demonstrate how the French idea-set of post-dirigisme has influenced national fiscal policy-making and the implementation of its national fiscal framework. This idea-set is intertwined with the long-standing domestic ideational legacies of the 'general interest', sovereignty, and meritocracy, which mutually feed into each other. Post-dirigisme is an attenuated variant of the dirigist idea-set, which dominated French macroeconomic thinking since the end of the second world-war up to the 1980s, and which itself built on statism and Gaullisme.

The Post-dirigist idea-set is in favour of a state-influenced market economy, where the state tends to intervene where it sees the need, considering that in markets there is no such thing as a level playing field. This implies that expertise is deemed important to make the 'right' decisions and that fiscal rules more hinder than help in letting the state play its role in macroeconomic management. The dominant post-dirigist idea-set can explain the introduction of a comparatively lenient and flexible fiscal framework, the low commitment to fiscal rule compliance and broader changes in fiscal policy-making.

In the French political and economic system, the ideas of the 'general interest', sovereignty and meritocracy play a crucial role, leading to a relatively closed system of French fiscal policy elites. The system of elite universities serves as a means to select and educate these elites in the light of the aforementioned ideas. This ring-fencing of macroeconomic expertise has it also made difficult for the internationally developed public choice idea-set to 'infiltrate' the state. Over the last decades there has, nevertheless, been incremental ideational change among the French fiscal policy elites. Post-dirigisme has slowly moved away from many dirigist tenets, increasingly acknowledging problems with high public expenditure that needed to be addressed. This did not imply, however, to undermine the overarching capacity of the French state to influence the macroeconomy through stringent fiscal rules.

The simplest way to define post-dirigisme is in relationship to its ideational predecessor, French dirigisme. While dirigisme can be characterised by an unshaken belief in the usefulness of extensive – often direct – state intervention in markets and the macroeconomy, post-dirigisme gives a reduced and reconfigured role to the state. The state, nevertheless, remains an important actor in the markets and fulfils a 'market-making role'. This is often achieved through closed elite networks that link the public and the private sector, and which are bound together by the ideas that are transmitted in the national elite schools. Members of these networks include high-level public officials in key institutions such as the finance and economy ministry, the Court of Auditors, and the Council of State, leaders of different political parties, and the higher management levels of large French industrial and financial companies.

Regarding macroeconomic and fiscal policy-making, a majority of this elite follows one of two distinctive paths in the French system of the so-called 'grandes écoles'. More politically-oriented students join Sciences Po and later ENA, while students interested in a technical economics education enter Polytechnique and subsequently ENSAE. Particularly those that later follow a career in the state administration are key policy entrepreneurs and translators regarding fiscal frameworks in the French case.

Over the last decades, some of these previously dominant non-liberal technocratic elites have been replaced by moderately neoliberal political elites. Their adoption and adaptation of neoliberal ideas has, however, been largely pragmatic and used under a discourse of modernisation. This argument constitutes actually a continuation of more dirigist thinking, where the state was given a key role in modernising the domestic economy. While modifying the role of the state in guiding the economy, also the post-dirigist idea-set sees the state as having the reins of the economy in its hand, but through different means than before. The importance of French technocratic elites and the dominant idea-set they hold is tightly connected to the broader ideas in place domestically.

Meritocracy, and the highly selective procedures it entails, provide the graduates of French elite schools with a considerable degree of legitimacy in making macroeconomic decisions. It also gives them a certain amount of independence from political actors that lack such credentials. This legitimacy makes technocratic elites key actors in interpreting and enforcing the 'general interest', another crucial idea in French politics. As this idea is 'suspicious' of the special interests of interest groups, high-level public officials trained in promoting the 'general interest' are considered more legitimate in making macroeconomic and fiscal policy decisions than such interest groups. It also legitimises the central role of the state in policy-making and the economy more broadly.

All of this leads to the dominance of a post-dirigist idea-set in France which sees an important role for the state in the economy. It views the state as a capable actor which supports economic activity by actively investing in it, and where the bureaucracy has the capacity to select the most suitable projects. The technocratic spirit of post-dirigisme is not hostile to rules per se, but they should ever only serve as guidelines, so that the state retains enough flexibility to be able to fulfil its functions of 'market-maker' and macroeconomic stabiliser. When rules are introduced, they should be 'intelligent'. This means that they have to remain open for the inclusion of technocratic expertise and allow for political and administrative intervention to achieve the 'general interest'.

Following this introduction, the second section presents in detail the dominant macroeconomic idea-set in France, post-dirigisme, as well as the interlinked ideas of the 'general interest', sovereignty, and meritocracy. This will be helpful in understanding the comparative leniency of the French fiscal framework and some of its particular design features. A section on the country's policy-making, production, and knowledge regimes shows how the idea-set of post-dirigisme is embedded and reproduced by domestic key institutions and networks. The main section of the case study discusses in detail the most important fiscal framework and fiscal governance reforms of the last three decades. Based on extensive process tracing, the different subsections show how

the post-dirigist idea-set present among French fiscal policy elites led to the specific outcomes of the various reforms efforts. A final section summarises the main findings of the French case study and puts them into perspective with the other five country cases.

12.2) The French macroeconomic idea-set

12.2.1) French dirigisme and post-dirigisme

The key economic idea-sets in the French context in the last decades have been dirigisme, as well as its ideational successor, post-dirigisme (see Clift 2012, Levy 1996). For the French case, I argue that the post-dirigist idea set can explain – to a large extent – the introduction of a comparatively lenient and flexible fiscal framework, the low commitment to fiscal rule compliance and broader evolutions in fiscal policy-making.

Dirigisme arose in the aftermath of the Second World War, in response to the laissez-faire approach of the 19th century and inter-war period. Liberalism was largely discredited among the new fiscal policy elites, who sought to give the state a more central role in directing and modernising the economy (Brunnermeier et al. 2016). Dirigisme could draw on the legacies of French statism of previous centuries such as the Colbertisme under the reign of Louis XIV and its successors (Georgieu 2016), and was strongly supported by Gaullisme – the ideational outlook held by French president Charles de Gaulle and his supporters.

Post-war statism and Gaullisme also became strongly intertwined with a set of broader societal ideas – most of them dating back to the French revolution – which continue to have a strong impact on the French economic, social, and political system today: the notions of the 'general interest', sovereignty, and meritocracy (see Chevallier 1975, Allouch 2017, Crétois and Roza 2017). Together all of these ideas have constituted the distinctive idea-set of dirigisme, which can be broadly defined as "state-led economic development" (Levy 1996: 36).

In the dirigist model, it is the role of a powerful central state to direct economic activity through planning and the ownership of large firms. This system depended on a powerful executive branch, whose dominating role was constitutionalised with the Fifth Republic (Campbell and Pedersen 2014: 86-87). This central state power was further leveraged "by a sprawling permanent civil service run by an administrative elite who graduated mostly form the École Nationale d'Administration (ENA) and École Polytechnique (X) (…) which trains the country's managerial, administrative, and technocratic elite" (ibid.: 87). These elites are considered legitimate decision-makers as they are selected based on the idea of meritocracy and trained to serve another key idea, the general interest, supposedly making them neutral and independent from political influence and economic interest groups.

With the failure of increased statist intervention by the first socialist government of the Fifth Republic in the early 1980s and the subsequent liberalising turnaround in 1983, dirigisme was slowly

replaced with post-dirigisme (Levy 1996: 36). This idea-set remains largely in line with dirigisme but changes its focus from a state that directly intervenes in the economy to one that does so in a more indirect fashion (Schmidt 2016b). As Levy (1996: 40) argues, "while denouncing the dirigiste excesses of the past, [post-dirigiste state intervention] is unwilling to foreswear state intervention altogether", urging for "a reform of the state, not its withdrawal". For Clift (2012: 566) post-dirigisme thus "recognizes substantial liberalization, but emphasizes French capitalism's influential and enduring ideational and institutional legacies". "The 'post-' in post-dirigisme denotes a recognition of significant qualitative differences from French state intervention of the post-war era" (Clift 2012: 569).

Post-dirigisme comes in several forms, as Levy (1996) has shown: a turn towards free-market liberalism, a project of institution-building to move expertise and decision-making processes out of the (central) state (see also Levy 1999, Campbell and Pedersen 2014), and a more indirect approach to state intervention in and coordination of the economy. The post-dirigist idea set puts its focus on more market-conforming state intervention, supports thus state intervention particularly to further industrial restructuring to improve competitiveness, and fosters state action based on negotiations and coordination with other public institutions and private firms (see Levy 1996: 40).

State intervention was, thus, to be "diminished and reconfigured" to make the French economy better adapted to compete on globalising markets. In post-dirigist thinking, the state nevertheless remains the "actor in and enactor of markets" (Clift 2012: 566). While retreating from its role of the orchestrator of the economy, the French state continues to fill out its "market-making role", but through a different kind of state interventionism than before the mid-1980s. As Clift (2012: 574) pointed out, "there is anticipation that the political economy of the dirigiste market will still prevail, despite the fact that the condition of post-dirigisme makes the full realization of this dirigiste conception of the market considerably less straightforward".

Since the 1990s, the French state has privatised large parts of previously state-owned industries and sectors, French capitalism has internationalised via mergers and acquisitions, foreign equity ownership has increased and the economy has become more market-funded (Clift 2012: 568). These liberalizations have, however, not led to a competitive economic system in a (neo-)liberal sense but to a 'liberalisation à la française' which has created so-called 'noyaux durs' and 'noyaux souples', closed elite networks – linking the public and the private sector – that protect privatised companies from hostile acquisitions and give the state an on-going role in guiding the economy (Clift 2012, Georgieu 2016).

In recent years, the post-dirigiste tendency of managing the economy through indirect state intervention, organised by the French government, has actually further strengthened. Particularly, as the institution building project, the state's objective to decentralise and deconcentrate its activities and give other institutions a bigger say in policy-making, has been widely perceived as a failure (see Levy 1996: 41-42), the central state has increasingly retaken this role. In contrast to

dirigisme, however, the state continues to hold on to a more market-conforming approach of intervention.

For Schmidt (2016b: 620), then, the post-dirigiste idea set leads to the formation of a 'state-influenced market economy', in contrast to the 'state-led market economy' of dirigist thinking: "the state is 'influencing' because it tends to intervene where it sees fit. State action may play an 'enhancing' or a 'hindering' role for business and labour activity depending upon whether public intervention has a positive or negative impact on economic actors' interactions and productive capabilities".

Compared with dirigisme, however, the state does not (or less) intervene in decisions of firms on production, investment, wage-bargaining or business strategy, but rather takes leadership in "domains where neither business nor labour can exercise leadership – in labour rules, pension system, and the like – or where the state sees a need to reshape the general economic environment to promote competitiveness" (Schmidt 2016b: 620). This leads to an approach in which the state both "seeks to create and preserve market institutions" but also continues "to intervene strategically where it sees the need" (ibid.).

This distinctive feature of post-dirigisme (which it shares with dirigisme) is based on a particular understanding of the market economy. In contrast to neo-liberal or ordo-liberal understandings of the market, post-dirigiste thinking recognises that "there are no level playing fields" (Clift 2012: 574) in the economy, giving considerably less importance to the creation and sustaining of a competitive market order among French policy-makers. Such an approach provides the foundations for the French state's long-standing promotion of and support for 'national champions' (Levy 1996, Clift 2012, Schmidt 2016b). In contrast to other countries, the French conception of the market economy also considers firms to fulfil functions beyond the simple profit-making motive. This is based on "French company law [which] prioritizes not conformity with the market but instead notions of social interest of the firm, l'intérêt social, reflecting a 'common general interest' of the company as a community, emphasizing service provision to the community over the market, or competition" (Clift 2012: 572, see also Clift 2007).

It is difficult to assign dirigist or post-dirigist thinking to specific individuals who would have provided important theoretical contributions for the debate. Rather, in the post-war context, these ideas have been held by tightly-knit French elite networks, with high-level public officials in the finance and economy ministry, political leaders and managers of big companies in the industrial and financial sector at their centre (Clift 2012: 567). Many of them are educated in the elitist French educational system, where the so-called grandes écoles provide for selection based on meritocratic values (see Allouch 2017).

In the fiscal policy field, two distinct educational paths are dominant (see Fourcade 2009, Campbell and Pedersen 2014). First, a more political and administrative path is provided by Sciences Po and the National School of Administration (ENA) (Biland and Kolopp 2013, Biland and Vanneuville

2012, Kolopp 2013), whose best graduates have the right to take on key positions in central state institutions such as the budgetary and treasury department at the finance ministry, the Council of State, the court of auditors and the Inspectorate General of Finances (see Rouban 2010). Second, a more technical-economic path is based on graduating from the École Polytechnique and subsequently the National School for Statistics, and Economic Administration (ENSAE). Graduates from this path take on positions such as chief economists in departments of the finance ministry or work for the National Institute of Statistics and Economic Studies (Insee), the powerful French statistics office (see Fourcade 2009).

Representatives of both groups often work in the important ministerial cabinets, where they come in close contact with politicians, often based on their own political preferences (Rouban 2010: 21). Through the process known as 'pantouflage' (see Rouban 2010, Bouzidi et al. 2010), many high-level public officials also move into the private sphere, often taking senior positions in French companies. Partially, these officials also return to the public administration after some time in the private sector, the so-called 'rétro-pantouflage' (Rouban 2010: 29).

As Clift (2012: 567) has pointed out, the elitist networks and the institutions in which they are educated "shape the way French elites understand the economy and the place and role of the state within it, and the nature of markets. The pre-supposition in favour of direct state intervention to shape the market and secure nationally desirable outcomes is integral to the world view French elites are inculcated into within these grandes écoles". And while there has been some replacement of "non-liberal technocratic elites (…) by moderately neo-liberal political elites" in the French elite networks over the last decades, the latter have nevertheless "pragmatically adopted and adapted neo-liberal ideas to their own uses while employing a discourse of "modernization" (Schmidt 2016b: 623).

12.2.2) The 'general interest', meritocracy and sovereignty supporting post-dirigisme

I argue that the continuously strong role given to the state in post-dirigist thinking is due to the influence of several complementary ideas that are deeply entrenched in the political, economic, and social system of France. Reaching back to the French Revolution, the ideas of the 'general interest', meritocracy, and sovereignty still play a crucial role in French fiscal policy-making. They provide a justification for the central role of the state in economic and fiscal decision-making, and are the foundation of the French elite networks that dominate the production, diffusion, and implementation of economic ideas.

The 'general interest'

The idea of the 'general interest' dates back to the 18th century. Over the centuries, the term has been used – often interchangeably – with notions such as the 'general will', the 'common interest', the 'public interest', the 'collective interest', and the 'common good'. The origins of the concept

can be traced back to the works of the French philosopher Voltaire (see Crétois and Roza 2017: 1) and the Genevan philosopher Jean-Jacques Rousseau (*The Social Contract*).

During the French Revolution, the term found its way into several articles of the Declaration of the Rights of Man and of the Citizen (1789) which later became part of the French legal order through its inclusion in one of the preambles of the constitution of the Fifth Republic. As Crétois and Roza (2017: 1) state, "the notion of the 'general interest' is nowadays as much a concept of law as rhetorical topos". Chevallier (1975: 325), who provides a particularly critical analysis of the general interest, calls it an ideology. Since its inception, the idea of the general interest has had an ambiguous, polysemic, and indeterminate character which makes it open for contestation from different actors and across different time periods (see Crétois and Roza 2017, Chevallier 1975, Bertram 2017).

In principle, the general interest "is supposed to refer to the public order, the interest of the people or the priority of administrative decisions over private and sectorial interests, and the individual rights and the contracts between individuals" (Crétois and Roza 2017: 1). The term "can be understood as a neutral and impartial interest which is supposed to represent the population in its entirety" (Crétois and Roza 2017:2). There are, however, two different conceptions of the general interest and how it is constituted, a 'democratic' and a 'transcendental' one, which both find some support in Rousseau's work (Bertram 2017). The democratic conception of the general interest "is simply what the citizens of the state have decided together in their sovereign assembly", while the transcendental conception sees a "common interest that exists in abstraction from what any of them actually wants" (Bertram 2017, Bertram 2012).

The French Directorate for legal and administrative information states that the Anglo-Saxon world adheres to the 'democratic' understanding of the general interest while France adheres to the 'transcendental' understanding (République Française 2018). And so while – for example in the United States – interest groups and lobbying are seen as a normal part of political life, as they help to aggregate the general interest out of many different ones, the French conception of the general interest does not see it as the sum of individual interests. "To the contrary, the existence and manifestation of particular interests can only harm the general interest which, going beyond each individual, is in a way the emanation of the will of the community of citizens as such" (République Française 2018). This helps to explain a traditional scepticism in France towards interest groups, which dates all the way back to the French Revolution and the Le Chapelier Law of 1791 which banned the predecessors of such organisations (see Allouch 2017: 24). Trade unions and other interest groups in France comparatively late to many other European countries (République Française 2018) and have continued to play a minor role in economic and fiscal policy affairs up to today.

According to Bertram (2017), Rousseau argued that in well-ordered societies, the general interest could arise from the deliberations between the individual citizens. He feared, however, that in

practice, individuals might not be sufficiently "enlightened or virtuous and therefore refuse to accept the restrictions on their own conduct which the collective interest requires" (see Bertram 2017). Subsequently, in Rousseau's reasoning "the legislator or lawgiver (…) has the function of inspiring a sense of collective identity in the new citizens that allows them to identify with the whole and be moved to support legislation that will eventually transform them and their children into good citizens" persuading "them by non-rational means to legislate in their own best interests" (Bertram 2017). In the French case then, this has legitimized the primacy of state action in policy-making, also in the field of the economy. As Chevallier (1975: 325) put it, "as an ideology, the notion of the general interest is destinated at reinforcing the consensus around the state apparatus and the belief in the legitimacy of its power".

Meritocracy

Another idea stemming from the time of the French Revolution has further cemented the dominant role of the state as an interpreter and enforcer of the general interest, giving it even more legitimacy: the idea of meritocracy. As the notion of the general interest, also the term 'meritocracy' has a polysemic character. Breaking it down into its constituent terms, merit and power, meritocracy stands in principle for the rule of those with merit. It thus focuses on properties held by individuals such as aptitude, effort, competence, intelligence, or virtue. Meritocracy stands in contrast to ruling justified by wealth, class, or sex. During the French Revolution, the idea of meritocracy served to overcome the exclusionary rule by the nobility and the clergy, which was based on membership rather than individual merit. As the idea of the general interest, also the concept of meritocracy finds itself in the Declaration of the Rights of Man and of the Citizen and thus equally has constitutional status in French law.

Public officials are thus to be chosen based on their merit. This implies, however, that a procedure needs to be established of how to identify the merit of individuals. In the French case, the so-called 'concours', a competitive entry exam (to enter e.g. the public service) has become the central instrument to evaluate the capacities, talents, and virtues of citizens, based on similar examinations stemming from medieval times (see Allouch 2017: 9). "A jury of specialists, whose authority is based on their expertise and impartiality" evaluates candidates and ranks their work according to a "hierarchy of merit", and subsequently "attributes them with a social status" and "professional legitimacy" (ibid.: 9, 10). As Allouch (2017: 10) points out, the concours is both a 'selection' and 'election' of individuals. She argues that this procedure of election provides the public administration with a certain legitimacy vis-à-vis and independence from elected politicians and their electoral bases, who might have not even been elected based on their individual capacities.

The idea of meritocracy then provides public officials with a strong legitimacy even for the drafting and conduct of policies. As Allouch (2017: 19) puts it, "the public power is imposing itself on individuals and organisations based on the value of the individual competency of its bureaucrats". The practical implementation of the logic of meritocracy was strengthened over the course of the 19th and the 20th centuries, with a particular boost in the early post-war period. In 1946, ENA was

created to identify and train the future leaders of the public administration, with individual merit constituting its defining entry as well as exit principle, reserving the most prestigious positions in the public service to the best graduates of the school (see Allouch 2017: 26-27). The meritocratic system produces a specific kind of political, economic, and social elites, and as Allouch (2017: 27) has pointed out, "the concours can be understood as a conservative tool to retain the social order – stability – in the name of the general interest". Here we see, how tightly the notions of the general interest and meritocracy are intertwined in the French case.

Sovereignty

A third idea finally completes the picture, the idea of sovereignty. It is equally incorporated in the Declaration of the Rights of Man and of the Citizen. The notion of sovereignty has played a crucial role in transforming the understanding of the state from a monarchy to a democratic republic, even if the French democratisation process had been marked by setbacks and reversals before it had become consolidated. The Declaration states that "the principle of any sovereignty resides essentially in the Nation" and establishes that "national sovereignty shall vest in the people, who shall exercise it through their representatives and by means of referendum".

The notion of sovereignty thus features prominently in the French constitution and has been mobilised frequently over the last decades to defend the central role of the state for domestic decision-making, also in the context of EU membership, and even for the EU itself (see Challenges 2019). The idea of sovereignty is closely related with the idea of the general interest. During the French Revolution it was part of a powerful rhetoric of transition. It allowed to "denounce those actors that have hijacked the general interest for their own interest (particularly the nobility) and also helped to redefine the state as "incarnating the interest of the people whatever the exact form of representation be" (Crétois and Roza 2017: 1-2).

12.2.3) Details of French post-dirigisme

Out of these general idea-sets present in the French case, several idea elements can be extracted that are particularly relevant for the analysis of fiscal framework reforms. Post-dirigisme and its accompanying ideas (general interest, meritocracy, sovereignty) contain distinct understandings of the role of the state in the economy and the role of rules and expertise in fiscal policy-making.

The role of the state in the economy

Post-dirigisme conceives of the state, in general, as being a capable actor, which actively invests in the economy (Interview Timbeau) and fills out a 'market-making role' (Clift 2012). The executing bureaucracy, which is selected based on a meritocratic ideal and follows the principles of the general interest and sovereignty, has the legitimacy and the ability to "intervene where it sees fit" (Schmidt 2016a: 620). In post-dirigiste thinking, the creation of a competitive market order and a 'level playing field' is not seen as the primary goal of policy-making. The executive, with its bureaucracy, thus can – and often does – intervene strategically, when it sees the need or the opportunity to improve the economy's growth/competitiveness to further the general interest.

The role of rules and expertise to guide fiscal policy-making

In France, fiscal policy elites are generally in support of rules to guide macroeconomic and fiscal decision-making (Interview Deruennes, Interview Monier). The perception of what rules are, however, differs strongly from countries such as Germany with its ordo-liberal vision of rules-based policy-making. In the French context, fiscal policy rules are understood rather "as guidelines, as guard-rails, as goals, but not as norms in the proper sense" (Interview Briet, see also Brunnermeier et al. 2016: 42). There are several reasons for this approach, which has a lot to do with the crucial importance of economic expertise in the domestic idea-set of post-dirigisme.

First, many key fiscal policy actors have stressed that there is a need for an 'intelligent' and flexible application of rules rather than a 'stupid' and rigid one (Interview Deruennes, Interview Houdebine, Interview Briet, Interview Bénassy-Quéré). Interviewees from different institutions stressed the difference of French thinking from the German ordo-liberal view on rules: "France has always pushed a bit for 'intelligent' rules (…) and Germany has rather done the opposite" (Interview Houdebine). This call for 'intelligent' and flexible rules entails the importance of economic expertise, that has to go beyond simply looking at rule compliance but taking into account the broader economic and political situation, when taking fiscal policy decisions (Interview Briet): "We consider that it does not make sense to set rules, because budgetary policy must play its role in one direction or the other during the cycle, and to want to constrain it by abstract legal norms, independently of it, is to deprive the public authorities of the capacity to act on the economy".

Regarding necessary fiscal consolidation efforts, Michel Houdebine highlighted that his department was not following the recommendation of the European Commission for the annual reduction of structural deficits, suggesting 0.3-0.4 per cent annually rather than 0.6 (Interview Houdebine). Justifying this position, he said that "it's not worth it, it doesn't seem to us to be urgent regarding French public finances, the important point is to reverse the debt trajectory" (ibid.). Houdebine pointed out the trade-off between faster consolidation and rising unemployment, for which an equilibrium would be needed to be found (ibid.).

French fiscal policy actors were particularly critical of the central role of the structural deficit rule that had been introduced in France via the Fiscal Compact, but were also sceptical of other rules such as the Maastricht criteria if they were to be applied quasi-automatically rather than based on expert judgement. Deruennes called an inflexible application of structural deficit rules 'enormous bullshit', Houdebine referred to such an approach as 'absurd', while Berger, for example, criticised the 3 percent rule of the Maastricht criteria as 'stupid' (Interview Deruennes, Interview Houdebine, Interview Berger). Regarding the fiscal framework imposed by the European fiscal framework, it was thus "maybe something reasonable to fill a rigid system with life in a flexible and intelligent manner" (Interview Briet).

Second, another key element is the role of sovereignty of national fiscal policy-making, even in the context of EU membership, as viewed by French fiscal policy elites. "The parliament is sovereign", if it wants to do something different from existing fiscal rules, it cannot really be forbidden to do so, was stressed, for example by Houdebine (Interview Houdebine). As Karine Berger put it, while in some other countries "the rule is (…) above the political decision", in France "the political decision is – of course – above the mathematical rules of [the] budget" (Interview Berger). Similarly, Xavier Timbeau pointed out, that the logic of national sovereignty would lead political decision-makers to not follow the rules: "I think that it is important for a French political leader, to say, I have discipline in my public finances as an objective, I want to have the public finances in good order, but I am not subjecting myself to Brussels to do so. So, if I do it, it is for me, and not to respect a rule, and so, I do it according to my rhythm and to my definition, and not according to the definition which was imposed on me from the exterior" (Interview Timbeau).

Antoine Deruennes also highlighted that rules should have to be interpreted with caution and not be followed blindly to respect the democratic will. Criticising the imprecise and often rapidly changing values of the output gap (with consequences for structural deficit rules) he said, if "you do not do 0.32 structural adjustment, then you are asked a 4 billion fine, that is crazy. That is just not acceptable. That is not an acceptable world, that is not a democratic world" (Interview Deruennes).

Principal policy entrepreneurs and translators of economic ideas

In France, high-level public officials trained at the domestic elite schools (Sciences Po/ENA, Polytechnique/ENSAE) have served as the principal translators of the idea of fiscal frameworks into the French legal system. Their expertise was crucial in adapting internationally developed legal norms for the French constitutional context, interpreting legal requirements of the European pacts and treaties, and drafting domestic fiscal rules in line with founding principles of the French Republic such as sovereignty.

Key actors involved in this exercise were from the finance and economy ministry, the Council of State and, more in a controlling role, the Court of Auditors. Some fiscal rule reform elements and attempts were undertaken by policy entrepreneurs from centrist and centre-right parties. A key proposal was backed by conservative Nicolas Sarkozy during his presidency from 2007-2012. Political actors were also crucial for several broader fiscal governance reforms such as the LOLF 2001, which was supported by a cross-party initiative under the leadership of key members of the lower and upper house of the French parliament.

12.3) French political, economic, and research institutions

With the formation of the Fifth Republic under President Charles de Gaulle, France has developed and strengthened policy-making, production, and knowledge regimes that give a central role to the state. The following subsections discuss the French political system and how it relates to the

country's powerful public administration, highlight the contentious relationship between the state and interest groups, and show the large state dependence of national knowledge producers.

12.3.1) A centralist technocratic policy-making regime

The French policy-making regime is characterised by its unitary and centralised nature (Lijphart 2012: 178), provided by the constitution of the Fifth Republic. It centres around a semi-presidential system with little checks and balances that gives considerable power to the executive (Campbell and Pedersen 2014: 86-87). The French president, currently elected every five years and shortly ahead of parliamentary elections, is the central figure in the political system. Since the harmonisation of the electoral cycles of the executive and legislative in 2002, the power of the president has further increased as the likelihood for a so-called 'cohabitation' has lowered significantly.

Under 'cohabitation' the parliamentary majority and the president come from different political camps, considerably empowering the former, which can – in practice – decide on the country's prime minister (see Lijphart 2012: 110). The generally marginalised parliament thus further became weakened in the power-balance with the executive since the beginning of the 2000s (Interview Monier, Interview Timbeau). This is in strong contrast to the Third and Fourth Republic, where political power was largely based in the parliament, leading to a high degree of government instability (Cole 2003: 12-13). Parliament itself consists of a lower chamber (the national assembly) and the upper chamber (the senate), representing the country's regions. The national assembly is considerably more important than the senate. It is able to overrule the latter on practically every policy matter (see Lijphart 2012: 199).

Linked to the relative weakness of the parliament, also French political parties are comparatively underdeveloped: "The distrust of parties is deeply embedded in the ideology of the republican state itself, where the state represents the general will, superior to the particularistic interests represented by parties, groups and regions" (Cole 2003: 11). Similar as for interest groups there is thus a high degree of antipathy towards parties ingrained in the French political system. Before the Second World War, parties were strongly fragmented and had regional specialisations, centralizing and becoming more disciplined only in the post-war period (Cole 2003: 11-12).

This process further accelerated with the foundation of the Fifth Republic, which led to a reduction of the fragmentation of the party system and to a process of bipolarisation, having a left-wing and right-wing block of party coalitions to support candidates running for the presidency (ibid.: 12). While having a majoritarian electoral system, the two-ballot system (if no candidate achieves an absolute majority in a first vote, the two candidates with the most votes compete in a run-off vote) nevertheless allows for a more varied party landscape than in simple first-past-the-post systems such as the UK.

While parties became more coherent and disciplined starting with the 1960s, this also led to an increasing internal factionalism among parties (see Cole 2003: 18). This gradually created problems during the 2000s and 2010s, especially on the left side of the political spectrum. With the slow transformation of political cleavages, the traditional economic left-right difference between the left-wing PS and the conservative UMP/LR, the French political party system finally imploded with the 2017 presidential elections. While the centrist Emmanuel Macron (LREM) and the far-right Marine Le Pen (RN) entered the second round of the elections, the traditionally large parties had to face dramatic losses in popular support for their candidates, also for the subsequent parliamentary elections (Gougou and Persico 2017, Algan et al. 2018). This shows the relatively unstable nature of the French political party system.

The relative weakness of political parties in the French context is also due to the lack of "organic links with trade unions or business" (Cole 2003: 21). Links with municipal government are one of the more developed anchor points for national parties. Key candidates for presidential elections or ministries are often mayors of large French towns (e.g. Alain Juppé, Martine Aubry). Another recruiting ground for parties are public officials that have completed the Grandes Écoles such as ENA and often have positions in key institutions such as the finance ministry and important interdepartmental services, for example, the Inspection General of Finances (e.g. Emmanuel Macron, Valéry Giscard d'Estaing), the Court of Auditors (e.g. François Hollande) or the Council of State (e.g. Édouard Philippe, Laurent Fabius). Illustrating this, Antoine Deruennes stated that at the court of auditors "there are the best of ENA that go there, there is a certain number of them who are politicians. So that's convenient, the politicians on the 'good' side, they are in government, the politicians on the 'bad' side, they are at the court of auditors. So, if you will, at the court of auditors the are very very critical" (Interview Deruennes).

The French public administration thus absorbs to a certain extent the country's political party system, without being dependent on it, however. In general, and in contrast to all other cases in this dissertation, the public administration in France is a very powerful political actor and enjoys a high degree of independence from political parties (Interview Timbeau). Being sceptical of partisan decisions, the public administration generally tries to stay above the political game (or at least claims to do so) to guarantee equality between citizens: "for the functioning of politics in France, the parties are partisan, and the administration is balanced" (ibid.).

Xavier Timbeau goes even as far as stating that the public administration plays a key role in creating political consensus: "I think that the consensus in Germany is formed through the balance of power between the different parties, [while] in France, the consensus is formed by the administration" (ibid.). This dominant role of the public administration has also led to ongoing frictions with politicians, for example, regarding the decentralisation and deconcentration efforts that had been undertaken in France starting from the 1980s, or the role of public deficits in fiscal policy-making (Interview Timbeau). There are strong confrontations about who has the legitimacy to express oneself on a specific issue and which decisions are appropriate.

Regarding the French judicial system, for a long time there has been an absence of a proper constitutional court, based on the idea-set of national sovereignty which would stem from the people. With the Fifth Republic, a constitutional council was set-up which originally rather served "to protect executive power against legislative encroachment" (Lijphart 2012: 213-214). The constitutional council has, however, subsequently broadened its role in the French judicial order, where "parliament is no longer the ultimate interpreter of the constitutionality of its own laws", even if in comparison to other countries, it still has a limited mandate and function in the French political system (ibid.: 214).

12.3.2) A state-influenced production regime

Historically, the French state has been highly sceptical of labour unions and trade organisations (see Grossman and Saurugger 2012: 60), viewing them as partisan interest groups that were acting against the idea of the 'general interest'. There was some institutionalisation of social partners in the first half of the 20th century, but in comparison to other European countries organisations both on the employees' and the employers' side have been traditionally weakly developed in France (Interview Timbeau).

On the side of the labour unions, there is no overarching confederation but rather several competing unions, reaching from the far-left CGT to the rather centrist CFDT. Often "engaged in bitter ideological rivalries", most of them also "lack (…) close ties to political parties" (Campbell and Pedersen 2014: 85). Also the employers' side is not well organised in comparison to other European countries. With the MEDEF, it has, however, a more central representation in the political sphere. This should not be confounded with a strong role in the field of fiscal policy-making though. Its predecessor, the CNPF, often suffered from internal conflicts between large and small firms. The victory of the former over the latter, particularly of the banking sector, was the starting point for the MEDEF, reflecting the changed power relationships between firms (see Campbell and Pedersen 2014: 85, 88).

According to Xavier Timbeau, the already low weight of the social partners in the post-war period further reduced over the last decades, seeing a period of gradual dissolution of trade unions and employer organisations, further losing their capacities to influence economic and fiscal policy decisions (Interview Timbeau). In his view, the social partners have largely reduced their political actions to the defence of those economic sectors where they still can mobilise, while lacking a more integrative view of overall economic and fiscal development.

As highlighted in the section on the French policy-making regime, trade unions are, in a comparative perspective, very weakly connected to political parties and the public administration: "They are quite cut off from the administration, there isn't really any exchange, there is a bit of mistrust, both from the administration towards the trade unions, and from the trade unions towards the administration, so the only times where there's actually a little bit of interpenetration, it is when there are unions within the administration", for example the trade unions inside the

finance ministry" (ibid.). This insulation of the social partners and the dominant position of the French public administration have cemented the position of France as a 'state-influenced economy' (Schmidt 2016b: 620, Campbell and Pedersen 2014: 89).

In terms of size and structure, the French economy is the second biggest in the EU behind Germany. France has a highly developed and diversified economy. On the MIT's Economic Complexity Index (ECI) it ranked 14th in 2017 (Simoes and Hidalgo 2019). The French economy is centred around large companies, many of them former public companies, that the French state has privatised starting from 1986. Due to this heritage, many large companies nevertheless retain close links with the state through elite networks (see Clift 2012, Georgieu 2016). In comparison, the SME sector is relatively underdeveloped.

The country's focus on large companies is for example visible in the banking sector. Four of the ten largest European banks are based in France (only one in Germany) (Zarmina 2020). Other important economic sectors include the aviation and aerospace industry (which is the largest French export sector, Simoes and Hidalgo 2019), the car industry, and the production of chemicals and pharmaceuticals. Major companies also exist in the energy, construction, and luxury good sectors. Tourism plays a major role in the French economy, being the most visited country in the world (Forbes 2018). The French economy is considerably less open and export-dependent than Germany. The focus on domestic consumption makes the country less vulnerable to external shocks than other European countries. At the same time, France has had to deal with relatively low economic growth rates over the last decades.

12.3.3) A statist knowledge regime

In the classification of Campbell and Pedersen (2014: 84), France has a 'statist knowledge regime', dominated by institutions that belong either directly to the public sector or that are largely dependent on the state through public financing. Particularly during dirigisme, knowledge on the macroeconomy was almost exclusively produced by the French government and administration: "the dirigiste tradition meant that the knowledge regime was dominated by state policy research organizations more than in (…) other countries" (Campbell and Pedersen 2014: 89).

In the words of Fourcade (2009: 186), "the development of economic knowledge production in France has depended strongly on the involvement of, and authority conferred by, central administrative authorities". This limited the opportunities for the development of private research or policy advocacy institutions for a considerable period of time. After the end of the Second World War, powerful knowledge producers such as the French Statistical Institute (Insee), the Planning Commissariat (Commissariat Général du Plan), and influential departments inside the finance ministry and close to the prime minister were formed (see Interview Dalloz).

During the 1970s and 1980s, the dirigist idea-set and the concrete policies it enacted, were increasingly questioned. The key knowledge producers were seen to be too insulated and unable to

produce alternative ideas that could explain economic transformations and how to adequately respond to them (see Campbell and Pedersen 2014: 107, Schmidt 2016a). Subsequently, French political decision-makers decided to decentralise the domestic knowledge regime to a certain extent.

Mapping the switch from a dirigiste to a post-dirigiste outlook, the state fostered the creation of semi-public research organisations and private institutions to provide new ideas and to challenge the dominance of the powerful knowledge producers, the different departments of the finance ministry, the ministerial cabinets, the French central bank, and the Insee (Campbell and Pedersen 2014: 93). Interestingly, it was not private actors that identified and responded to a failure of state institutions by establishing competing knowledge institutions, but the push for new research organizations came rather from inside the state itself.

In the early 1980s several semi-public research organisations were created or considerably strengthened. Drawing to a certain extent on the German model, the French state supported the foundation of two semi-public institutions with links to the trade unions (IRES) and the business sector (Rexecode, founded as Ipecode), hoping to have more research input from the social partners (Campbell and Pedersen 2014: 94, 108). In addition, the French Economic Observatory (OFCE) was founded, which was to compete with the Insee in providing economic forecasts "to 'liven up' the public debate" (Fourcade 2009: 219). Integrated in the elite university Sciences Po, since its establishment the "organization has a mild leftist and Keynesian bias because its early leaders were inclined in that direction and subsequent hiring has favoured people with similar training" (Campbell and Pedersen 2014: 95)[23]. The current president of the OFCE, for example, has formerly been the economic advisor of Arnaud Montebourg (PS) during his time as Minister of Industrial Renewal (see Mauduit 2014), representing the left-wing of the socialist party. Julien Dubertret referred to the OFCE as a neo-post-Keynesian institution (Interview Dubertret). In contrast to the OFCE, Rexecode has a more 'free-market orientation' (ibid.: 95).

Other semi-public research organisations in the French knowledge regime include the CEPREMAP, the CEPII, and the IFRI. While being focused on economic topics, the play a less central role in the field of fiscal policy-making, for which interviewees generally named the OFCE and Rexecode as the most prominent ones. What is common to all these institutions is that while overwhelmingly financed by the state (either directly or indirectly), they are rather small in terms of budget and staff in comparison to other countries of similar size, and that their relative importance in the overall knowledge regime (even for the OFCE and Rexecode) is rather low.

In the French knowledge regime also policy advocacy organizations are comparatively underdeveloped. Particularly during dirigisme, the dominant role of the state in the economy left little room for private initiative and challenging the state's approach to macroeconomic and fiscal policy-making. The most important organisation on economic policy matters in this regard is the Institute Montaigne, which "opened in 2000 as a think tank with a clear ideological mission – to

[23] Dubertret referred to the OFCE as a neo-post-Keynesian institution (Interview Dubertret).

advocate policies oriented toward free markets, international economic competitiveness, and modernizing the public sector" (Campbell and Pedersen 2014: 96-97).

A less central think tank in the French knowledge regime is the IFRAP, which is also positioned to the economic right of the spectrum. Given the traditional weakness of labour unions and employer organisations in France and the state's mistrust in their intentions, they also have comparatively weak research capacities (Campbell and Pedersen 2014: 104). They have links with the IRES and the Rexecode respectively, but these institutions are generally not perceived to be central (especially not IRES) in fiscal policy debates (see Fourcade 2009: 229). Trying to further broaden the input of different political actors into the French knowledge regime, in the 1990s, the state supported and financed the establishment of party foundations (Campbell and Pedersen 2014: 98) that are linked to the main political organisations. Among them are, for example, the Foundation for Political Innovation (close to Les Républicains) and the Foundation Jean Jaurès (close to the Parti Socialiste). Given their small budgets, they, however, also only play a very minor role among French research institutions.

As Campbell and Pedersen (2014: 101) have highlighted, also "the universities do not play a major role in the French knowledge regime", in contrast to the "more prestigious Grandes Écoles (…) because they train the state's political and technocratic elite". Rather than being idea producers themselves, these institutions produce the French economic and fiscal policy elites, separated between the 'engineering economists' delivering 'numbers', and the 'administrative economists' proposing 'ideas' (Fourcade 2009: 216).

Polytechnique and ENSAE provide highly trained economists for institutions where technical expertise is crucial such as the Insee or the positions of chief economist in ministerial departments but also for the private sector. Sciences Po, ENA and the Inspection General of Finances train more 'practical' economists that are able to guide the country as economic managers (Fourcade 2009: 223), taking leading functions in administrative bodies such as the finance ministry, the court of auditors or the council of state and in cabinets. According to Fourcade (2009: 223-224), ENA graduates "have held 60 to 75 per cent of positions as directors of ministerial cabinets from the mid-1980s to the late 1990s".

What makes France different from other countries is that "intellectuals, including professors, writers, and others, also have a unique position in the French knowledge regime (…). [France] has a long tradition of intellectuals informing public policy debate" which is, however, "not a discourse informed by applied economics or data analysis so much as it is by moral philosophy, political theory, and other intellectual perspectives" (Campbell and Pedersen 2014: 101-102, see also Fourcade 2009: 233). On top of this individualisation of legitimate economic knowledge, in France personal networks of these prominent individuals are important. Forming 'networks of networks' key actors in the French knowledge regime have multiple connections through their links with the

Grandes Écoles, to political clubs, political foundations, and executive board memberships (Campbell and Pedersen 2014: 103).

An interesting, but less formalised feature in the French knowledge regime are permanent and temporary committees that provide policy advice and recommendations to political decision-makers. Members of these committees tend to be experts selected from different institutions and political backgrounds. The Council of Economic Analysis (CAE), for example, is an advisory committee for the French prime minister, composed of renowned economists and representatives of Insee and the DG Trésor. As Campbell and Pedersen (2014: 91-92) have highlighted, "the prime minister appoints members from across the political spectrum" which he/she picks "from divergent intellectual camps, including neoliberalism, Keynesianism, and the quasi-Marxist regulation school". The CAE mainly serves as an instrument of reflection on the policy orientations of the governing actors.

Considerably more often used than in other countries, temporary committees set up by French governments also deal with economic and fiscal policy issues. "They tend to be headed by inspecteurs des finances and include a broad range of members from across the political spectrum" (Fourcade 2009: 224) and investigate specific topics of interest to the government in detail. Their policy recommendations often inform law initiatives of French governments.

12.3.4) French Post-dirigisme and the institutional set-up

Table 12.1 provides an overview of the defining elements of the French policy-making, production, and knowledge regimes, in which the dominant macroeconomic idea-set of post-dirigisme is embedded. This also applies to the intertwined ideas of the general interest, meritocracy, and sovereignty. The constitution of the Fifth Republic gives a lot of power to the French executive vis-à-vis the national parliament and the subnational levels of government. In addition, interest groups also only play a subordinate role in politics. This makes it easier for actors holding a post-dirigist idea-set to enact their macroeconomic vision.

Post-dirigisme itself is developed and reproduced in a highly selective and state-centred education and knowledge system. A few elite schools educate the majority of high-level public officials, future political leaders, and enterprise executives. Among the public administration, key units relevant for fiscal policy-making such as the finance and economy ministry, the Council of Auditors and the Council of State all recruit their officials from the same exclusive set of schools, which provide them with the notions of 'general interest' and sovereignty as guiding principles for their actions.

The centralised nature of the state, the legitimacy bestowed upon fiscal policy elites through their highly institutionalised meritocratic selection process, and the importance of impartial technocratic knowledge and policy-making in the public administration all support the post-dirigist idea-set, which puts a lot of emphasis on expertise. Even when the state supported the creation of alternative knowledge producer, the French institutional set-up made it difficult to challenge the expertise

accumulated in the state's public administration. Consequently, it is likely that ideational change of the dominant macroeconomic idea-set only takes place very gradually.

Table 12.1 – French policy-making, production, and knowledge regimes

France	
Policy-making regime (Political institutions)	
Classification (Own classification)	Centralist technocratic democracy
System of government	Semi-presidential parliamentary democracy (strong president)
Centralism/federalism	High degree of centralism with a weak upper chamber
Electoral system	Two-round majority voting
Party system and structure	Multi-party system with weak and somewhat 'disciplined' parties
Production regime (Economic institutions)	
Classification (Hall & Soskice 2001, Hall & Gingerich, 2004, Schmidt 2016)	***Mixed market economy, state-influenced market economy***
Organization and role of employee/employer organizations (Howell 2009)	Dominant role of the state in organizing employee/employer relations Weak representative enterprise and labour organisations Close links between the state and large companies through elite networks
Economic structure	Diversified economy with a dominance of large companies (legacy of state ownership and the promotion of 'national champions') Large transport manufacturing, banking, and tourism sectors Focus on public consumption rather than exports
Knowledge regime (research institutions)	
Classification (Campbell & Pedersen 2014)	***Statist knowledge regime***
Central knowledge producers	Different parts of public administration, semi-public scholarly research organizations
Central educators	Sciences Po, ENA, Polytechnique, ENSAE
Overall organization of the macroeconomic & fiscal policy field	
Institutional factors supporting post-dirigisme	Meritocratic state institutions centralizing expertise Centralist state organization accumulates decision-making power in the public administration Weak role of social partners

Source: Own description, drawing on Hall and Soskice (2001), Hall and Gingerich (2004), Schmidt (2016b), Howell (2009)

12.4) French Post-dirigisme and fiscal framework reforms

Based on the analyses of the French fiscal framework, the idea-set of post dirigisme, and the country's political, economic, and knowledge institutions, this section engages in an in-depth process tracing of the main episodes in fiscal policy-making and fiscal framework reforms in the French case. Starting in the 1990s, I organise the evolutions and key events in the fiscal policy field in five periods.

The first of the following subsections engages with the broader fiscal governance reforms in France that started in the mid-1990s with the LFSS and were continued in the first half of the 2000s with the LOLF and the LOLFSS. These reforms attempted to get the traditionally fragmented system of public finances better under control and to modernise the decades-old financial constitution of the country. The issues that were key during the discussion on these governance reforms showed oneself to be important also in the subsequent fiscal framework reforms of the late 2000s and early 2010s.

The second subsection deals with the period from 2005 to 2010, in which public indebtedness became increasingly perceived as a problem that was in need to be addressed. It centres on the Pébereau committee, which was established by the government to identify the main factors explaining growing public debt in the French case and how to address them, especially in institutional terms. In the following years, the issue was pushed by some of the smaller centre-right parties and lead to the introduction of a vague balanced budget amendment, programming laws, and budgetary 'sincerity' requirements as part of a broader constitutional reform in 2008.

The third subsection focuses on the failed constitutional fiscal framework reform effort of 2011. Ahead of the presidential elections of 2012, the French president Nicolas Sarkozy sought to strengthen the domestic fiscal framework through binding framework laws. Representing a French-specific interpretation of and approach to fiscal rules, the government however lacked the necessary majority in Congress and abandoned the reform project. The conservative government nevertheless signed the European Fiscal Compact but left the ratification to its socialist successor.

The fourth subsection deals with the domestic consequences of the agreement on the Fiscal Compact, leading to the adoption of an organic law – the LOPGFP 2012 – which implemented the European requirements into French legislation. The final result mirrored many of the previous fiscal framework reform plans that were developed inside the French public administration and left considerable flexibility beyond the intentions of the Fiscal Compact.

The final subsection engages with fiscal policy-making after the implementation of the LOPGFP and the question of rule compliance. It shows that the specific design of the French fiscal framework leads to annual budget laws that do not even comply ex ante with the European and national fiscal rule requirements, but rather follow other domestic logics around the 'sincerity' of public budgeting and the reduction of public expenditures.

12.4.1) Getting public finances under control (LFSS, LOLF, LOLFSS)

Following the end of the Second World War and with the instauration of the Fourth Republic in 1946, the French state "did not have any serious constitutional framework to organise the management of public finances" (Interview Dubertret MEF). While Art. 16 of French constitution foresaw the vote of an organic law which would provide an overall framework, no steps were taken until a first decree provided some guidance in 1956 (ibid.). The period of the Fourth Republic was

marked by a fragmented parliament and instable governments, one of the factors leading to the creation of the Fifth Republic in 1958 under Charles de Gaulle. With the new constitution, the power relations inside the French political system were drastically altered, giving the government a dominant position vis-à-vis the parliament. In the following year 1959, another decree largely inherited the 1956 governmental decree on the state's budget framework. It did, however, not cover the general government, excluding the complete social security sector (ibid.).

Even without a comprehensive budget framework or explicit rules on public finances, during the 1960s and 1970s, the French state ran public budgets that kept public debt at a low and stable level of around 20% of GDP. Beginning with the 1980s but particularly during the 1990s, public deficits and debt levels, however, rose significantly, reaching close to 60% of GDP by the end of the 1990s. Due to considerable deficits both in the state budget and the social security sector, fiscal policy actors across the political parties and the public administration saw a need to modernise the existing budgetary framework and to adapt it to the requirements of a common currency ahead of the euro introduction.

Starting in the 1990s, gradual changes in elite thinking took place. There was a growing acknowledgement that public finances had to be looked at and managed in an integrated manner (Interview Briet CdC). At the same time, a consensus began to slowly develop among the fiscal policy elites that excessive expenditure growth was the main problem for public finances, a view that even further strengthened during the 2000s and 2010s, and thus needed to be addressed. According to Michel Houdebine of the French treasury, what changed in French fiscal policy-making over the last decades was that there was "a slow and progressive appropriation [of the fact] that we cannot continue eternally with public expenditures growing faster than the GDP" (Interview Houdebine Trésor) and that the increase and level of public indebtedness had become a problem (Interview Briet CdC).

These views became increasingly cross-partisan during the early 2000s and became also accepted by French centre-left parties in the aftermath of the European debt crisis (Interview Houdebine Trésor, Interview Briet CdC). For Antoine Deruennes, there is now "an awareness that public spending is high, and there is an awareness that deficits are high, and there is an awareness that social contributions are high" among political decision-makers. (Interview Deruennes Trésor, also Interview Monier HCFP). The consequence of this awareness, which the subsequent sections will show, has been a focus on the reduction of expenditure growth in public budgets (Interview Briet CdC).

In institutional terms, first steps to reform public finance management and to tackle expenditure growth were initiated in the 1990s, starting with the social security sector. A constitutional reform in 1996 under conservative President Jacques Chirac and prime minister Alain Juppé gave the government the possibility to provide guidelines for the social security sector through annual social security financing laws (the LFSS) (Interview Dubertret MEF, Interview Briet CdC). This did not entail any explicit fiscal rules but gave the government more power vis-à-vis the social partners that

had decided on the social sector budgets autonomously until the mid-1990s. It was also accompanied by the ONDAM, the national expenditure objective for the health sector, since then an important sub-rule in French fiscal policy-making. The introduction of LFSS is considered a structuring event, as it demanded a better clarification of budgetary choices and a better integration of the central government's budget and the social security sector (Interview Briet CdC). It was also the starting point for several subsequent reforms of the French budget framework and the groundwork for the later introduction of the French fiscal framework.

Following the introduction of the LFSS in the French budget process, in 2001 the most significant reform of the management of French public finances in decades took place. Carried by a cross-party initiative under the Socialist parliamentarian Didier Migaud (who later became the First President of the Court of Auditors) and the centrist senator Alain Lambert (who subsequently served as budget minister from 2002 to 2004), this landmark reform basically created a new fiscal constitution through the vote of an organic law on budget laws (the so-called LOLF). As for the 1996 LFSS reform, the LOLF 2001 did not introduce any fiscal rules *per se* but did nothing less than overhaul the existing logic of budgeting.

Ahead of the 2002 presidential and parliamentary elections, the reform took place under a situation of 'co-habitation', with Lionel Jospin (PS) as prime minister and Laurent Fabius (PS) as finance minister under conservative President Jacques Chirac (RPR, later UMP). In addition, while there was a left majority in the French national assembly, the Senate was dominated by centrist and conservative forces. In this situation, the organic law reform was based on a parliamentary cross-party and cross-chamber initiative (Interview Dubertret MEF).

The LOLF had many objectives: It strengthened the role of parliament in controlling annual budget laws, improved budgetary transparency, implemented a more medium-term approach for the management of public finances and introduced a greater performance orientation in public budgeting. Another key aspect of the LOLF was the requirement for governments to budget with 'sincerity', meaning that the state's public finances had to be presented in an adequate fashion and that macroeconomic forecasting was to be 'realistic'. The Court of Auditors was charged with evaluating the 'sincerity' of budget plans.

In 2005, another reform of the French budget framework (the LOLFSS) basically extended key elements of the LOLF also to the social security sector, again without putting into place any aggregate fiscal rules. Even with these reforms, both budget exercises remained largely independent from each other. The LOLFSS was nevertheless a step in the gradual move towards a more integrated understanding of public budgeting and to better constrain public expenditure growth.

12.4.2) The Pébereau report and the constitutional balanced budget amendment

Problematising public deficits in the Pébereau Commission

While French fiscal policy elites had started to be concerned in particular with expenditure growth in the 1990s, the mid-2000s brought an increasing problematisation of public indebtedness (Lemoine 2008). A key element in this process was the establishment of a temporary commission under the UMP finance minister Thierry Breton, headed by Michel Pébereau (Creel et al. 2012). The Pébereau commission was set-up to investigate the question of public indebtedness and to provide a comprehensive report to politicians and the public by the end of its mandate.

In line with the traditional selection approach of commission members in the French context (see Fourcade 2009: 224, Campbell and Pedersen 2014: 91-92), the temporary commission led by Pébereau included personalities from a broad ideological spectrum. As Lemoine (2008: 127) put it, the commission was a place in which "the wise men' reflect[ed] on the 'general interest' and are representatives of the plural trends in society". The commission included 24 members (Pébereau 2005: 9-10), including three inspecteurs des finances, who also served as rapporteurs and contributors to specific elements of the final report (Sébastien Proto, Guillaume Sarlat, Pierre Heilbronn). Inspecteurs des finances are high-level public officials that are chosen from the best-ranked graduates of ENA and part of a very influential corps inside the French public administration.

The two 'fathers' of the LOLF, Didier Migaud and Alain Lambert were part of the commission, as well as politicians and/or public officials close to parties across the political spectrum. Beyond their political affiliation, the commission members represented institutions such as the French Central Bank and the IMF (Michel Camdessus, Jacques de Larosière), international institutions such as the WTO and the OECD (Pascal Lamy, Jean-Philippe Cotis), high-level public officials of the finance ministry and the Insee (Jean-Michel Charpin, Pierre-Mathieu Duhamel, Xavier Musca), economists and other academics (Patrick Artus, Olivier Davanne, Philippe Kourilsky), representatives of enterprises and employers/employee organizations (Xavier Fontanet, Édouard Michelin, Nicolae Notat), think tanks (Philippe Herzog, Maria Nowak), and journalists (Jacques Julliard, Françoise Laborde). Mirroring the French knowledge regime, out of these 24 commission members, 14 were graduates from the political or engineering elite schools of ENA and/or ENSAE, and many more studied at other grandes écoles such as ParisTech, ENS (Ulm), or the École Centrale.

While the non-compliance of France (together with Germany) with the Maastricht criteria's 3% deficit limit in the early 2000s surely played a role in the refocusing of governmental attention towards public indebtedness, Lemoine (2008: 126-127) found that it was primarily the political strategy of the new finance minister Thierry Breton that explained the establishment of the Pébereau commission in 2005. Rather than based on any significant change in the underlying economic ideas held among the French fiscal policy elites, Breton was perceiving the topic of public indebtedness as a strong political 'axe' on which he could build his political career (ibid.: 126).

In his critical analysis of public debt 'problematisation' in the mid-2000s, Lemoine (2008: 128) shows how the broad spectrum of commission members was then utilised to portray the findings as being of a 'non-ideological nature'. Pébereau stressed how all members had signed the final report entitled "Break with the 'easiness' of public debt: For public finances at the service of our economic growth and our social cohesion" (Pébereau 2005), which painted a rather grim picture of the state of French public finances and called for a significant change in fiscal policy-making. With the inclusion of two journalists, which were to translate the technical and complex content of the commission discussions into an understandable language for a broader public, the Pébereau report aimed at having a political impact beyond the usual elitist policy circles.

And indeed, according to Lemoine (2008: 119, 121), the commission report had a considerable influence on the political campaigns for the Presidential elections of 2007: "the publication of the Pébereau report and its media success helped to build a consensus among political professionals on the urgency of debt reduction. (…) With varying degrees of intensity, the three main candidates then publicly endorsed the objective of reducing public debt".

The 2005 report found that French public indebtedness had rapidly increased over the course of the previous 25 years and determined that this growth in indebtedness was not due to growth-enhancing and long-term sustainability improving expenditures. It argued that it was rather 'political and collective practices' and the 'cumbersome and inconsistent nature' of public finance budgeting and management that could explain the increase in public debt and that these problems would need to be addressed in a decisive manner (Pébereau 2005). The key recommendation of the report was to achieve a balanced budget by 2010, based on exerting considerable expenditure constraint. The economic cycle was to be taken into account for the efforts to achieve a balanced budget, and once the objective had been attained, it was to be secured across the cycle (thus in structural terms) (ibid.: 154).

In more detail, the report urged policy-makers to use all 'exceptional' revenues for the debt service rather than additional spending, to not reduce taxes during the phase of budgetary adjustment, and to stabilise the size of funds going to the local and regional governments. The Pébereau report also called for a rebalancing of the pension and healthcare systems, and institutional measures to subsequently ensure balanced budgets inside the social security sector (ibid.: 153-168).

In terms of public finance management, the commission also made a considerable number of suggestions. It suggested that new additional expenditures were to be off-set by expenditure reductions in other policy fields, to conduct a comprehensive expenditure review, give parliament more time to discuss the annual budget laws, simplify the administrative structure of the state to reduce redundancies, increase the flexibility of the public sector workforce, introduce performance-based salaries, concentrate expenditure efforts on particular key areas, and to reform the financial relations between the different levels of government (ibid.: 169-182). While containing various very concrete recommendations and guidelines of how to proceed in terms of actual fiscal policy-making

fiscal trajectory and public budgeting in the future, the Pébereau report did not explicitly demand the introduction of fiscal rules. Nothing like a national fiscal framework was proposed by the report.

The commission findings were very much in line with the broader evolution in thinking among French fiscal policy elites. Unsustainable expenditure growth was at the heart of the problem and had been covered up with the use of public deficits. While public indebtedness was also increasingly seen as a problem, the underlying issue was the increase in public expenditures which had to be better controlled. Many of the reform suggestions thus focused on how to reform the budgetary procedures which had, in the commission members' views, failed in the previous years to exert sufficient expenditure constraint. The stronger focus on a structural budget balance visible in the report corresponded to the larger move among European and global fiscal policy actors away from nominal deficit considerations.

When the EU's SGP was renegotiated during the same year, the structural deficit concept won considerable ground in response to critiques on the existing norms, especially from the biggest EU countries Germany and France. As Michel Houdebine highlighted, it had been the French treasury "which had introduced the idea of the structural balance in France" and "which had pushed for the structural balance in the European rules" (Interview Houdebine Trésor). But he also pointed out that French public officials liked the structural deficit concept only "as a measuring tool" but "not as an instrument" (ibid.). Monitoring the evolution of structural deficits was seen as something useful to analyse the broader evolution of public finances but it was not considered to be an adequate measure to constrain fiscal policy-making directly.

According to Houdebine, the French authorities pushed the European Commission to give the structural balance a more central role in the evaluation of fiscal policies and consolidation efforts, but rather translated into an expenditure rule and with a focus on the structural effort undertaken by national governments (Interview Houdebine Trésor). And as there were similar views among French policy actors and Commission officials, the latter largely adopted the French vision, however, differing in their exact operationalisation. With the TSCG, the structural balance later gained an even more central role in the European and national fiscal frameworks. Becoming a stringent rule rather than a measuring tool as originally planned by the French authorities, it returned to France in a very different form then how it was first pitched to the European level, being called 'absurd' by Houdebine (ibid.).

Creating an embryonic national fiscal framework

In 2007 UMP politician Nicolas Sarkozy won the presidential elections, also securing a parliamentary majority for the conservative political forces. Part of his electoral manifesto, he subsequently proposed a constitutional reform to 'modernise' and 're-balance' the institutional set-up of the Fifth Republic. A 'reflection' commission was established under the leadership of Édouard Balladur, who had been French prime minister during the 1990s. As for the Pébereau

commission, also this commission was staffed with experts, high-level public officials, and members from different political backgrounds. Many of the proposals of the commission's reports were, however, not picked up in the legislative process.

Dependent on the support of members of parliament from the left-wing opposition, the constitutional reform was passed with a very narrow margin in Congress (the national assembly and the Senate are voting jointly in this procedure). The adoption of the constitutional reform was assured with the vote of the socialist parliamentarian Jack Lang, who was also a member of the Balladur commission. The 2008 constitutional reform made some minor changes to executive power and reinforced the role of the parliament vis-à-vis the government. In addition, the constitutional reform made some modifications to Art. 34 and added a new Art. 34.1, creating an embryonic domestic national fiscal framework.

The reform introduced, for the first time, an objective of balanced budgets in the constitutional order, established so-called programming laws that were to provide multi-annual orientations for the annual budget laws, reinforced the role of organic laws in the field of budget laws, and lifted the requirement of 'sincere' budgeting to the constitutional level. The balanced budget objective was not a fiscal rule in any proper sense of the word, as it did not prescribe a specific deficit limit, nor specify otherwise what was meant by the term balanced budgets for the public administration. It rather constituted a first guideline for overall fiscal policy-making in the French constitutional order.

Interestingly, however, the balanced budget objective had not figured in the Balladur report but was added only later during the negotiations among the parliamentary groups. Proposal 29 of the report merely suggested the establishment of programming laws, which were allowed to set out the objectives for State action in general rather than being circumscribed to economic and social matters as had been the case before (Balladur 2007: 41). During the parliamentary debate on the constitutional reform, François Sauvadet of the centrist parliamentary group Nouveau Centre (NC) stressed that it had been his party which had "led the battle for fiscal responsibility, to ensure that the goal of a balanced budget was enshrined in the basic law in terms of the current budget" (Sauvadet NC). He also lauded the inclusion of multi-annual budgeting into the constitution. Sauvadet pointed out that his parliamentary group had wanted to go even further but deemed the constitutional reform a first step forward. As the UMP majority needed any possible votes to achieve a constitutional majority, the NC group was key to pass the reform. Given the relatively vague notion of the balanced budget objective, its inclusion can be considered a concession by the UMP to the NC, while remaining blurry enough to allow at least a few left-wing members of parliament to equally support the reform.

How ambiguous the balanced budget objective included in the constitutional reform actually is, was visible from Sauvadet's own statement during the discussion. While not being very clear, he seemed to have referred to a balanced 'current budget', meaning that an overall public deficit was apparently still possible if it was only due to deficits in the 'capital budget'. This would basically

make the adapted Art. 34 an informal 'golden rule', excluding public investments from the balanced budget. At the same time, Julien Dubertret, who served as an advisor in the cabinet of prime minister François Fillon, said that the balanced budget objective of the reform was simply a reference to the SGP's medium-term objective (Interview Dubertret MEF). While not being a major issue in the debate on the constitutional reform, left-wing politicians had been rather sceptical of this reform element as exemplified by Marie-George Buffet of the Communist Party (PCF). She said that the reform lacked any real political ambition and that the "constitutional 'consecration' of the objective of balanced budgets of public administrations" was the 'miserable symbol' of this lack of ambition. Buffet declared that "in this victory of a short-term accounting view there is a certain defeat of politics" (Buffet PCF).

From the point of view of the public administration, the constitutional reform 2008 was only a first steppingstone towards a national fiscal framework (Interview Dubertret MEF). According to Dubertret, it was the office of the prime minister which had added the element of multi-annuality to the reform draft during the negotiations. For this element, the government looked for inspiration abroad, studying the UK, Germany. And the Netherlands, but the reform came late in comparison to other countries and also did not significantly transform the budget process (ibid.). The new programming laws were seen as 'soft'. Their overall aim was to demand from political decision-makers to set out a medium-term budget path, which had to be justified and whose execution could be evaluated from external observers.

In the view of Dubertret, the proposal of the government had been met with scepticism not only from the political left-wing but also from the Council of State (situated at the prime minister's office). The latter perceived the introduction of programming laws and a balanced budget objective as an 'encroachment' on the constitutional order by 'Bercy': "There was a feeling that this was a way of trying to determine the future with the multi-annuality as a way to regain power over the line ministries on the politicians' freedom of action, and therefore it was not seen as very legitimate in the end" (Interview Dubertret MEF).

The question of the implementation of national fiscal framework was thus also a confrontation of opposing viewpoints between economists and lawyers inside the French public administration, mirroring very well broader analyses of this field (see Fourcade 2009, Campbell and Pedersen 2014). But while President Sarkozy's support for the amendment of Art. 34 also led prime minister Fillon to agree on the proposed reform, which was pushed by then director of the finance ministry's budget section, Philippe Josse, no references to the European requirements were made in the amendment of the constitution (Interview Dubertret MEF). The main reason for this was to overcome concerns of the Council of State that the reform would undermine the constitutional principle of sovereignty, which is a foundational idea of the French state.

The suggestions of the Pébereau and Balladur commissions, as well as the controversies between the finance ministry and the Council of State highlight the presence of a strong post-dirigist idea-set among the French fiscal policy elites. Many of the reform proposals stressed the expert-based

nature of fiscal policy-making and a relative neglect of fiscal rules among most key public officials. The remarks of Houdebine on the rule logic of the reformed SGP are strongly enlightening in this regard. Most reform suggestions were focusing on procedural changes for the conduct of fiscal policy-making rather than on promoting discretion constraining rules. It was rather a few political policy entrepreneurs that used a stricter approach to public deficits as an electoral campaign strategy rather than as a deep ideological conviction.

12.4.3) The Camdessus report and the failed constitutional reform (2011)

Shortly after the adoption of the 2008 constitutional reform, the Great Recession broke out and led to high public deficits in France. Unlike some of its more southern European partners, France, however, did not get under any considerable financial market pressures. The French banking sector did also comparatively well during the first part of the crisis which later transformed into the European debt crisis. All across Europe, strongly increasing public indebtedness led to a focus on budgetary consolidation and as reform discussions on the European fiscal framework became more and more salient, the same happened at the national level.

In early 2010, President Sarkozy set out to establish a concertation process across state institutions, inviting to a 'deficit conference'. The objective was to "reunite all actors involved in public expenditures to reach a joint diagnosis of the situation of French public finances and to jointly find ways and means to reinforce and coordinate the management of public expenditures" (French government 2013). Sarkozy thus reached out to representatives of the relevant state institutions and ministries, members of parliament, the heads of the different social security institutions and the associations of local and regional representatives. The deficit conference also served as a successor to previous concertation efforts that had taken place in the years 2006 to 2008.

In the framework of the deficit conference, the conservative government set-up four temporary commissions in the form of working groups. These groups were to provide reports on (1) a diagnosis on public finances (chaired by Jean-Philippe Cotis and Paul Champsaur), (2) the control of local public expenditures (Gilles Carrez, Michel Thénault), (3) the improvement of the management of health insurance expenditures (Raoul Briet), and (4) the implementation of a balanced budget rule for the public finances (Michel Camdessus) (French government 2013).

More specifically, the working group chaired by Michel Camdessus was tasked to "formulate proposals to better ensure, within the framework of the country's budgetary and financial governance, compliance with the objective of balancing the accounts of the public administrations enshrined in the Constitution since the revision of 23 July 2008" (Camdessus 2010: 1). This included suggestions on "the modalities of the functioning of this new rule" that was able to guide public finances to a balanced budget in the medium-term, while ensuring that the state's budget could still serve as an automatic stabiliser during economic downturns. The Camdessus working group was also charged with finding an adequate legal instrument and a reasonable timetable for

rule implementation, identifying appropriate methodologies to determine the country's structural balance and coordinate the budget contributions of the different public administrations and levels of government, and suggesting fitting monitoring and correction mechanisms (ibid.: 1-2). It was thus tasked with coming up with a full-blown national fiscal framework.

In contrast to other countries where fiscal framework reform had been the result of successful consensus building and ideational convergence across the political spectrum and different fiscal policy actors, the deficit conference failed in creating such conditions. The associations of the department-level and region-level authorities boycotted the first meeting of the deficit conference in January 2010. Both associations were dominated by left-wing political forces, who criticised the government for blaming the sub-national authorities for having caused excessive deficits and indebtedness and pointed out that there was already a 'golden rule' in place at the local level (L'Obs 2010).

According to the newspaper L'Obs, with Didier Migaud (PS, one of the co-sponsors of the 2001 LOLF reform) only one parliamentarian of the political left was present at the meeting of the different actors involved in public expenditure matters. More centrist political forces (MoDem) argued that there was no need for a shared diagnosis anymore, which had already been made by the Pébereau report in 2005, and that the conservative government should rather take rapid action to reduce public deficits (L'Obs 2010). Concerning the introduction of a national fiscal framework, MoDem politicians were, in principle, in line with the governmental position, stressing that they had already proposed a constitutional reform which would implement a 'golden rule' at the central government level (ibid.)

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But while the right-wing and centrist forces largely agreed on a fiscal framework reform, the left-wing boycott of the deficit conference showed a fundamental lack of consensus already from the beginning of the government's concertation efforts. This was also made apparent from the composition of the Camdessus working group, which was to propose a balanced budget rule for the French state. While reuniting the usual fiscal policy elites, predominantly trained in ENA, ENSAE and other grandes écoles, and occupying key positions in the central fiscal policy institutions, the political spectrum of different parties was considerably less well balanced than it had been in previous commissions on similar issues. Out of the 16 working group members, half of them can be situated politically, either by their direct affiliation to a political party or through their previous work for governmental cabinets, where hired staff is generally politically close to the respective minister. Among these 8 individuals, only one (Jérôme Cahuzac) represented the country's political left-wing, while the other ones were either close to conservative, centrist, or post-Gaullist forces.

Following a second meeting of the deficit conference in May 2010, the Camdessus working group published its final report in June 2010, entitled "Achieving the constitutional objective of balanced public finances". In the introduction, it argued that the rapidly growing public indebtedness

following the economic crisis was to be corrected in a decisive manner, otherwise "doubts could manifest themselves among the creditors" (Camdessus 2010: 1).

Starting out with an analysis of the existing fiscal governance framework in France, the Camdessus report identified several key shortcomings. First, it argued that a rule was missing that could ensure the primacy of the multi-annual programming laws on the annual budget laws to move closer to the balanced budget objective. Second, it lamented the "absence of an instrument enabling us to submit our European commitments [in terms of fiscal rules] to the deliberations and vote inside the parliament". Third, it criticised the limited abilities of the constitutional council to review annual budget laws. Fourth, the report was sceptical of the means to ensure the 'sincerity' of budget laws. And fifth, it found that a clear timeline for achieving a balanced budget was missing in the existing legislation (ibid.: 11-12).

To overcome these, and a number of other problems not detailed here for the sake of brevity, the Camdessus report made a list of proposals for the introduction of a French fiscal framework, operationalising the existing balanced budget objective enshrined in the constitution. Partly, these suggestions were based on the study of experiences with national fiscal rules and institutions in other countries, mentioning the cases of Germany, the UK and Sweden.

The most important reform proposal was the introduction of a new category of finance laws, so-called 'framework laws' for the multi-annual planning of public finance. These would set out a mandatory multi-year deficit reduction path towards a balanced budget. The framework laws would set out fiscal rule limits in the form of an expenditure ceiling on the multi-annual programming laws and the annual budget laws for the state's budget and the social security sector. The latter two kinds of laws would serve to translate the fiscal rule requirements into concrete revenue and expenditure paths (Camdessus 2010: 13).

In line with previous concerns, the working group's proposal did neither include an explicit deficit limit nor a concrete requirement for the time horizon in which a balanced budget would need to be reached. It rather stressed that the multi-annual framework laws and its deficit limits would be based on the fiscal policy decisions of the political decision-makers: "It would be at the discretion of Parliament to include in the report annexed to the framework law the date on which the objective of balancing the country's budgets mentioned in Article 34 of the Constitution would be achieved" (Camdessus 2010: 14). And while the report did refer to the European commitments, it, however, did not demand explicitly that the nationally voted framework laws would have to be in line with the European fiscal rules.

The working group's proposal for a national fiscal framework foresaw that the framework law would be annually prolonged for another year to ensure multi-annual coherence of the deficit limits. But even if the requirements of the framework law were not to be modified during its duration, the report nevertheless stated that there could be exceptions to this norm. This could happen, for example, "in the event of a change in the parliamentary majority or exceptional circumstances such

as international tensions involving a major increase in the defence effort, an economic recession of an exceptional scale or a natural disaster" (Camdessus 2010: 15). This basically meant that while a particular governmental majority in parliament was to set out a deficit trajectory for the duration of its mandate, a new majority following elections was able to adapt the state's deficit limits according to its own preferences. Such an approach could integrate the continuous concerns of the Council of State about the sovereignty of the state and the parliament as stressed by the constitution.

The plan of the Camdessus working group then consisted of establishing a more discretion-constraining control for the compliance of the annual budget laws with the fiscal rule limit given by the framework law, and with the compliance of the framework law with the requirements of the constitutional balanced budget objective of Art. 34. In the proposed reform, the constitutional council would have been able to review the suitability of these laws and, in the case of significant deviations, to declare a budget non-constitutional. To avoid such situations, annual budget laws would have to correct negative deviations through additional revenue flows or expenditure cuts in the same or over the course of the following two years (ibid.: 16).

In practice, however, the ability of the constitutional council to intervene would have been limited by the fact that the reform proposal did not contain explicit deficit limits or concrete deadlines for achieving a balanced budget. Additional proposals of the Camdessus report also suggested to establish an 'early warning system' for rule non-compliance based on a reinforced role of the court of auditors and the relevant parliamentary committees, and to improve the quality and 'sincerity' of budgetary information and the budgeting process itself with the help of an independent expert group (Camdessus 2010). Together these suggestions resembled closely to what at the international level was understood as the role of independent fiscal councils.

Interestingly, the report highlighted that there was a significant degree of scepticism towards such independent expert bodies, as raised by several working group members: "These 'expert appraisals' are viewed with suspicion because they may appear to be redundant in relation to the tasks entrusted in the audit judge and entail additional costs. A question of legitimacy may also be raised if their authority were to alter the balance of the constitutional bodies, or even replace them" (Camdessus 2010: 33-34). This interestingly links up with the general view of the expertise and neutrality of the public administration itself, possessing sufficient knowledge to not have to resort to an independent expert group.

To counter such concerns, the report stressed that the role of the expert body should be restricted to give a public opinion on the macroeconomic and budgetary forecasts underlying the different programming and annual budget laws and on the credibility of the different laws in achieving budgetary outcomes in line with the taken commitments. The independent body was to be composed of 5 to 7 members that would be "recognised for their economic competence, independence, and sense of the 'general interest'" (ibid.: 34). One of the reform options was to attach this body to the parliament. According to the report, the majority of the report's findings

and propositions were approved by consensus, without, however, stating who had abstained or voted against particular aspects of the reform package.

Following the publication of the Camdessus report, it took the conservative government several months to come up with a legislative proposal for a constitutional reform that would establish a national fiscal framework in France. Largely following the working group proposals, it was finally presented to parliament in March 2011. The rapporteur of the law project, Jean-Luc Warsmann of the UMP highlighted the key elements of the proposal: framework laws which would contain an expenditure ceiling for both the annual budget laws and social security budget laws, a joint revenue floor, and a correction mechanism in case of rule non-compliance.

Concerning the time period covered by framework laws, Warsmann argued that his first idea had been "that they should cover the duration of one legislature. That seemed logical to me: the people has voted, it has elected a President of the Republic, it has elected a majority in the assembly which has given a vote of confidence to the government. It seemed logical to me that the government should, in this process, table a framework law project and announce the objectives it fixes itself for its different budgets" (Warsmann UMP). He stressed, however, that due to a lack of consensus in parliament this had not been possible. According to the draft law, framework laws were thus to cover a period of at least three years.

Arguments for the introduction of a national fiscal framework, given mainly by members of the governmental majority during the parliamentary debate, were not particularly coherent. On the side of the conservatives, some stressed that the fiscal framework could safeguard the fiscal efforts that the conservative government had already undertaken (François Baroin UMP), that national fiscal rules would be necessary to actually overcome France's 'deficit culture' and to introduce 'budgetary virtue' (Yves Bur UMP), but also that fiscal rules themselves could not replace 'political will' (Gilles Carrez UMP).

Similarly, there was a lot of confusion and differing viewpoints on the stringency of the planned fiscal framework, again also inside individual parliamentary groups. Some members of the socialist opposition, for example, denounced the fiscal framework as containing 'such strong rules' that it would lead to excessive austerity (Pierre-Alain Muet PS), while at the same time pointing out that the reform would "in no way guarantee(…) balanced public finances" and that its implementation could be postponed indefinitely (Jérôme Cahuzac PS). Muet stressed that "if a framework law were applied 'to the letter', irrespective of the economic situation, the economy would risk being suffocated each time there was a downturn. That is why the government has added a paragraph providing that the framework law could be revised by parliament, which is tantamount to changing the Constitution to do the same thing as before". He thus concluded that "at best, it is a reform for nothing; at worst, it is the institutionalisation of austerity" (Pierre-Alain Muet PS).
And while justice minister Michel Mercier (UDF, MoDem, UMP) highlighted that the French fiscal framework would propose a balanced budget objective equivalent to the German debt brake (the Government would suggest a different method but with the same 'finality'), thus hinting to a

stringent set of fiscal rules and institutions, even parliamentarians from the same side of the parliamentary benches agreed with comments from the opposition stating that "the text will hardly bind the majority, whoever it may be in 2012" (Jérôme Chartier UMP). Other UMP parliamentarians, such as Yves Bur were thus sceptical of the reform proposal of their own government as it did not set a clear deadline for the return to a balanced budget.

As in the Camdessus report, the conservative majority stressed that the introduction of a national fiscal framework would be important to send a signal to financial markets and also to increase the credibility of France vis-à-vis its European partners such as Germany (Jérôme Chartier UMP, François Baroin UMP). Exactly this line of reasoning was criticised by the left-wing opposition, stressing that it was the government's inability to run sound fiscal policies that was the problem and not the lack of a rule-based fiscal framework (e.g. Pierre Alain-Muet PS, Jean-Pierre Brard PCF). Regarding the negotiations on a constitutional majority, Jérôme Cahuzac (PS), the only left-wing member of the Camdessus working group, made an important comparison to the 2001 LOLF reform. Addressing Gilles Carrez, one of the most renown budget experts of the UMP at the time, Cahuzac pointed out that "the very important reform of the organic law on budget laws was adopted after several years of bipartisan and bicameral parliamentary initiative. There is nothing of the sort with this proposal for constitutional reform".

In July 2011, a final vote on the constitutional reform project took place in the national assembly, in which the conservative political forces had a sufficient constitutional majority (more than the necessary 3/5 majority) to pass the law (Laurent 2011). However, already after the March parliamentary debate, the government had realised that it might lack a constitutional majority (Dussapt 2011) in the Senate and thus significantly modified the original proposal to make it more likely that also centre-left wing politicians could back the reform in the French upper house.

While politicians from the parliamentary majority continued to defend the constitutional reform project, parliamentarians from the opposition lamented that the introduction of a fiscal framework would deprive citizens "of the sovereign power to decide on the economic policy to be conducted and to decide on appropriate budgetary choices", criticising the government's attempts to budge to the financial markets (Martine Billard, Verts, later La France Insoumise). Over the summer of 2011, the conservative government realised that it would be impossible to pass the constitutional reform in Congress. It subsequently abandoned the project, even if it had already been voted in the national assembly. Instead, President Sarkozy chose to push for a national fiscal framework via the European level, being involved in the elaboration of the TSCG, which was finally signed in March 2012, just before the French presidential elections.

While the impetus for the 2011 constitutional reform attempt came from politicians, French public officials and experts were again at the heart of the discussion of a strengthened fiscal framework. In the recommendations made by the Camdessus report, key elements of post-dirigisme and the accompanying ideas of the 'general interest' and sovereignty were strongly present. In contrast to

the fiscal framework reforms in other countries, suggestions continued to not propose concrete fiscal rule limits. These were rather to be decided based on macroeconomic expertise and the policy preferences as expressed by public voting.

12.4.4) The domestic implementation of European requirements (LOPGFP 2012)

Making European requirements compatible with the domestic framework

In Spring 2012, the socialist candidate for the presidency, François Hollande, won the elections and equally gathered a majority in the national assembly. In his electoral campaign, Hollande had promised to renegotiate the Fiscal Compact that the Parti Socialiste and other left-wing parties viewed as leading to excessive austerity (see Les Echos 2012). Backed with a fresh public mandate, he made diplomatic efforts but failed in convincing supporters of the Fiscal Compact, such as the German chancellor Angela Merkel to rethink the overall design of the TSCG (Interview Dubertret MEF). As a partial compensation, Hollande negotiated a 'European Growth Pact', which was to accompany the Fiscal Compact and counteract the potential recessionary effects of the more stringent European (and national) fiscal rules (see Carrasco 2012). Critical observers called this an attempt of 'window dressing' (Volkery 2012). While allowing Hollande to keep his electoral promises at least partially, the pact did not provide any substantive changes to the overall policy direction at the European level. In October 2012, the government actually admitted that the Fiscal Compact itself had not been renegotiated following the party's ascension to power (Fredet 2012).

Having failed to change the content of the TSCG, the government was thus required to find an adequate way to implement the obligations of the Fiscal Compact and other supranational agreements that had been made in 2011 into French domestic law. For Hollande and his allies, it was particularly important that any national fiscal framework would not be inscribed into the constitution. He ran, however, in difficulties with the public administration and their legal interpretation of the contents of the Fiscal Compact and how they related to the French constitution. The discussion process on the implementation of the Fiscal Compact was led by high-level public officials, with the budget section and the treasury department of the finance ministry and the Council of State playing key roles. The reform options developed in these discussions were heavily influenced by the reforms and reform attempts of the previous years (since 2001 mainly), which had – to a considerable degree been negotiated and framed by the very same public officials.

Julien Dubertret, who served as director of the budget section from May 2011 to November 2013, gave a detailed account on the preparatory work for the implementation of the Fiscal Compact into French law in a master's thesis (see Dubertret 2014). Nominated during the presidency of conservative Nicolas Sarkozy, he remained for some more time the head of the budget section under socialist president François Hollande. Dubertret's analysis of the negotiations, the legal challenges and the final reform 'solution' highlight a deeply technocratic process, in which different department of the state apparatus were struggling over the correct interpretation of the existing

law and founding ideas such as the state's sovereignty. The following analysis draws strongly on the contents of Dubertret's study, which I verified through numerous interviews with fiscal policy actors across different institutions and political affiliations.

Much of the initial legalistic dispute inside the public administration was on Article 3(2) of the Fiscal Compact. In the English version this paragraph stated that "the rules set out in paragraph 1 shall take effect in the national law of the Contracting Parties at the latest one year after the entry into force of this Treaty through provisions of binding force and permanent character, preferably constitutional, or otherwise guaranteed to be fully respected and adhered to throughout the national budgetary processes". While in this version, it looks quite clear that a constitutional reform is not needed to fulfil the TSCG's requirements, the French translation of the Fiscal Compact seemed, however, to be more ambiguous to high-level public officials in the finance ministry and the Council of State. According to Dubertret (2014: 60), following a meeting of an interservice group discussing the reform, it seemed "that there was no other way than a modification of the constitution". This belief was based on several arguments that were partly linked to the translation of the treaty and partly due to the domestic interpretation of the French constitution.

First, the Rapport Camdessus (2010), which served as the basis of the constitutional fiscal framework project of the Sarkozy Presidency in 2011, had found that amendments to the constitution were necessary to making budgetary framework laws containing fiscal rules binding on annual budgets. This was based on the interpretation of the constitutional council which had previously found that the existing constitutional articles on the public budget did not allow organic laws to fix substantive 'imperative' rules on fiscal policy-making but only procedural ones (ibid.: 61). This meant in practice, that an organic law could not set a numerical rule limit. Second, the French public administration interpreted the French translation of the central Art. 3(2) of the TSCG as demanding a constitutional reform (ibid.: 61). The formulation of the French text was ambiguous so that it looked like the second part of the paragraph could not be applied in the French legal context (Interview Dubertret MEF).

This reasoning remained dominant among the French public administration during the first half of 2012. This was, however, problematic as the new President Hollande was very reluctant of undertaking any constitutional reform for the implementation of the TSCG. Next to the substantive concerns of the President, it was also a matter of policy coherence as he had opposed a similar reform in the previous year, thus denying then President Sarkozy a constitutional majority for his fiscal framework reform project. Supporting the implementation of a fiscal framework at the constitutional level would have also created a difficult situation inside the Parti Socialiste, where large parts of the parliamentarians were against any constitutional balanced budget rule (Interview Dubertret MEF).

To comply with the TSCG's requirement of introducing a national fiscal framework but to avoid a constitutional amendment, the socialist-led government was considering different options, particularly to make use of the organic law on public finances. Through a comparative reading of the Fiscal Compact in English and German, the French public officials re-evaluated the assumption

that a constitutional reform was necessary. Dubertret (2014: 66) pointed out that other language versions seemed to allow for a more flexible understanding of the TSCG's obligations, particularly the German and English ones (Interview Dubertret MEF). For more certainty, the French administration finally contacted the European Commission, which confirmed that there was room for manoeuvre for the legal implementation of the Fiscal Compact outside of a constitutional amendment (ibid.: 67).

With the option of an organic law left open from the European authorities, the subsequent discussion among the different services of the finance ministry and the Council of State revolved mainly around how to introduce binding fiscal rule norms in the French legal order. Already in 2001, a decision by the constitutional council regarding the LOLF had interpreted the French constitution in a way that meant "the exclusion of any norm to the substance of public finance policy" in organic laws (Dubertret 2014: 69). In 2004/2005, a similar discussion was held on the planned implementation of revenue rules in the LOLF, with the Council of State also finding such substantive rules incompatible with the constitutional requirements (ibid.: 70). Subsequent changes transformed the fiscal rule project rather in procedural requirements for fiscal policy transparency, something that has been at the heart of several consecutive fiscal framework/governance reforms in the French context. The constitutional reform of 2008 had created programming laws for public finances, which were supposed to define the multi-annual trajectory of the public budgets. At the same time, it had also created an abstract balanced budget objective.

It were those recent adaptations that made the constitutional council revisit its own previous rulings that had prohibited the inclusion of substantive fiscal rule limits into organic laws on public finances (Dubertret 2014: 74). Following up on a letter of President Hollande addressed to the constitutional council on the question of constitutional reform, the council published a decision in August 2012 which allowed for an organic law to fulfil the Fiscal Compact requirements. The council deemed that, based on their reading of the TSCG and the current constitutional requirements, "compliance with the rules does not have to be guaranteed by legally binding provisions, and there is no need to amend the constitution" (Dubertret 2014: 77). In Dubertret's (2014: 79) view, the decision of the constitutional council, reinterpreting existing legal practice based on some recent constitutional changes, was to a certain extent political. It was meant to allow for the implementation of the Fiscal Compact in a way that was feasible under the given political and legal constraints in France.

In October 2012, the French parliament finally ratified the TSCG, while the elaboration of its implementation was still under discussion among the different administrative bodies. In the parliamentary debate on the ratification of the intergovernmental treaty in the national assembly, the socialist majority had to defend it without really supporting its contents. Estelle Grelier (PS), for example, stressed that the TSCG was complemented by a European pact for growth and employment and that it did "not set budgetary austerity in stone", that it would "not prohibit states from mobilising stabilizers and conducting counter-cyclical Keynesian policies" and that it would "not establish an automatic sanction mechanism in the event of an excessive deficit". The

ratification was welcomed by conservative and centrist parliamentarians (e.g. Pierre Lequiller UMP, Henri Plagnol UDI), while Barbara Pompili of the Green Party highlighted that the Fiscal Compact was "neither helpful nor hurtful" as fiscal policy-making and consolidation depended on political will rather than on fiscal rules.

At the same time of the TSCG's ratification, intensive discussions took place inside the French public administration about how to exactly transpose the requirements of the Fiscal Compact into national law. As the constitutional council had allowed for an organic law to fulfil this task, a way had to be found to keep to procedural aspects rather than directly fixing a fiscal rule limit. Following their joint analysis of the meaning of the Fiscal Compact, key public officials from the budget section and the treasury of the finance ministry and the Sécrétariat Général du Gouvernement (SGG) of the prime minister's office (at the time Julien Dubertret was the head of the budget section and Serge Lasvignes the Secretary-General of the French government) elaborated an organic law which would supplement the existing LOLF: "And since in an organic law no direct requirement can be set, the trick, which is not new, but which has worked well, is that the organic law demands the government to show how it respects the treaty" (Interview Dubertret MEF).

The adoption of the LOPGFP 2012

After several months of internal negotiations, in December 2012 the French national assembly passed the law which implemented the Fiscal Compact at the national level, the Organic Law on the Programming and Governance of Public finances (the LOPGFP), which finally created a national fiscal framework in France to comply with the requirements of the Fiscal Compact. The LOPGFP required the multiannual programming laws to be in line with European legislation and intergovernmental treaties such as the Stability and Growth Pact and the TSCG: "Instead of establishing substantive obligations sanctioned in domestic law, the organic law establishes procedural obligations obliging the Government to establish, in a transparent manner, what its choices and results are, with the aim of achieving responsible behaviour, the possible sanctions being able to applied only before the European bodies" (Dubertret 2014: 99).

The LOPGFP did also introduce an independent fiscal council, the High Council of Public Finance (HCFP) and an 'automatic' correction mechanism. This mechanism was, however, implemented in a fashion, that maintained a high degree of fiscal policy flexibility for the government and which was largely devoid of any sanctions in case of rule non-compliance. Again, as the organic law only defines procedural obligations, there are no concrete measures defined, which were to be included in the multi-annual programming laws. This also means that the correction mechanism can change from one programming law to another (Dubertret 2014: 100). The LOPGFP established the country's independent fiscal council inside the national court of auditors, a decision that was partially based on the crucial role that it played especially since the LOLF 2001 for the evaluation of public finances (see Dubertret 2014: 93).

The LOPGFP also became subjected to the 'sincerity' of public finances requirement stemming from the 2008 constitutional reform. Programming laws and annual budget laws were thus to not diverge too far from each other and macroeconomic forecasts also had to be 'realistic' (see Dubertret 2014: 85). Otherwise, the constitutional council could go even as far as to annul an annual budget law. The LOPGFP, however, did not create the possibility for the constitutional council to provide a decision on fiscal rule non-compliance, neither for the annual budget laws nor for the multi-annual programming laws.

As Dubertret (2014: 87) put it, it is possible "to envisage the case of financial laws that are seriously contrary to our European commitments, but would not run the risk of constitutional censure insofar as their 'sincerity' would not be in question" while there could also be a situation where the budget laws would comply with the European fiscal rule limits, but based on 'unrealistic' forecasts or data. Only in the latter case, the constitutional council could provide a judgement. In the absence of concrete enforcement or sanction mechanisms, the correction mechanism of the French fiscal framework thus largely serves as a 'warning mechanism' (Dubertret 2014: 106): "Sanctions, legal, financial and ultimately political, can in these circumstances only come from European oversight procedures (to which the TSCG refers) reinforced by the 'six-pack' and the 'two-pack'."

The low degree of stringency and overall design of the French fiscal framework created by the LOPGFP was considerably influenced by the sceptical view on the Fiscal Compact inside the French public administration. Across different institutions, actors criticised particularly the central role for the structural balance/deficit. Michel Houdebine, for example, called such a focus 'stupid' and that one had to accept that it was a 'bad idea' which had been pushed by Germany (Interview Houdebine Trésor). Similarly, Antoine Deruennes stressed that while a structural view of public finances was necessary to avoid pro-cyclical fiscal policy-making, he also highlighted how difficult it was to measure structural balances and that it was 'complete bullshit' to put such norms at a high legal level (Interview Deruennes Trésor).

Deruennes detailed how ex-post revisions of potential growth or other macroeconomic budgetary forecasts could affect the (non-)compliance with fiscal objectives, making a structural deficit rule a very problematic tool to guide and constrain fiscal policy-making (ibid.). Subsequently, there was a consensus among French fiscal policy elites that a solution had to be found "which was coherent with the text", but which was also "more operational, easier to manage" than the structural balance. They found it in the notion of 'structural effort', which was considerably less prone to revisions (Interview Houdebine Trésor).

After the adoption of the LOPGFP, high-level public officials agreed that the French implementation of the Fiscal Compact lacked stringency in comparison to fiscal frameworks in other European countries. Michel Houdebine, for example, stated that "the rule, if the government does not want it to bite, can manage to make it not biting. It is enough to re-vote a pluri-annual law every year [laughs]" (Interview Houdebine Trésor). Similarly, Antoine Deruennes admitted that if the government wanted to do so, it could change some of the underlying parameters of the

structural balance calculations such as potential growth estimates (Interview Deruennes Trésor), which could be used to achieve rule compliance without adapting fiscal policy-making.

I argue that this lenient approach to fiscal frameworks taken in France can be explained by the domestic ideas held by national fiscal policy elites and the comparatively marginal role of economists in the French public administration. It is in line with their largely sceptical view on legal fiscal rules to guide fiscal policy-making. As Raoul Briet pointed out, "we are less passionate about legal rules in public finances than our German friends". In his view this was a part of French culture and he found this understanding to be broadly shared among French economic actors (Interview Briet CdC): "We consider that it does not make sense to want to fix rules, because the budgetary policy has to play its role in one sense or another during the cycle, and wanting to constrain it, by abstract legal norms, independently of them, that is to deprive the public powers of an action capacity on the economy".

That is why the implemented organic law finally rather set guidelines than fiscal rules in the French case. It demands the government to set out fiscal policy plans in multi-annual programming laws, which subsequently are evaluated to see if the government follows through on its commitment or not. In the view of Deruennes, this "is the right level of management". Karine Berger, a former PS politician and Insee administrator, and who served as an economic advisor for President Hollande from 2011/2012 to 2014 (only to be replaced by Emmanuel Macron), stressed that "of course, the French version of the law is not in the 'mood' of the Fiscal Compact. (…) We had to write a French law, which was not so in line with the global idea of the fiscal treaty, of course, because we don't want to speak about the structural deficit for instance". She also pointed out that, in her view, the HCFP was a 'very weak' institution compared to the general idea of independent fiscal councils, as it was not producing macroeconomic forecasts itself, but was dependent on the data that the government was giving the fiscal council just a few days before it had to give an opinion on it (Interview Berger PS). Sardonically she stated that "they have a long lunch, and that's it" (ibid.).

In the parliamentary debate on the LOPGFP, Christian Eckert (PS), who presented the reform, argued that the organic law contained three main innovations: The LOPGFP defined the contents of the programming laws that had existed in the French budgetary framework since 2008, it established the country's national fiscal council, the High Council of Public Finances (HCFP), and it also introduced a correction mechanism. He pointed out two changes that had been the result of deliberations between the national assembly and the Senate: First, the correction mechanism had been equipped with an escape clause for extraordinary circumstances. And second, the independent fiscal council was to have complete gender parity, an issue which was discussed lengthily during the parliamentary debate.

Following up on the ambiguous and incoherent discourse on the stringency of the French fiscal framework, Gilles Carrez (UMP) stressed that with the implemented fiscal framework, French fiscal policy-makers would accept 'strong constraints'. This was in stark contrast to the views of several high-level public officials. Christophe Caresche (PS) reiterated this issue by stating that "the

way in which we have applied the budgetary treaty ensures that Parliament's sovereignty is maintained" meaning that there was no concrete national fiscal rule in place which would constrain fiscal policy-making explicitly.

12.4.5) The interpretation of the French fiscal framework

As the broader analysis of the French fiscal framework in chapter 5 has shown, since programming laws exist to guide annual public budgets, they have been repeatedly loosened, with initial fiscal consolidation plans not followed through or further delayed. As Deruennes pointed out, France has never reached its MTO (which is basically a structural deficit of 0.5% of GDP) in the past (Interview Deruennes Trésor). In addition, even the structural deficit trajectories of the programming laws, which are not in line with the European requirements of an annual improvement of 0.5% of GDP, have been missed repeatedly.

The HCFP, which is charged to evaluate the compliance of the public budgets with the national fiscal framework has repeatedly pointed out the government's non-compliance with the fiscal rule obligations. It has, however, been very cautious in its critique of the government over the past years. In 2019, for example, the HCFP found that the annual budget law for 2020 was significantly diverging even ex ante from the deficit limits of the multiannual programming law. Its wording was nevertheless extremely lenient: "The High Council therefore notes that the Government is presenting an introductory article to the draft budget bill that departs significantly from the trajectory of the current programming law. Such a choice poses a problem of consistency between the [budget law project] and the [programming law] and weakens the effect of multiannual programming exercise in terms of public finances" (HCFP 2019). Dubertret thus argued that the HCFP "is not playing its role sufficiently. (…) In reality, the HCFP has been very cautious and very sympathetic with the governments" (Interview Dubertret Trésor).

But even the programming laws' more lenient deficit objectives have not been followed in recent years, as the French government under President Emmanuel Macron decided to focus on simultaneously reducing public expenditures and cutting taxes. In practice, this has meant none or low structural fiscal consolidation efforts, even if the government managed to move nominal public deficits below the 3% Maastricht criterion. The focus of the different institutions in the French fiscal framework has rather the 'sincerity' element of public budgeting, where there have been some improvements recently in the realism of macroeconomic forecasting. As Dubertret put it, "on the basis of realistic macroeconomic assumptions, we are drawing conclusions for the public finances which are too optimistic" (Interview Dubertret MEF). Only ahead of the presidential elections of 2017, the Court of Auditors became active when the budgetary forecasts of the socialist government were deemed considerably too optimistic, risking considerable deviations in the actual execution of the budget (Roger 2017).

The general view among French fiscal policy elites in recent years kept a focus on fiscal policy-making on expertise rather than rules. As Deruennes, for example, stated: "in itself a balanced

budget in the public finances does not have a meaning" (Interview Deruennes Trésor). The overall objective of French fiscal policy-making was to slowly reduce – at the same time – public deficits, public expenditures, and the overall tax rate for the population. Many interviewees stressed that it was more important to do to this in a gradual fashion rather than enacting strong fiscal consolidation, which would have been in line with the European fiscal rule requirements.

And even when not following the supranational rules, the distinctive functioning of French fiscal policy-making under post-dirigisme led the European Commission to give the country leeway "because it is France", as Jean-Claude Juncker said in 2016 (Guarascio 2016). According to Guarascio (2016), the former commission president stated that "I know France well, its reflexes, its internal reactions, its multiple facets" and that the application of fiscal rules should not be carried out "blindly". For a country were the legitimacy of (fiscal policy) expertise, the importance of a capable state, and the support for 'intelligent and flexible rules serving as guidelines are key features of the dominant domestic macroeconomic idea-set, this explains well why the French fiscal framework is – in comparison to the other country cases – considerably more lenient and forgiving to the non-compliance with rules.

12.5) Conclusion of the French case

Detailed process-tracing of French fiscal framework reforms and broader changes in fiscal governance over the course of the last three decades has highlighted the influence of post-dirigisme in the creation of a very lenient fiscal framework in comparison to the other six studied country cases. Post-dirigisme is the ideational successor of dirigisme and continues to give a crucial role to the state in the economy and stresses the importance of expertise in fiscal policy-making, being critical of binding fiscal rules. This scepticism is linked to domestic ideas accompanying post-dirigisme, such as the 'general interest', meritocracy and sovereignty. Together these ideas have shaped and are embedded in the French policy-making, production and knowledge regimes, which are highly state-centred.

Analysing the origins of key fiscal framework reforms in the French case has shown the central role of experts – most often from the public administration – in identifying the key problems in French fiscal policy-making, showing the limits to constraining fiscal rules and institutions and subsequently designing fiscal frameworks deemed in line with broader domestic requirements. Key state institutions such as the Court of Auditors, the Council of State and the French treasury have continuously supported fiscal framework designs that remained sufficiently flexible and lenient to retain sufficient room for fiscal policy expertise to guide fiscal policy decisions in line with the 'general interest'. Legitimated through meritocratic selection processes, these fiscal policy elites have also attempted to defend the idea of sovereignty in the French context as the primate of politics on fiscal policy-making. The case study has also highlighted the central role of expert commissions and their reports in defining the trajectories of fiscal framework reforms.

In contrast to the Slovak and Austrian cases, financial markets did not play a crucial role for fiscal framework reforms even during the European sovereign debt crisis, as shown in the comparative chapter on the influence of financial markets. French fiscal policy actors focused mainly on bond interest yields rather than spreads and remained relatively unconcerned by the movements of the financial markets. Regarding interest groups, as in the Slovak case, they were largely absent in determining the outcomes of the main fiscal framework reforms. State actors holding a post-dirigist idea-set rather than interest groups were responsible for the implementation of a comparatively lenient fiscal framework.

13) Bringing the empirical findings together

The empirical part of this dissertation has allowed to explore – in detail – the world of national fiscal frameworks. This chapter serves to summarise and bring together the most important findings of the comparative and case-study chapters, which have analysed the explanatory power of five different theoretical approaches to understand the variation in national fiscal framework stringency, design and timing across eurozone member states.

The first of the following sections is dedicated to recap the key results of the individual empirical chapters in answering the main empirical puzzle motivating this research project. It starts out with a discussion of the findings of the three case studies on Slovakia, Austria and France, which have focused – next to giving a detailed account of the genesis of each country's fiscal framework – on evaluating the role of national macroeconomic idea-sets. This analysis is enriched with more preliminary process tracing results from Germany, Ireland and Portugal, which have been part of the six studied countries in the more comparative chapters. Beyond the central ideational argument, this section also provides a summary of the empirical evidence from the chapters evaluating the four alternative explanations to the proposed ideational approach. It concludes with a joint analysis of the various theoretical explanations, providing an overview of how well they can account for the variation in national fiscal frameworks.

The second section of this chapter moves beyond the empirical puzzle and discuss to which extent the empirical chapters have also allowed to address the theoretical and methodological puzzles set in the first part of this dissertation.

13.1) Addressing the empirical puzzle

This section is dedicated to a discussion of the empirical findings that can help to resolve the main empirical puzzle motivating this dissertation, namely to explain the variation in the stringency, design and timing of national fiscal frameworks.

13.1.1) The role of macroeconomic idea-sets

The influence on fiscal frameworks in Slovakia, Austria and France

Three empirical chapters covering the in-depth case studies on Slovakia (chapter 10), Austria (chapter 11) and France (chapter 12) served to identify dominant national macroeconomic idea-sets and to evaluate whether they had any influence on domestic fiscal framework stringency, design and timing. This analysis drew on a broad set of empirical materials, including parliamentary debates, party documents, academic literature and interviews with fiscal policy actors. It also made use of the evidence assessed in the more comparative chapters 6 to 9, which looked at alternative explanations for the variation in national fiscal frameworks.

Taking together the findings of the individual case studies and evaluating them jointly with the findings of the comparative chapters, this dissertation finds that national macroeconomic idea-sets had a key influence especially on the stringency and design of national fiscal frameworks. While having presented only three of the six studied country cases in process tracing exercises, the empirical evidence that I gathered suggests that an ideational explanation not only works in the cases of Slovakia, Austria and France, but also for Germany, Ireland and Portugal.

The empirical evidence presented in this dissertation suggests that country-specific macroeconomic idea-sets, embedded in national policy-making, economic and research institutions, have played a major role in national fiscal framework reform. They have affected the translation of internationally-developed public choice ideas, which promote the introduction and strengthening of national sets of fiscal rules and institutions. In the individual case study chapters, I have shown that different macroeconomic idea-sets contain specific ideas about the role of the state in the economy and the role of rules and expertise in fiscal policy-making. These ideas have subsequently affected national fiscal framework reforms, may they have originated in domestic initiatives or having been required by European legislation or treaties.

Table 13.1 summarises the main features of the dominant macroeconomic idea-sets in Slovakia, Austria and France, including key policy entrepreneurs and translators as well as the central institutions in which these ideas are embedded. It also shows the stringency of the fiscal frameworks and their key components for these three country cases, highlighting how well dominant national ideas correspond with national fiscal frameworks.

Slovak neoliberalism, with its focus on a small role of the state in the economy and its strong support for discretion-constraining rules on political decision-makers has led to the implementation of a very stringent set of national fiscal rules and institutions. In contrast, French post-dirigisme, which views the state as a capable actor in the economy, is sceptic towards simple and binding rules, and sees a strong need for fiscal policy expertise, has brought about a considerably more lenient national fiscal framework. The influence of Austro-pragmatism in the Austrian case, finally, with its context-dependent more ambiguous and flexible view towards the state's role in the economy and the need for rules, has resulted in a more intermediate level of fiscal framework stringency. In the search of 'successful' policy-making, in Austro-pragmatism, we see a more recurrent hybridisation of elements from different other macroeconomic idea-sets, such as Keynesianism and monetarism, than in the other case studies. This can also help to explain, why the Austrian fiscal framework has been modified repeatedly, also experiencing some periods in which the stringency of national fiscal rules was lowered to a certain extent.

The three case studies have provided ample evidence for the influence of national macroeconomic idea-sets on fiscal framework reforms over the course of the last three decades, carried and pushed by country-specific policy entrepreneurs/translators and institutions situated inside the domestic fiscal policy field. In the Slovak case, the analysis has highlighted the central role of economists in support of neoliberal and public choice thinking advising policy-makers, as well as of politicians

which have switched between influential neoliberal think tanks and government positions. In the French case, fiscal framework reforms have been heavily influenced by high-level public officials trained and socialised in elite educational institutions and working in key institutions inside the state apparatus. In the Austrian case, the origins of individual fiscal framework reforms have been more varied, some pushed by public officials, others more by politicians, but all of them being influenced by the various institutions, in which Austro-pragmatism is embedded.

Table 13.1 – The relationship between macroeconomic idea-sets and national fiscal frameworks

	Slovakia	**Austria**	**France**
Central fiscal rules	Very stringent	Stringent	Lenient
Fiscal council(s)	Strong	Medium	Medium
Monitoring and enforcement mechanisms	Very strong	Rather strong	Weak
National fiscal framework stringency	**Very high**	**Rather high**	**Very low**
Dominant macroeconomic idea-set	**Slovak neoliberalism**	**Austro-pragmatism**	**French post-dirigisme**
The role of the state in the economy	Minimal role for state to avoid disturbances to the market mechanism	Ambiguous role for the state, serving to stabilise the economy during downturns	State as a capable actor that plays an active role in the economy
The role of rules in fiscal policy-making	Stringent fiscal rules as a means to limit or even reduce the size of the state Rules should come with enforceable sanctions to constrain politicians	Rules and norms as useful tools to guide policy-making, but can be ignored when they prohibit 'successful' policy-making	Rules should only serve as guidelines to leave sufficient room for the state to fulfil its function Rules should be intelligent and flexible and not stand in the way of the political sovereign
The role of expertise in fiscal policy-making	Expert-staffed independent fiscal institutions controlling politicians are viewed positively	Economic expertise plays an important role in evaluating whether rule compliance 'make sense'	Importance of expertise in analysing the macroeconomy and taking fiscal policy decisions
Policy entrepreneurs and translators of economic ideas	Economists in advisory government positions, key think tank personnel	Public officials and political actors in central fiscal policy field positions	High-level public officials with an economic, legal or political background
Key institutions in which dominant macroeconomic idea-sets are embedded	Concentrated in private think tanks and (semi-) independent public institutions	Reproduced by co-financed research institutes and social partnership institutions	Situated inside the state bureaucracy and related institutions

Sources: Own analysis

While the influence of national macroeconomic idea-sets on fiscal frameworks regarding their stringency and design is very recognisable, its relationship with the timing of fiscal framework reforms is less evident. Many reforms – especially among crisis countries – took place under financial market pressures, external coercive actions, or were simply required by the Fiscal Compact and the reformed SGP during the European sovereign debt crisis. There were, however, also a

number of reforms which took place or were at least initiated ahead of the crisis. These were typically driven by domestic policy entrepreneurs holding country-specific idea-sets. The mostly incremental nature of ideational change in the fiscal policy field, and the need for certain fiscal policy actors to push for institutional changes, makes it more difficult to identify clear-cut sequences from changes in the composition of national idea-sets which immediately result in fiscal framework reforms. ideas can, nevertheless, account to for the timing of such reforms to a limited extent.

Preliminary results from the German, Irish and Portuguese cases

Due to time constraints, the empirical analysis in this dissertation has only provided detailed case studies on three of the six countries I analysed in the more comparative chapters. Given the empirical work undertaken, I, nevertheless, want to include the – partly more tentative – process tracing findings from the German, Irish and Portuguese case studies in this discussion of the overall empirical results of this dissertation. Table 13.2 (see the next page) presents what I consider the key features of the dominant macroeconomic idea-sets in Germany, Ireland and Portugal and integrates them in the analysis already presented in Table 13.1 (the respective columns are coloured in grey). The six countries cases in Table 13.2 are sorted according to the extent of fiscal framework stringency, going from the most stringent to the most lenient from left to right.

The empirical findings from all six country cases suggest that countries can be put together in three country pairs, in which similar national macroeconomic idea-sets have led to similar fiscal framework outcomes.

German ordo-liberalism (see e.g. Peacock and Willgerodt 1989a, Vanberg 2004, 2014, White 2017), the dominant German macroeconomic idea-set has a lot of similarities with Slovak neoliberalism. It broadly shares the view that the state should not play an active role in the economy, but allows – to some extent – for state intervention to correct for market failures and to address social inequalities which might be produced by market processes (see Barry 1999, Kloten 1989).

German ordo-liberalism is highly supportive of rules in political decision-making, even more so than Slovak neoliberalism (see Röpke 1960, Vanberg 2014, Brunnermeier et al. 2016), and is the most sceptical idea-set towards the role of expertise in fiscal policy-making. All of this is very much in line with the introduction of a highly stringent national fiscal framework in the German case. The main reforms of the German fiscal framework originated in domestic initiatives by leading politicians in collaboration with public officials and independent experts. The latter are often based at universities or in independent research institutes, which have long been key institutions in which German ordo-liberal thinking is embedded.

Table 13.2 – The relationship between macroeconomic idea-sets and national fiscal frameworks (including the German, Irish and Portuguese cases)

	Slovakia	**Germany**	**Austria**	**Ireland**	**Portugal**	**France**
National fiscal framework stringency	**Very high**	**High**	**Rather high**	**Average**	**Rather low**	**Very low**
Dominant macroeconomic idea-set	**Slovak neoliberalism**	**German ordo-liberalism**	**Austro-pragmatism** (contains Keynesian elements)	**Irish pragmatism** (contains liberal and corporatist elements)	**Portuguese post-developmentalism**	**French post-dirigisme**
The role of the state in the economy	Minimal role for state to avoid disturbances to the market mechanism	State should play a minor role in the economy and be protected from demands that could overburden it	Ambiguous role for the state, serving to stabilize the economy during downturns	Varying role depending on the state of the economy and broader economic circumstances	Important role for the state in guiding economic development	State as a capable actors that plays an active role in the economy
The role of rules in fiscal policy-making	Stringent fiscal rules as a means to limit or even reduce the size of the state Rules should come with enforceable sanctions to constrain politicians	Stringent fiscal rules as a means to steer the behaviour of decision-makers Rules should be simple and binding	Rules as useful tools to guide policy-making, but can be ignored when they prohibit 'successful' policy-making	Rules are, in principle, supported but acknowledgement of limited applicability in a highly volatile economy	Rules as guidelines rather than binding requirements for fiscal policy-making Rules should not hamper economic development	Rules should only serve as guidelines to leave sufficient room for the state to fulfil its function Rules should be intelligent and flexible and not stand in the way of the political sovereign
The role of expertise in fiscal policy-making	Expert-staffed independent fiscal institutions controlling politicians are viewed positively	Minor role for expertise in comparison to rules due to scepticism of errors in expert judgement	Economic expertise plays an important role in evaluating whether rule compliance 'make sense'	Expertise considered as relevant but hampered by volatile economic conditions	Important role for experts to interpret rules and provide policy advice	Importance of expertise in analysing the macroeconomy and taking fiscal policy decisions
Main policy entrepreneurs and translators of economic ideas	Economists in advisory government positions	Leading politicians in collaboration with public officials and independent experts	Public officials and political actors in central positions in the fiscal policy field	Little domestic entrepreneurship, translators mainly situated in public administration	Little domestic entrepreneurship, translators mainly situated in public administration	High-level public officials with an economic, legal or political background
Key institutions in which dominant macroeconomic idea-sets are embedded	Concentrated in private think tanks and (semi-) independent public institutions	Dominated by independent research institutes and university-based expertise	Reproduced by co-financed research institutes and social partnership institutions	Shared among independent research institutes, public administration and social partnership institutions	Concentrated in the state bureaucracy and independent institutions	Situated inside the state bureaucracy and state-dependent institutions

Sources: Own analysis

For the Irish case, I have identified another form of pragmatism in macroeconomic thinking which I simply refer to as Irish pragmatism. This national macroeconomic idea-sets shares a lot of features with Austro-pragmatism, most notably the relatively flexible switching between different other idea-sets or their hybridisation (see Laver and Marsh 1999, Regan 2012, Donovan and Murphy 2014). In the Irish case, there have been repeated changes between more neoliberal, developmentalist, and neo-corporatist thinking (see Ó'Riain 2000, Coulter and Coleman 2003, Boucher and Collins 2003, Smith 2006, Kirby and Murphy 2011), which I view, embedded in the meta-idea-set of Irish pragmatism. While Austro-pragmatism has its roots in the design of the domestic post-war policy-making, economic and research institutions, constantly in need for compromise, Irish pragmatism can be linked more to the country's long history of economic booms and busts (see Ó'Riain 2014).

The high extent of Ireland's economic volatility has been met by domestic policy-makers with ideational flexibility towards managing the macroeconomy. Similar to the Austrian case, it has led to the implementation of an intermediate fiscal framework in terms of stringency. But in contrast to non-crisis countries, the Irish fiscal framework might be more affected by non-ideational factors such as external coercion during the European sovereign debt crisis. There has been little policy entrepreneurship in Ireland, with translators of fiscal rule requirements and its accompanying ideas being situated mainly in the state's public administration. Irish pragmatism itself is embedded in a network of domestic policy-making, economic and research institutions, including independent economic research institutes, social partnership institutions and the public administration.

Fitting in a country-pair together with France, a dominant post-developmentalist idea-set has influenced macroeconomic and fiscal policy-making in Portugal (see Bastien and Cardoso 2003, Love 2004, Etchemendy 2011, Evans et al. 2018). In line with French post-dirigisme, Portuguese post-developmentalism sees an important role for the state in guiding economic development, considers that rules should be guidelines rather than binding requirements for fiscal policy-making, and gives an important role to experts to provide policy advice on economic development. This fits with the comparatively lenient nature of the national fiscal framework. However, similar to Ireland, also the Portuguese set of fiscal rules and institutions has been affected by influence factors beyond national ideas. External coercive actions during the European sovereign debt crisis might have contributed to the implementation of a national fiscal framework that is more stringent than it would have been without conditionality requirements. Similar to Ireland, domestic policy entrepreneurship on the introduction or strengthening of national fiscal rules and institutions has been largely absent. Policy translators have largely come from the public administration.

While these empirical findings from process tracing analyses in the German, Irish and Portuguese cases should be considered to be preliminary, the results nevertheless seem to strongly support the ideational explanation for the variation in national fiscal frameworks which works well for the Slovak, Austrian and French cases presented in-depth in chapters 10 to 12. Especially the identification of dominant macroeconomic idea-sets in Germany and Ireland, as well as their causal relationship with domestic fiscal framework stringency and design is based on a rigorous analysis

of the origins of fiscal framework reforms, supported by academic literature and a relatively comprehensive list of interviewees. The existence of a Portuguese post-developmentalist idea-set is built on less stable scholarly and empirical foundations. This is mainly due to the fact that I received significantly less positive responses to interview requests than in the other five country cases, making it difficult to obtain a sufficiently robust picture on dominant macroeconomic ideas and the actors and institutions carrying and reproducing them.

13.1.2) The role of alternative influence factors

Beyond the ideational explanation, this dissertation also tested four alternative theoretical approaches, focusing on the influence of economic models and interest groups, public opinion, financial markets and powerful external actors on the variation in national fiscal frameworks.

Economic interests

The chapter on economic interests (chapter 6) studied the existing academic literature, comparative macroeconomic data, and drew on interviews with fiscal policy actors to analyse their potential role in explaining fiscal framework variation. While the analysis revealed correlational evidence between economic/growth models and the stringency of national fiscal frameworks, the process-tracing exercises had difficulties to identify causal links between them. This suggests that national economic models and the stringency and design of national fiscal frameworks might be both driven by underlying dominant macroeconomic idea-sets.

First, by looking at typologies of and numerous indicators on national economic and growth models, the chapter found a quite consistent correlation with the stringency of national fiscal frameworks (section 6.2). In line with theoretical expectations, coordinated and dependent market economies, as well as more export-oriented growth models corresponded well with more stringent sets of fiscal rules and institutions. The correlational evidence was very consistent for Germany and France, but also for Austria and Slovakia. In contrast, the overall fit of macroeconomic data with fiscal framework stringency was weak in the Irish and Portuguese cases. This might be related to the influence of external coercive actors on fiscal framework stringency (see chapter 9 and the subsection on external coercion below) and their specific position as 'crisis countries' during the European sovereign debt crisis.

Second, based on interviews with fiscal policy actors, the chapter subsequently attempted to move beyond correlational evidence towards the identification of causal chains between economic interests and fiscal framework reforms (section 6.3). To do so, it was focusing on the role of interest groups such as employer and employees associations (see Baccaro and Pontusson 2022). Interviewees across the six studied country cases, however, viewed the influence of interest groups towards public deficits/debt as well as national sets of fiscal rules and institutions as fairly limited. Many fiscal policy actors stated that the macroeconomic expertise of interest groups had diminished over the course of the last decades, making them less legitimate in fiscal policy debates. In addition, the abstract and technical nature of macroeconomic policy-making and fiscal

frameworks makes such issues less of a priority for interest groups in comparison to more sectoral fiscal policy asks. Finally, the aggregation of diverse demands from sectoral member organisations makes it also quite difficult for peak interest group associations to formulate coherent fiscal policy stances. To avoid internal disputes, peak associations subsequently promote various sector-specific policy positions rather than formulate potentially conflictual macroeconomic policy positions.

All of this might contribute to the fact that process-tracing evidence finding a causal link between economic interests and national fiscal frameworks remained scarce. Interviewees in both France and Slovakia considered domestic interest groups to play a marginal role regarding macroeconomic policy-making, making it difficult to explain why the national sets of fiscal rules and institutions between these two countries differ so starkly in terms of stringency. The more prominent role of interest groups in Austria and Germany might have contributed to the fact that fiscal frameworks in these two eurozone member states are comparatively stringent, but also here, fiscal policy-makers did not see any decisive role for interest groups in fiscal framework reform outcomes.

As discussed in the conclusion of the chapter on economic models and interest groups (section 6.4), this brings us to the question why we should see quite consistent correlational patterns between macroeconomic data on economic/growth models and the variation in national fiscal frameworks in the absence of clear causal links. The tentative explanation I provided argues that both variables might be driven by a third common variable, which I suspect to be country-specific macroeconomic idea-sets.

Public opinion

The chapter on public opinion (chapter 7) looked at various available opinion poll and survey data – most notably data from the Eurobarometer – and drew on interviews with fiscal policy-actors to ascertain whether public opinion had a significant influence on national fiscal framework reforms. The analysis found that patterns of public preferences do not fit well with the outcomes of national fiscal framework reforms.

First, the chapter found that there was little meaningful variation in public preferences on public debt and fiscal institutions across time and countries and subsequently couldn't identify any strong links between public opinion and the variation in the stringency, design and timing of national fiscal frameworks (section 7.2). While there were differences in views between the citizens of the six country cases on relevant Eurobarometer items, these did not correspond well with the reform trajectories of national fiscal rules and institutions. More critical views towards public deficits and debt among national citizens were not necessarily correlated with more stringent domestic fiscal frameworks.

Second, the public opinion chapter discussed recent research on public attitudes towards public finances (section 7.3). This literature analysis highlighted that citizens do view public debt as considerably less important than other fiscal policy issues, such as taxation and welfare state

spending, also finding that views on public debt vary little across eurozone member states when asking multi-dimensional trade-off questions between taxing, spending and public debt (see Bremer and Bürgisser 2018). If political decision-makers decide on policies according to the priorities of citizens, all of this suggests that public attitudes on public debt and fiscal institutions should not play a particularly important role in national fiscal framework reforms. This finding was corroborated in interviews with fiscal policy actors (section 7.4). Interviewees did not hold clear but rather contradictory views on public opinion regarding fiscal policy-making and institutions. Some fiscal policy actors viewed citizens as pushing for fiscal consolidation and constraining fiscal frameworks, while others considered the opposite to be the case. In the end, many interviewees agreed that the public actually needed to be educated on public finance issues. Politicians, thus, seem to attempt fabricating public preferences according to the fiscal policy preferences of politicians rather than following the preferences of citizens themselves.

Financial markets

The chapter on the influence of financial markets on fiscal framework reforms (chapter 8) focused on two elements that are particularly relevant in the context of public debt: (1) sovereign bond ratings and their changes through the rating actions of rating agencies and (2) sovereign bond yields and spreads and their evolution over time. While bond ratings and interest rates are supposed to be clearly related to one another, their relationship is not as straightforward and mechanical as often assumed, making it useful to evaluate both potential influence factors individually (see section 8.3). Taken together, the analysis found that changes in bond spreads influenced the timing (but not the stringency nor design) of a number of national fiscal framework reforms.

Regarding ratings, the analysis did not find any consistent link between ratings/ratings actions and national fiscal rules and institutions. First, the rating methodologies for public debt issuers developed by rating agencies only give a minuscule role to fiscal frameworks in their evaluation of a country's credit risk (section 8.2). This implies that the stringency and design of a national fiscal framework is very unlikely to translate into a better or worse rating by a rating agency. It also means that there is no incentive for fiscal policy-makers to strengthen the domestic fiscal framework in the attempt to improve their country's bond rating. Second, cross-case and within-case evidence could not find any consistent link between ratings actions and national fiscal frameworks. The assessment of temporal sequences between the evolution of national bond ratings and fiscal framework reforms among the six studied country cases (section 8.3) could not identify bond ratings and their changes as a relevant influence factor for the stringency of national fiscal frameworks. Interview and media evidence only identified a single reform attempt across all cases (the partially failed introduction of the Austrian debt brake in late 2011) to be, to a considerable extent, driven by bond ratings.

Regarding the influence of bond interest rates, the empirical analysis has yielded quite comprehensive evidence that especially changes in bond spreads between different eurozone member states have played an important role in several fiscal framework reforms (section 8.3). This

includes both comparative and process-tracing evidence from the studied country cases. Particularly during the European sovereign debt crisis, when bond interest yields and spreads rose sharply over the course of 2011, several national fiscal framework reforms took place. This happened, in many instances, ahead of the agreement on the Fiscal Compact in March 2012 with its fiscal rule requirements for the national level.

Interview evidence highlighted that fiscal policy-makers were particularly concerned about rising bond spreads (section 8.4), most notably towards the 'market leader' Germany and the 'lead group' which also included the Netherlands and Finland. In this situation, the introduction or strengthening of national fiscal frameworks was viewed by political decision-makers, for example in Austria and Slovakia, mainly as a signalling device towards financial markets, demonstrating the seriousness of national fiscal consolidation efforts.
In contrast, fiscal policy-makers in France were considerably less concerned about increasing bond spreads, focusing on the evolution of bond yields during the crisis. Given stable or even lowering yields, they did not see any major reason for concern. Looking at the relationship between changes in bond yields/spreads and the stringency of national fiscal frameworks, the analysis did not find that countries whose bond interest rates deteriorated the most did introduce the most discretion-constraining fiscal frameworks. This suggests that the influence of financial markets on national fiscal rules and institutions exerted itself mainly in affecting the timing of a limited number of fiscal framework reforms.

External coercion

The chapter on external coercive actors (chapter 9) centred on the role of powerful supra-/international organisations such as the IMF and the European Commission in determining the trajectories of national fiscal frameworks among eurozone member states. IMF Article IV Reports, Council Opinions and County-Specific Recommendations, Letters of intent from crisis countries towards the EU, the IMF and the ECB, as well as interviews constituted the key empirical materials for this analysis. Overall, the empirical materials found limited evidence for external coercion, partly influencing the design of national fiscal frameworks and leading to a certain levelling of stringency among crisis countries.

First, the analysis of Article IV Reports (and EU documents) found little evidence that external coercion through country surveillance was a powerful means to impose fiscal framework reforms on Eurozone member states (section 9.2). The IMF, whose recommendations and exchanges with national authorities are the most comprehensive ones publicly available, has argued – across countries – for a very similar set of fiscal rules and institutions for two decades. It can thus hardly account for the variation we find in actual fiscal framework stringency and design, and when fiscal framework reforms were undertaken. The analysis found some differences in the communicated responses to the IMF by national authorities, with less powerful countries tending to agree more with the IMF's view, but this did not translate into any significant differences in policy action.

Second, even for situations of high power differentials, as exemplified by Ireland and Portugal during the European public debt crisis, the empirical findings do not suggest that external coercive actions through conditionality can explain reform outcomes in terms of national fiscal framework stringency (section 9.3). Rather, the analysis of letters of intent as well as interviews showed that the IMF and European institutions managed to influence the design of national fiscal councils in line with their 'best practice' recommendations. In addition, external coercive actions might have led to a levelling of fiscal framework stringency in Ireland and Portugal along the lines of the European fiscal framework in comparison to what might would have happened without being exposed to such strong power differentials.

Third, beyond the role of external coercion on fiscal framework stringency, design and timing, interviews with political decision-makers highlighted the complex relationship between Eurozone member states and powerful supra-/international organisations, which plays out in specific patterns of fiscal policy reforms and fiscal rule (non-)compliance (section 9.4). National policy-makers often make use of international institutions as external support for their own policy plans and can use fiscal rule compliance as a means to avoid external pressure regarding other fiscal policy issues. Interviewees, nevertheless, stressed that power differentials based on country size and a country's relative position in the EU would make it easier for large member states to resist such coercive pressures.

13.1.3) Joint analysis of the various theoretical approaches

Combining the empirical findings from the cross-case and within-case analyses together, Table 13.3 evaluates and summarises the extent of influence of the various tested theoretical approaches on the stringency, design and timing of national fiscal framework reforms across eurozone member states. It also provides an assessment of the overall influence of individual explanations on fiscal framework variation. The table highlights that different explanations fare well or poorly on particular elements of fiscal frameworks. It also makes a distinction between the crisis countries Ireland and Portugal and the non-crisis countries Slovakia, Austria, France and Germany.

Table 13.3 – Explanatory power of the tested theoretical approaches on the stringency, design and timing of national fiscal framework reforms

	Influence on stringency	Influence on design	Influence on timing	Overall influence
Macroeconomic idea-sets	Strong (SK, AT, FR, DE) Medium (IE, PT)	Strong (SK, AT, FR, DE) Medium (IE, PT)	Medium	Strong
External coercion	Medium (IE, PT) Low (SK, AT, FR, DE)	Medium (IE, PT) Low (SK, AT, FR, DE)	Strong (IE, PT) Low (SK, AT, FR, DE)	Medium
Financial markets	Low	Low	Strong	Medium
Economic models and interest groups	Low	Low	Low	Low
Public opinion	Low	Low	Low	Low

Sources: Own analysis

All in all, the empirical evidence has suggested that the ideational approach based on macroeconomic idea-sets is best-suited in explaining overall fiscal framework variation. Ideas had a strong impact on fiscal framework stringency and design, especially among the studied non-crisis

countries Slovakia, Austria, France and Germany. In moments of strong power asymmetries between member states and/or international organisations, as experienced by Ireland and Portugal during the European sovereign debt crisis, it was, however, not only domestic ideas but also external coercive actions which had an impact on fiscal framework stringency and design. While it is difficult to assess which national sets of fiscal rules and institutions would have been implemented without the specific crisis situations in both countries, external coercive actions most likely had a 'levelling effect' on fiscal framework stringency in Ireland and Portugal. In the absence of external coercion, a more lenient national fiscal framework might have developed in Portugal. In addition, external coercion influenced also certain design elements of fiscal rules and institutions in both crisis countries, most notably the design of their national fiscal councils.

Regarding the timing of national fiscal framework reforms, both the financial markets argument (for non-crisis countries) and the external coercion argument (for crisis countries) have been able to explain very well the numerous reforms that have taken place during the European sovereign debt crisis. Especially the influence of financial markets could be linked very clearly in a causal manner to domestic fiscal framework reforms in crisis situations. Outside of such periods of crisis, the ideational approach has also allowed to better understand when specific reform efforts were undertaken.

Beyond this, the empirical analysis did not find any significant influence of financial markets, economic interests or public opinion on fiscal framework variation. This highlights the explanatory power of the ideational approach proposed in this dissertation, which can be supplemented by external rather than domestic influence factors, especially during times of economic and budgetary crisis.

In general, the (in-)existence of empirical evidence for individual explanations has been quite coherent across within-case and cross-case analyses. One exemption in this regard has been the theoretical explanation based on economic interests, for which I found consistent correlations between economic/growth models and fiscal framework stringency. This finding could, however, not be corroborated in the process tracing of fiscal framework reform episodes among the three in-depth country case studies. In a tentative fashion, I argue that fiscal framework variation and the variation in economic/growth models might be driven by the same underlying factor, which I suggest to be the dominant macroeconomic idea-sets held by domestic fiscal policy actors. Further research would be helpful to corroborate this very preliminary argument.

13.2) Addressing the theoretical and methodological puzzles

Next to the main empirical puzzle animating this dissertation, the literature chapter also identified a theoretical (section 2.5.1) and a methodological puzzle (section 2.5.2). First, the public choice literature has provided several theoretical rationales for the introduction of national fiscal frameworks. Public choice assumptions of the behaviour of political decision-makers, however,

preclude that they would ever introduce such sets of fiscal rules and institutions to constrain themselves.

To bridge this gap between theory and empirics, I proposed several plausible explanations for the introduction and strengthening of national fiscal frameworks across eurozone member states in this dissertation's theory chapter. This included theoretical approaches focusing both on domestic (macroeconomic idea-sets, economic models and interest groups, public opinion) and external factors (financial markets, external coercion). The empirical analysis has highlighted that fiscal framework reforms can be the result of both domestic and external factors, and that they touch different dimensions of fiscal framework variation between countries. While the timing (and to a more limited extent also the stringency and design) of fiscal framework reforms is often driven by external actors and conditions, the stringency and design of national sets of fiscal rules and institutions is influenced strongly by dominant macroeconomic idea-sets. These idea-sets play a crucial role in translating the institutional solutions based on internationally-developed public choice thinking into national institutional frameworks.

Second, this dissertation has also identified a methodological puzzle, which is linked to the quantitative empirical literature studying the effect of fiscal frameworks on fiscal policy-making and the methods it employs. An overview of the existing scholarship and an analysis of fiscal framework indicators (chapters 2 and Annex B) showed that there are majors concerns about endogeneity (meaning that fiscal framework stringency and budgetary results could be caused by a third variable), omitted variable bias and shortcomings in utilised indices. To address these series problems to discern robust causal relationships in the analysis of national fiscal frameworks, I took several steps. Based on my critique of existing fiscal framework indices, I proposed a more integrative approach to measure their stringency, elaborated in chapter 5 which analysed the national sets of fiscal rules and institutions in six country cases. Research using fiscal frameworks as an (in)dependent variable should consider moving towards the approach laid out in this dissertation to improve the validity of their results.

Using a more qualitative approach, this research project also attempted to identify causal relationships between fiscal frameworks and other variables through in-depth process tracing. While focusing on fiscal frameworks as a dependent variable, this has nevertheless helped to shine light on how fiscal framework reforms come about and how they relate to broader changes in fiscal policy-making. An overall evaluation of the co-evolution of fiscal framework reforms and fiscal policy reforms suggests that dominant macroeconomic ideas and crises creating external pressures might simultaneously affect the stringency of fiscal rules and institution as well as the intensity of fiscal consolidation measures. This would mean that the measured impact of fiscal frameworks on budgetary outcomes could be largely (but not exclusively) endogenous.

14) Conclusion

14.1) Overview

In this concluding chapter, I provide a summary of the key findings of this dissertation, discuss their implications for the academic literature and fiscal policy-making, critically reflect on caveats and potential shortcomings of the empirical results and the methodological approach, suggest how to address them and lay out future avenues for research on fiscal frameworks, fiscal policy-making and macroeconomic ideas.

The following second section provides a short summary of the main findings regarding the three research puzzles (detailed in chapter 13). It also discusses in which respects the empirical results add to the existing literature on fiscal framework variation, especially regarding the role of financial markets, external coercion, and political preferences and ideas.

The third section consists of a reflection on the comparative case study-research design which was developed and used in the framework of this dissertation. It discusses the genesis of the ultimately chosen methodological approach and highlights its usefulness as a substitute for a mixed-methods research design based on quantitative and qualitative analysis when data problems could bias the empirical analysis. The section also stresses more problematic features of the research design, such as the heavy workload it implies, and identifies room for further improvement through the streamlining and clarification of some elements of the overall research design.

The fourth section discusses the implications of the findings for the current reform debate on the European fiscal framework. It provides an overview of the ongoing reflection process, the probable direction of reform and the remaining key points of contention between member states, and between the different levels of government in Europe. A crucial question for the future of fiscal frameworks in the eurozone is, how any reform at the European level, will affect the relationship between the European and national fiscal frameworks.

The final section lays out future avenues for research. It aims to pave the way for a broader research agenda on fiscal frameworks, going beyond the currently predominant public choice and economics literature. This includes, in particular, the complex interplay between fiscal policy-making and fiscal frameworks, and the various ideas and interests influencing their direction and application. It also suggests to further deepen the study of country-specific macroeconomic idea-sets and their relationship with national policy-making, economic and research institutions. A better understanding of the conditions leading to ideational stability or change, and the type of actors influencing policy-making and institution building, can help to predict reform outcomes.

14.2) The main findings of the dissertation

14.2.1) Addressing three research puzzles

This dissertation was motivated by three puzzles. The first and most important one was based on the surprising empirical fact, that national fiscal frameworks in the eurozone strongly vary regarding their stringency, design and timing, while at the same time being exposed to significant convergence pressures. To answer this puzzle, the theory chapter proposed five plausible theoretical explanations for fiscal framework variation, based on macroeconomic idea-sets, economic models and interest groups, public opinion, financial markets and external coercion.

The empirical analysis, drawing on extensive cross-case and within-case analysis and employing comparative and process tracing methods, showed that the proposed ideational approach worked very well to explain especially the stringency and design of national fiscal frameworks. Furthermore, the assessment highlighted that external factors such as financial market pressures and powerful external actors played a complementary role in explaining fiscal framework variation, particularly in terms of reform timing and regarding countries undergoing deep economic and budgetary crises.

This empirical approach also allowed to address a theoretical puzzle posed by the public choice literature, which provides the rationale for fiscal framework implementation while using assumptions about political decision-makers which basically rules out that they would ever introduce constraining fiscal rules and institutions. All five tested theoretical explanations move beyond public choice thinking to understand fiscal framework implementation and variation. In addition, the research design employed in this dissertation served to address a methodological puzzle that bedevils the quantitative empirical literature on national fiscal frameworks. The analysis highlighted endogeneity problems between fiscal frameworks and budgetary outcomes, potential omitted variable bias and serious shortcomings of existing fiscal framework indices.

Without providing a comprehensive answer to all methodological issues, this research project provided suggestions for the improvement of indices through a more integrative approach regarding the various elements that constitute fiscal frameworks. The empirical findings also suggested that fiscal framework stringency and the extent of fiscal consolidations might be driven to a considerable extent by the same underlying influence factors, such as national macroeconomic idea-sets but also through external channels during crises.

14.2.2) Adding to the literature on fiscal framework variation

The literature review in chapter 2 showed that scholarship aiming to explain fiscal framework variation has been very limited so far. Bluth (2016) found that debt service costs were the most convincing explanation for the variation in fiscal framework stringency, while political consensus building helped to understand the timing and design of individual fiscal framework reforms. Doray-Demers (2017) identified fiscal stress (related to prolonged increase in public debt levels) as a key factor in explaining the introduction of national fiscal frameworks. In addition, his analysis

suggested that external coercion by the EU and the IMF led to changes in national fiscal frameworks among Eastern European EU-accession countries. In contrast, Doray-Demers (2017) could not find any effect of financial markets, in the form of bond yields, nor of the economic beliefs of national fiscal policy elites (which he called the 'socialisation mechanism') on national fiscal frameworks.

This dissertation has added significantly to this narrow literature by testing several plausible explanations for the variation in national fiscal framework stringency, design and timing as discussed in the previous section of this conclusion. These findings also question some of the results of the work by Bluth and Doray-Demers or at least qualify their scope.

First, the empirical analysis in this dissertation has highlighted that financial markets, especially through changes in bond interest spreads, had an important influence on the timing of national fiscal framework reforms in several country cases. The case studies on Slovakia and Austria (chapters 10 and 11) have this shown quite forcefully. This finding might be a certain extent complementary to the empirical results of Bluth, who saw growing debt service costs as a main explanatory factor for fiscal framework reforms and their stringency. This leaves the question to which extent changes in bond interest yields/spreads and changes in debt service costs are correlated with each other[24]. Additional research could help to clear up this issue.

Second, while Bluth has highlighted the importance of broad political consensus building to implement wide-ranging fiscal framework reforms, he has difficulties to explain how consensus building processes between potentially polarised political parties can actually take place. Also Doray-Demers only focused on political actors when assessing the role of a potential socialisation mechanism in explaining fiscal framework reforms. In this dissertation I have broadened the scope of relevant actors by looking not only at politicians but also at other key fiscal policy actors. This has helped to gain a better understanding of the presence of dominant national macroeconomic idea-sets which could influence the stringency and design of fiscal framework reforms and how such reforms actually come about.

Third, this dissertation adds to the findings of Doray-Demers regarding the coercive actions of the EU and the IMF, which was limited to an analysis of fiscal framework reforms among Eastern European countries during their EU accession phase. While Doray-Demers's approach to coercion was mainly based on incentives (accept fiscal rules in return for EU membership), the empirical analysis has shown the importance of conditionality (see section 3.3.4 in chapter 3) when countries are in crisis situations such as Ireland and Portugal. The evaluation of the external coercion argument has, however, also shown that the influence of powerful supra- and international

[24] Given that average maturities of public debt are typically between 5 to 10 years and that most public debt is not linked to inflation, it generally takes several years for growing bond interest rates to translate into significantly higher debt service costs. This would mean that these variables cannot be considered as interchangeable. At the same time, growing bond interest yields/spreads are often related to growing public deficits, which directly affect debt service costs due to the supplementary interest payments for additional public debt.

organisations remains limited when they lack the means to manipulate the economic costs and benefits of countries they would like to coerce.

Beyond these three rather concrete points, I discuss additional and more general insights for from this dissertation on fiscal framework variation in the following section 14.5 on avenues for future research.

14.3) Reflection on the used comparative case study-research design

14.3.1) A methodology driven by concerns about validity

The choice for using a comparative case study-research design in this dissertation was based on the idea to maximise the internal and external validity of the findings, by taking advantage of the combination of a more traditional comparative approach with in-depth process tracing to be able to identify and trace causal mechanisms and discriminate between them across cases. Selecting cases according to a diverse case selection strategy was based on the idea to include a sufficient number of country cases to be able to adequately generalise the findings to the population of cases, here, all nineteen eurozone member states (there will be twenty members by January 2023 with Croatia's euro accession).

This research design was informed by mixed-methods approaches that have become increasingly popular in recent years due to their capacity, when set-up well, do achieve the dual objective of internal and external validity. The mixed-methods approaches I was mainly interested in where those that start out with theory-testing quantitative analyses (such as regressions) of different plausible explanations for a population of cases and subsequently use a few in-depth case studies to verify whether correlational evidence can be further corroborated through the identification of causal relationships.

As shown in chapter 2, and further discussed in detail in Annex B, the incapacity of existing indices on fiscal rules and frameworks to adequately measure their stringency, made me change course. Instead of including all eurozone member states in regression analyses and selecting qualitative case studies based on the values of existing indices, I took a more qualitative approach, analysing national fiscal frameworks across eurozone countries with the help of legal reports (most notably the EUI project "Constitutional Change Through Euro Crisis Law: A Multi-level Legal Analysis of Economic and Monetary Union"), the academic literature, and my own analysis of the legal documents setting up European and national fiscal frameworks. It did not seem feasible, in terms of workload, to develop my own index of all 19 eurozone member states. In addition, the more qualitative perspective also made it easier to analyse an ideational explanation, as its coding would have created its own set of very difficult and maybe insurmountable challenges.

As discussed in this dissertation, I took a more integrative approach to evaluate the stringency of national fiscal frameworks then is done by existing indices. This allowed me to identify six cases ranging from very lenient to very stringent national fiscal frameworks, while also aiming at maximising the variation on the independent variables stemming from the different theoretical explanations. The six selected country cases were thus supposed to represent the full extent of variation existing between the 19 eurozone member states. Choosing six rather than two or three cases, which would be more typical for in-depth country cases studies, was done to have more confidence in the generalisability of findings from these six cases for the population of cases.

14.3.2) Shortcomings of the used methodology and lessons for future research

While I consider that the research design for this dissertation served its purpose very well, being able to thoroughly test different theoretical explanations for the variation in national fiscal frameworks, it also came with a few disadvantages. The most notable one was that it implies a very heavy workload due to the number of included cases and tested explanations. While quantitative analyses are generally built for the inclusion of many cases (e.g. drawing on a cross-section time-series analysis approach) and make it easy to integrate many different explanatory and control variables. By including five different theories that I deemed plausible potential influence factors for fiscal framework variation, I attempted to – at least partly – emulate the opportunities provided by quantitative analyses. This helped to have a broad approach for understanding the variation in the stringency, design and timing of national fiscal framework reforms, reducing the risk of overlooking specific explanations that a more inductive approach might have failed to reveal and engage with.

Testing these explanations across six country cases has been a very rewarding but also challenging exercise. With Slovakia and Portugal it included two countries for which I was not fluent in the native language. This also created some challenges for finding interviewees (especially in Portugal, potential interviewees did not seem to feel confident to use English) and limited, to a certain extent, the empirical materials I could use. I handled this by using translation algorithms (DeepL, Google Translator) which have become highly workable in recent years. But while doing interviews and other empirical work on all six country cases, the large workload implied by the research design required me to partly cut back on the overall research design. This explains why this dissertation finally contains comparative analyses of all six country cases (chapters 6 to 9) but only three process-tracing exercises (chapters 10 to 12).

I selected Slovakia, Austria and France, as they are largely representative of the variation found in the six cases I had chosen from the 19 eurozone member states. The findings from the other three country cases, Germany, Ireland and Portugal, nevertheless, informed the overall empirical analysis, e.g. in the comparative chapters but also in the summary of findings provided in chapter 13. In my view, selecting 'representative' cases from the six country cases and the inclusion of additional evidence from the cases not discussed in dedicated process-tracing chapters allowed to minimise

the negative effects this modification of the research design has on the external validity of the findings.

This leaves me with the lessons that can be learned from the comparative case-study research design that I developed and applied in this dissertation. First, I think that the chosen approach can be a powerful tool going beyond 'classic' qualitative case studies when a 'mainstream' mixed-methods approach is rendered questionable due to a lack of quality in existing data or when the compiling of data cannot be done due to a lack of (time) resources. It allows to introduce – to some extent – the inclusion of elements of a quantitative logic into qualitative research, which I consider to be both compatible and complementary (see King et al. 1994). I can thus generally recommend to use and further develop the methodological approach adopted in this dissertation.

Second, substituting the quantitative analysis of a mixed-methods approach with additional qualitative studies allows to improve the generalisability of results but comes at considerable costs in terms of workload. As I see it as tricky to reduce the number of selected cases below 5 or 6 without losing the advantages of such an approach for external validity (and even for internal validity, as additional cases are more demanding on a theory), one option for the realisation of such a research design would be to have several investigators conducting empirical research. This could be especially useful if the investigators could speak different languages and thus broaden the pool of easily accessible country cases.

Third, as visible from the length of chapter 4 and the many different elements included, the methodological approach developed in this dissertation could still be streamlined and further clarified. Especially the extent to which the terminology of causal mechanisms is necessary and to which extent they should be formalised within the research design, is still open for discussion. In the final version of the dissertation, I did not want to overly formalise causal mechanisms from the outset based on theoretical considerations, because that could have been too restrictive for the empirical analysis and might have hampered the capacity of the process-tracing approach to reveal the functioning of elements of causal mechanisms beyond the initial propositions. It might depend on the exact research questions whether a more or less formal approach towards causal mechanisms is warranted. In the case of fiscal framework variation, I considered that the more informal approach was adequate because there has been little empirical research so far which could have been used to inform the definition of highly formalised causal mechanisms ahead of the proper empirical work.

14.4) Implications for the ongoing reform debate on the European fiscal framework

14.4.1) The expected 2023 European fiscal framework reform

This dissertation has been interested in studying the introduction and strengthening of national fiscal frameworks in the eurozone between the 1990s and the mid-2010s, when many reforms were triggered by the strengthening of the European fiscal framework. Since then, policy-makers and public officials had roughly ten years to evaluate their functioning. And while there haven't been any major changes to the European or the national fiscal framework in legal terms during the last years, some – often quite technical – modifications have taken place.

Already shortly after the implementation of the national fiscal framework reforms that took place under the impression of the European sovereign debt crisis, academics began a debate on further reforms of the European fiscal framework (see e.g. Bénassy-Quéré et al. 2018). This process broadened in recent years, when public officials at the Commission evaluated the functioning and effectiveness of the Fiscal Compact and the SGP and has, since the outbreak of the Covid-19 crisis, also reached the political sphere. To allow fiscal policy-making to counter the economic fallout of the pandemic, the fiscal rules were suspended with the activation of the general escape clause. Due to the current energy price shock linked to the 2022 Russian invasion of Ukraine, this suspension will remain in place until the end of 2023, providing a political window of opportunity to reform the European fiscal framework in the meantime. To this end, the European Commission has published reform orientations in November 2022, which have been informed by preliminary discussion with member states and stakeholder consultations. These consultations were undertaken in the framework of an EU economic governance review, which took place in late 2021. A legislative proposal by the Commission is expected by the first quarter of 2023.

The current reform debates circle around a variety of technical, economic and political aspects, such as problems with the implementation of structural deficit rules, macroeconomic counterproductive (and thus practically not applied) rules such as the debt reduction rule, concerns about the (non-)enforcement of fiscal rules and discussion and the inadequacy of the European and national fiscal frameworks in the face of major challenges such as the 'green transition' (and its accompanying public investment needs) and a different geoeconomic and geopolitical context.

While the overall reform thrust seems clear, with a broad majority of actors calling for replacing the structural deficit rules with expenditure ceilings, numerous issues of contention remain. Countries such as Italy are calling for a flexibilisation of the existing framework, which they deem growth- and investment-hostile. Other eurozone member states such as Germany consider the Commission's approach to rule compliance over the course of the last years as overly politicised and lenient towards highly indebted member states. They would like more technocratic and stronger enforcement mechanisms at the European level.

Another point of contention is the role for public investment in a reformed fiscal framework. Many observers consider the existing set of fiscal rules to hamper public investments and subsequently support a 'golden rule', excluding at least green public investment from the fiscal rule requirements (SOURCES).

The outline for a plausible compromise on a reformed European fiscal framework has been proposed in a Spanish-Dutch joint paper in April 2022, which was also considered as a likely reform direction by the European Commission (Interview DG ECFIN). This proposal is informed and inspired by the "recent experience with the governance of the Recovery and Resilience Facility [which] show the potential to create a virtuous circle between national ownership and enforcement" (Spanish-Dutch Joint Paper 2022: 1). The contribution to the reform debate suggests to move away from a single operational fiscal rule for all eurozone member states – which the 0.5% structural deficit rule, but rather have country-specific fiscal targets that are operationalised with multi-annual expenditure ceilings. And indeed, the recent Commission proposal has picked up this approach.

This, to a certain extent, 'renationalisation' of the European fiscal framework is supposed to improve national ownership over fiscal sustainability, as it allows governments to "propose country specific medium-term plans to reinforce fiscal sustainability in a growth-friendly manner, including through investment and ambitious reform commitments, that are credible and verifiable" (ibid.). National rather than European monitoring institutions are supposed to control the compliance of annual budgets with these plans. This flexibilisation of fiscal rules is supposed to be balanced out reinforcing European safeguards in case of serious deviations at the national level, making the enforcement of 'gross policy errors' more automatic and less politicised.

14.4.2) Potential reform consequences for national fiscal frameworks

While potentially constituting a politically legitimate balance between a simultaneous flexibilisation and further tightening of the European fiscal framework's enforcement, a key question that arises is to which extent such a reform would also lead to changes in existing national fiscal frameworks. While some national sets of fiscal rules and institutions are directly linked to the Fiscal Compact and the SGP requirements (e.g. in France or Portugal), others – as shown in this dissertation – are 'homegrown' and typically go beyond the common requirements from the EU level. This applies, for example to the Slovak and German fiscal frameworks, which are also enshrined in their respective constitutions.

While countries such as France, where the dominant macroeconomic idea-set is sceptical of constraining national fiscal rules and in favour of state intervention in the economy, are likely to quickly adapt their national fiscal frameworks to a flexibilisation of national rule requirements stemming from the European level, this might not happen in other countries, where dominant macroeconomic idea-sets are more in favour of stringent numerical rules and a smaller role of the

state in the economy. Due to the relative stability of dominant national macroeconomic idea sets, a reform of the European fiscal framework thus might lead to increasing divergences in the stringency and design of national fiscal frameworks in the eurozone.

This might also be the case because some of the underlying convergence pressures on national fiscal rules and institutions frameworks have changed and are likely to influence the reform of the European fiscal framework. First, the context under which the current reform takes place is markedly different from the reforms that took place during the European sovereign debt crisis. At the time, the SGP reforms and the introduction of the Fiscal Compact were to a considerable extent shaped by neoliberal and ordo-liberal macroeconomic ideas related to the public choice literature. These ideas could impose themselves in the negotiations between member states due to the presence of strong power differentials between Northern and Southern/peripheral eurozone countries in a period when the European Central Bank had not yet begun to take a more active role in managing bond spreads.

In the absence of these power differentials today – at least in their magnitude – the potential compromise on a reformed European fiscal framework will be shaped more equally by the demands of Southern member states than before. Given the current reform options on the table, this implies a flexibilisation of national fiscal frameworks in those countries, where dominant macroeconomic idea-sets are in favour of fiscal expertise rather than fiscal rules and in support of a stronger for the state in the economy.

Second, convergence pressures have also lowered as international organisations such as the IMF and the OECD have, in recent years, increasingly acknowledged the need for higher public investment, viewing stringent fiscal rules as a potential political constraint for such investments. This has empowered countries to call for fiscal framework reforms to make it easier to achieve the green transition, with likely consequences for a flexibilisation of fiscal rules. At the same time, international organisations continue to stress the importance of fiscal sustainability, which creates a rather ambiguous messaging on the possibility to introduce green 'golden rules'.

While a reform of the European fiscal framework might make national fiscal frameworks more compatible with dominant domestic macroeconomic idea-sets, especially among those countries where elements of national fiscal rules and institutions were the result of external coercion, this raises important questions for the coherence of fiscal policy-making and the fiscal policy stance across the eurozone.

A stronger focus on fiscal sustainability and country-specific fiscal consolidation objective should actually flexibilise national fiscal frameworks the most for countries with comparatively low public deficit and debt levels. The additional fiscal space given to member states such as Germany could, when used by them, support fiscal consolidation measures in other countries such as Italy, by creating external demand when internal demand is reduced. But when member states with low public deficit and debt levels continue to follow their stringent 'homegrown' domestic fiscal

frameworks, rather than modifying them in accordance with a reformed European fiscal framework, then one of the overall reform objectives (a better overall fiscal policy stance in the EU) will not be delivered. While domestic fiscal framework reforms alone would not suffice, as governments could still decide to run tighter fiscal policies than demanded by the rule (see Germany's 'Schwarze Null' between the end of the debt crisis and the beginning of the Covid-19 crisis), they would nevertheless be an important prerequisite.

Rapidly changing economic circumstances due to the climate crisis, the Covid-19 crisis, the energy price crisis, and broader geopolitical changes might foster ideational change among countries were dominant macroeconomic idea-sets are in favour of stringent rules, sceptical of the role of economic expertise and against an important role for the state in the economy. But so far, there is no particularly strong evidence for rapid ideational change. We rather see gradual evolutions in some idea elements such as the increasing acknowledgement that more public investment is necessary and that fiscal rules need to be better able to deal with rapidly changing economic situations to remain applicable and legitimate.

14.4.3) How fiscal framework change might take place more generally

Based on the findings of this dissertation we can also go beyond the ongoing reform debate on the European fiscal framework with its concrete ideational, political and economic cleavages and engage in a more general reflection of how fiscal frameworks can be reformed. As the research has shown, the stringency and design of national fiscal frameworks can be well explained by the presence of dominant domestic macroeconomic idea-sets and the policy prescriptions that can be derived from them. This suggests that major changes, especially in the stringency of fiscal rules and institutions, need to be preceded by ideational change.

Ideational change, however, might not necessarily lead to fiscal framework reforms, which can be complicated, especially when fiscal frameworks are based on constitutional law. Instead, when ideational change leads to the dominance of a macroeconomic idea-set that is, for example, more critical of constraining rules than a previous one, fiscal policy-makers might first attempt to find ways to modify highly technical elements of fiscal rule or circumvent existing rules (e.g. through creative accounting) to run fiscal policies more in line with their preferences.

In the reform debate on the German debt brake, for example, Sigl-Glöckner et al. (2021) have made a proposal that would modify the calculation of the cyclical component underlying the debt brake. This would require only a modification of an ordinary law rather than a constitutional amendment but would, nevertheless, completely change the stringency of the German debt brake. Creative accounting (see von Hagen and Wolff 2004) might be another means employed by fiscal policy-makers when ideas on fiscal policy-making, but also the economic and political context change. The creation of special funds (Sondervermögen) to increase defence spending and lower energy prices in Germany is such a form of creative accounting. German fiscal policy-makers make

use of the suspension of the fiscal rules due to the Covid-19 crisis and the 2022 energy price and security crisis as well as the peculiarities of deficit and debt accounting rules (see Boysen-Hogrefe 2022) in the German fiscal framework in comparison to the European fiscal framework to incur up to €300bn of additional debt (€100bn for defence spending, €200bn for energy price support).

If such measures are considered insufficient, major fiscal framework reforms could, nevertheless, be the result of ideational change. As this dissertation has highlighted, the timing of such reforms might depend on the broader economic context, which helps to bring about institutional change. Economic and budgetary crises facilitated fiscal framework reforms by increasing the influence of financial markets and powerful external actors on national decision-making. But as these pressures have pushed towards a higher degree of stringency, the timing of a flexibilisation of fiscal frameworks might look differently and be supported by other factors. So far, most national fiscal framework reforms have pointed into the direction of a further strengthening and broadening of fiscal rules and institutions. A particular focus on reforms making fiscal frameworks more lenient could thus be helpful in better understanding how ideas and other factors will play a role in the upcoming reforms of the European and national fiscal frameworks.

14.5) Avenues for future research

14.5.1) Fiscal framework research beyond public choice and purely quantitative research

In my view, this dissertation has quite forcefully shown the need to advance research on fiscal frameworks beyond the traditional public choice literature justifying the necessity of fiscal rules and institutions, and the mainly quantitative empirical research on the impact of fiscal frameworks.

First, it is important to better understand why fiscal policy-makers actually introduce fiscal frameworks and how they decide on their stringency, design and timing. This dissertation has aimed at advancing our knowledge on these questions by going beyond the caricarturesque view of self-interested and instrumentally-rational politicians and public officials, developing and testing several plausible theoretical approaches. This research added to the narrow existing literature interested in explaining the appearance and variation of national fiscal frameworks, incidentally developed in two other dissertations (Bluth 2016, Doray-Demers 2017, Doray-Demers and Foucault 2017).

While both studies were mainly focused on quantitative analyses – Bluth also included some rather exploratory case studies in his study –, this dissertation went significantly beyond the existing research in its aim to improve our understanding about causal relationships between various explanatory variables and fiscal framework introduction/stringency. It traced not only single fiscal framework reforms in specific countries but rather analysed all fiscal framework reforms from the 1990s to the mid-2010s in six country cases. This has helped to better understand how individual reforms fit into larger reform trajectories and reduced the risk to generalise from potentially

anomalous influence factors or reforms to a broader population of cases. It also makes sense to study the whole genesis of fiscal frameworks to understand how individual reforms fit into the broader set of fiscal rules and institutions, and how they might lock in a specific trajectory, add other trajectories or modify the previous trajectory.

I argue that future research should continue to apply such an integrative view of fiscal frameworks. This more qualitative approach to the study of fiscal frameworks should be complemented by scholarly work to improve the existing data/indices, e.g. on fiscal framework stringency as highlighted in chapter 2 and Annex B of this dissertation. This would allow to apply mixed-methods approaches that could achieve an even higher extent of internal and external validity than the comparative case study-research design developed and employed in this research project managed to provide (see section 14.2 for a reflection on this methodological approach).

Second, it is not only important to study the factors influencing fiscal framework introduction/strengthening but also to gain a deeper understanding of the complex interplay between fiscal frameworks and fiscal policy-making. In this dissertation, I have shown the significant influence of national macroeconomic idea-sets on the stringency and design of national fiscal frameworks. But what about the influence of macroeconomic idea-sets on actual fiscal policy-making? While much of the existing quantitative empirical research has found an effect of implemented fiscal framework on budgetary outcomes, qualitative empirical evidence in this dissertation has been very much in line with research suggesting the endogeneity between fiscal frameworks and budgetary outcomes (Heinemann et al. 2018, Haffert 2016).

While not having been at the centre of the empirical analysis, the process tracing of fiscal framework reforms and actual fiscal policy-making suggests that both variables are likely to both be affected by the same causal factor, which are likely country-specific macroeconomic idea-sets. Significant fiscal consolidation packages have predated or coincided rather than followed the implementation of discretion-constraining fiscal frameworks in several of the studied country cases, such as in Germany and Austria.

While not featuring in the presented country case studies of the dissertation, the 2009 constitutional debt brake reform in Germany was made possible by a large fiscal consolidation reform in 2007, in which – amongst other measures – the country's value-added tax was strongly raised. The subsequent orientation of German fiscal policy-making along the lines of a nominal balanced budget (the 'black zero'-policy) rather than the slightly less restrictive requirements of the debt brake also highlight how a dominant underlying ordo-liberal macroeconomic idea-set among German fiscal policy actors has affected both the stringency and design of the German fiscal framework as well as actual fiscal policy-making. Similarly, in Austria the 'zero deficit' fiscal policy of the early 2000s predated its establishment in the Austrian Stability Pact.

Future research should definitely delve deeper into the relationship between fiscal frameworks and actual fiscal policy-making then this dissertation has been able to do. A key issue scholarly work

has to address in this regard is the fact that actual fiscal policy-making – and its legal establishment in annual budget laws – is more 'contaminated' by short-term changes in economic circumstances and political policy priorities than fiscal frameworks, which are typically designed to cover the medium- to long-term dimension of fiscal policy-making. In this regard, the investigation of major (and relevant minor) fiscal policy reforms and the trajectory of such reforms over time, analogous to the analysis of fiscal framework trajectories in this dissertation, could help to gain a better understanding of the design and rapidity/graduality of fiscal policy reforms. This would help to better evaluate the effect of various influence factors on fiscal policy-making regarding public deficits and debt, allowing to duplicate the testing of various plausible explanations done in this research project.

To be able to evaluate the influence of macroeconomic idea-sets not only on fiscal framework reforms but also on national fiscal policy-making, the ideational approach developed in this dissertation could be further broadened by adding dimensions beyond the role of the state in the economy and the role of rules and expertise in fiscal policy-making. This could entail idea-specific preferences towards (1) specific types of fiscal consolidation (e.g. expenditure-based vs. revenue-based), (2) the tools for fiscal consolidation (e.g. through taxes, social contributions or other means), (3) the size of fiscal consolidation (e.g. large one-off reforms vs. more gradual long-term reforms), or (4) the targeted policy areas for fiscal consolidation (e.g. investment vs. social spending). Being able to identify clear causal patterns between specific dominant macroeconomic idea-sets and changes in national fiscal frameworks as well as fiscal policy-making would help to settle the discussion on the potential endogeneity of both variables more conclusively than existing research and this dissertation have managed to do so far.

Another interesting avenue for research on fiscal frameworks would be to study the longer-term relationship between macroeconomic idea-sets and fiscal frameworks. A key question in this regard would be whether fiscal frameworks are simply a coagulation of ideas at a certain moment of time, which are automatically modified by fiscal policy-makers when the dominant idea-set they hold changes, or whether fiscal frameworks, once implemented, develop an independent effect that can influence the ideas of fiscal policy-makers over time. I think this would make for an interesting investigation as my current research cannot provide a particularly clear *a priori* response to this question.

As this dissertation has mainly highlighted the stability of national macroeconomic idea-sets, which have generally experienced incremental rather than radical changes over time, it is difficult to assess whether fiscal frameworks influence the ideas held by fiscal policy actors. A longer-term perspective might be necessary to adequately assess this issue, but maybe a more dynamic approach to national idea-sets than used in this dissertation might be necessary. In a very tentative fashion, I would suggest that the effect of implemented fiscal frameworks on ideas is rather negligible. Fiscal policy-makers sceptical of fiscal rules and institutions generally find their views substantiated when they have to deal with implemented ones. At the same time, fiscal policy experts, which are strongly in favour of fiscal frameworks typically do not question their usefulness even after they have

experienced difficulties with their application, but rather tend to promote their modification to make them work better, usually by making them more stringent.

Equally fruitful would be further research on the relationship between national macroeconomic idea-sets and economic interests, and their effects on national fiscal framework stringency and design. Chapter 6 of this dissertation found correlational evidence for a link between economic/growth models and fiscal framework stringency but the process tracing of individual fiscal framework reforms did not provide any strong evidence for a causal relationship. Politicians and public officials did not see any major role for actors that are traditionally seen as carriers of economic interests, such as peak organisations of interest groups. The empirical analysis did not, for example, reveal any significant influence of such organisations in the Slovak case, where a highly discretion-constraining set of fiscal rules and institutions was implemented, nor in the French case, where the introduced national fiscal framework is considerably more lenient.

It could be that the procedure in this dissertation to identify economic interests and their carriers was not inclusive enough, but a broader approach would also make it difficult to distinguish between the ideas and/or interests held by fiscal policy actors. My intuition about the nature of the correlational but not causal evidence linking economic interests and fiscal frameworks is the following: Dominant national macroeconomic idea-sets influence, on the one hand, the result of fiscal framework reforms and, on the other hand, also lead – over the long term – to the development of country-specific economic/growth models that depend on fiscal policy-making decisions that are influenced by underlying macroeconomic idea-sets. Further research would be needed to evaluate and corroborate this claim.

14.5.2) Deepen research on national macroeconomic idea-sets and related institutions

One of the most interesting and mind-opening aspects of this dissertation has been to identify dominant national macroeconomic idea-sets and to discover how these ideas are embedded in very country-specific policy-making, production and knowledge regimes. It has been an intellectual pleasure to figure out, which fiscal policy actors and institutions are relevant in the various country cases, how they are related to one another, how fiscal policy elites are educated and how their professional trajectories and networks look like. In this endeavour I have immensely profited from the excellent research by Fourcade (2009) and Campbell and Pedersen (2014).

In line with the work of Campbell and Pedersen (2014), this dissertation has shown how varied the locations of fiscal policy expertise are across eurozone member states. It has highlighted how policy-making, economic and research institutions differ across countries, how they came about, and how this creates country-specific entry points for fiscal policy discussions, negotiations and decisions. While focusing on macroeconomic questions regarding public deficits/debt and the accompanying institutions to deal with overall fiscal policy-making, such analyses could also be done for more specific areas of fiscal policy-making, such as tax or social policies.

To identify relevant actors, two strategies have proved to be useful in this dissertation. The first one was to start from concrete reforms and identify the key actors involved in their genesis. The second one is to 'cast the net' widely, speaking with policy actors from as many different institutions and organisations as possible, using their responses to triangulate the key people and organisations in a specific policy area. Future research should invest in such types of analyses and, in addition, should also aim at identifying the links between the national, the supra-/international and subnational levels and how policy actors move between them.

Specific macroeconomic idea-sets are often strongly intertwined with the structure of national policy-making, economic and research institutions. Without having focused on this topic, the dissertation suggests that the arrival and development of individual idea-sets is often accompanied by the creation of institutions that allow, on the one hand, to formalise and stabilise ideas, and, on the other hand, to legitimise and carry them into the national fiscal policy field. The creation of new institutions can help to bring about comparatively rapid change in dominant national macroeconomic idea-sets, e.g. the establishment of Slovak think tanks promoting neoliberal ideas in the 1990s.

When a country's fiscal policy field is also already populated by many institutions, more gradual change in macroeconomic ideas is more likely as such change tends to take place inside existing institutions. As I argue that institutions have a generally stabilising effect on ideas, this process is rarely radical but rather happens incrementally through internal learning and generational change. Future research could have a deeper look in the conditions leading to ideational stability or change in the fiscal policy field, which likely depends on how easily new ideas can penetrate or circumvent existing institutions in a certain policy area (see Ban 2016).

Finally, an issue that I found interesting for the case of macroeconomic idea-sets but which could also be studied more broadly, is how individual fiscal policy actors adopt the ideas they hold, how their thinking evolves over time and which influence factors make them change the causal and normative beliefs they hold about the world. A key question in this regard is whether socialisation processes in educational, professional or political institutions play a predominant role in the adoption and transmission of macroeconomic idea-sets, which would also explain the relative stability of dominant ideas.

Individuals could, however, also be selected or self-select into certain institutions because they hold similar ideas than the ones predominant in a specific institution, which would give socialisation a less important influence factor. Further research should attempt to better understand how these processes play out in reality and whether there are significant differences across countries, institutional settings and fiscal policy networks. In addition, future research projects should also engage with the question of how changes in broader economic circumstances affect ideational change.

14.6) Concluding remarks

This dissertation has been driven by the objective to better understand (national) fiscal frameworks. The original motive for studying such highly complex and technical sets of fiscal rules and institutions was to understand which role they played in the potential institutionalisation of austerity during the European sovereign debt crisis, informed by academic publications such as Mark Blyth 's (2013) *Austerity: The History of a Dangerous Idea*, and Armin Schäfer and Wolfgang Streeck's (2013) *Politics in the Age of Austerity*.

During the early stages of the research project, I realised that focusing on the term and concept of 'austerity' was hindering rather than helping in my attempt to understand the evolution of national fiscal frameworks in the eurozone since the 1990s. Instead, I opted for a broader approach that does not consider national fiscal frameworks as necessarily constituting tools of austerity, but rather serving a number of different and often ambiguous objectives (see Eisl 2020). This has also to do with the particular set-up of the EMU in which countries with a high degree of fiscal sovereignty share a common currency.

Focusing on the role of dominant national macroeconomic idea-sets allowed me to draw a more complex picture of the domestic influence of internally-developed and promoted (neo-liberal) public choice ideas. While in some policy areas, such as industrial relations, there might have been a quite consistent convergence in neoliberal transformation across countries (see Baccaro and Howell 2017), this dissertation has shown, at least for the case of public deficits and debt, that considerable variation in macroeconomic policy-making and its accompanying institutions remains (see Thelen 2014). As research in comparative political economy often focuses on a single or a limited number of policy areas under investigation, studies on different policy areas tend to provide conflicting accounts about the influence of neoliberal ideas. Future lines of research could attempt to jointly analyse the evolution of several very distinct policy areas, such as macroeconomic policy, industrial policy and labour market policy, and the interplay between these different areas over time.

This dissertation has highlighted that it is too simplistic to consider that it is (national) fiscal frameworks which are responsible for austerity policies, when they often only institutionalise dominant ideas about macroeconomic and fiscal policy-making present in a country's fiscal policy field. At the same time, once implemented, fiscal frameworks have various effects on policy-making, which renders it necessary to understand what is behind their introduction, stringency, design and timing. I hope that this dissertation provides at least a modest contribution in this endeavour.

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Glossary of terms and acronyms

General

AAA	Triple-A rating
CO	Council Opinion
CRA	Credit rating agency
CSR	Country-specific recommendation
DG ECFIN	Directorate-General for Economic and Financial Affairs
EC	European Commission
ECB	European Central Bank
EMU	Economic and Monetary Union (of the European Union)
ESA	European System of Accounting
ESM	European Stability Mechanism
EU	European Union
EU IFIs	Network of European Union Independent Fiscal Institutions
FC	Fiscal Council
GDP	Gross Domestic Product
IMF	International Monetary Fund
MTO	Medium-Term Objective
NGO	Non-governmental organisation
OECD	Organisation for Economic Co-operation and Development
SGP	Stability and Growth Pact
S&P	Standard & Poor's (rating agency)
TSCG	Treaty on Stability, Coordination and Governance
VoC	Varieties of Capitalism

Slovakia

ANO	Alliance of the New Citizen (Aliancia nového občana)
CBR (RRZ)	Council for Budget Responsibility (Rada pre rozpočtovú zodpovednosť)
HZDS	People's Party – Movement for a Democratic Slovakia (Hnutie za demokratické Slovensko)
IFP	Institute for Financial Policy
INEKO	Institute for Economic and Social Reforms
INESS	Institute of Economic and Social Studies
KDH	Christian Democratic Movement (Kresťanskodemokratické hnutie)
L'SNS	People's Party – Our Slovakia (Ľudová strana – Naše Slovensko)
MESA10	Macroeconomic and Social Analysis 10
MOST-HÍD	Bridge (Party) (Občianska strana – polgári párt)
NBS	Slovakian Central Bank (Národná banka Slovenska)
OĽaNO- NOVA	Ordinary People and Independent Personalities – New Majority (Obyčajní Ľudia a nezávislé osobnosti – Nová väčšina)
SaS	Freedom and Solidarity (Sloboda a Solidarita)
SDK	Slovak Democratic Coalition (Slovenská democratická koalícia)

SDL'	Party of the Democratic Left (Strana democratickej l'avice)
SDKU-DS	Slovak Democratic and Christian Union – Democratic Party (Slovenská demokratická a kresťanská únia – Demokratická strana)
SKS	Slovak Conservative Party (Slovenská konzervatívna strana)
Smer-SD	Direction – Social Democracy (Smer – sociálna demokracia)
SMK-MKP	Party of the Hungarian Community (Strana maďarskej komunity – Magyar Közösség Pártja)
SNS	Slovak National Party (Slovenská národná strana)
SOP	Party of Civic Understanding (Strana občanskeho porozumenia)
VPN	Public Against Violence (Verejnosť proti násiliu)

Austria

AK	Chamber of Labour (Arbeiterkammer)
BZÖ	Alliance for the Future of Austria (Bündnis Zukunft Österreich)
FAG	Fiscal equalization law (Finanzausgleichsgesetz)
FPÖ	Freedom Party of Austria (Freiheitliche Partei Österreichs)
IHS	Institute for Advanced Studies (Institut für Höhere Studien)
IV	Federation of Austrian Industries (Industriellenvereinigung)
LiF	Liberal Forum (Liberales Forum)
LKÖ	Chamber of Agriculture (Landwirtschaftskammer)
NEOS	NEOS – The New Austria and Liberal Forum (NEOS – Das Neue Österreich und Liberales Forum)
ÖBB	Austrian Federal Railways (Österreichische Bundesbahnen)
ÖGB	Austrian Trade Union Federation (Österreichischer Gewerkschaftsbund)
OeNB	Austrian Central Bank (Oesterreichische Nationalbank)
ORF	Austrian Broadcasting Corporation (Österreichischer Rundfunk)
ÖStP	Austrian Stability Pact (Österreichischer Stabilitätspakt)
ÖVP	Austrian People's Party (Österreichische Volkspartei)
SPÖ	Social Democratic Party of Austria (Sozialdemokratische Partei Österreichs)
VfGH	Constitutional Court (Verfassungsgerichtshof)

VRV	Estimates and balance of accounts decree (Voranschlags- und Rechnungsabschlussverordnung)
WIFO	Austrian Institute of Economic Research (Österreichisches Institut für Wirtschaftsforschung)
WKO	Austrian Economic Chamber (Wirtschaftskammer Österreich)
WU Wien	Vienna University of Economics and Business (Wirtschaftsuniversität Wien)

France

Bercy	Ministry for the Economy and Finance (based on its location in Paris) (Ministère de l'Économie et des finances)
CEPII	Center for Prospective Studies and International Information (Centre d'Études Prospectives et d'Informations Internationales
CEPREMAP	Center for Economic Research and its Applications (Centre pour la recherche économique et ses applications)
CGT	General Confederation of Labor (Confédération générale du travail)
CFDT	French Democratic Confederation of Labor (Confédération française démocratique du travail)
ENA	National School of Administration (École nationale d'administration)
ENSAE	National School of Statistics and Economic Administration (École nationale de la statistique et de l'administration économique)
HCFP	High Council of Public Finances (Haut Conseil des Finances Publiques)
Insee	National Institute of Statistics and Economic Studies (Institut national de la statistique et des études économiques)
LOLF	Organic law on budget laws (Loi organique relative aux lois de finances)
LOPGFP	Organic law on the programming and governance of public finances (Loi organique relative á la programmation et à la gouvernance des finances publiques)
LREM	The Republic on the move! (La République En Marche !)
MEDEF	Movement of the Enterprises of France (Mouvement des entreprises de France)
MoDem	Democratic Movement (Mouvement démocrate)
OFCE	French Economic Observatory (Observatoire française des conjonctures économiques)
ONDAM	National health insurance expenditure objective (Objectif national des dépenses d'assurance maladie)
PS	Socialist Party (Parti Socialiste)
Rexecode	Research center on economic growth and business development (Centre de recherches pour l'expansion de l'économie et le développement des entreprises)
RN (FN)	National Rally (National Front) (Rassemblement national, Front national)
RPR	Rally for the Republic (Rassemblement pour la République)
UMP	Union for a Popular Movement (Union pour un mouvement populaire)

X	Polytechnic School (École polytechnique)

Germany

BDA	Confederation of German Employers‘ Associations (Bundesvereinigung der Deutschen Arbeitgeberverbände)
B90/Greens	Alliance 90 / The Greens (Bündnis 90 / Die Grünen)
CDU	Christian Democratic Union of Germany (Christlich Demokratische Union Deutschlands)
CSU	Christian Social Union in Bavaria (Christlich-soziale Union in Bayern)
DGB	German Trade Union Confederation (Deutscher Gewerkschaftsbund)
FDP	Free Democratic Party (Freie Demokratische Partei)
IW (Köln)	German Economic Institute Cologne (Institut der deutschen Wirtschaft Köln)
SPD	Social Democratic Party of Germany (Sozialdemokratische Partei Deutschlands)
WASG	Labour and Social Justice – The Electoral Alternative (Arbeit & soziale Gerechtigkeit – Die Wahlalternative)

Ireland

ESRI	The Economic and Social Research Institute
Ibec	Irish Business and Employers Confederation
ICTU	Irish Congress of Trade Unions
IFAC	Irish Fiscal Advisory Council
NERI	Nevin Economic Research Institute

Portugal

CFP	Portuguese Public Finance Council (Conselho das Finanças Públicas)
CGTP	General Confederation of the Portuguese Workers (Confederação Geral dos Trabalhadores Portugueses)
GPEARI	Planning, Evaluation, Strategy and International Relations Office (Gabinete de Planeamento, Estratégia, Avaliação e Relações Internacionais)

Annex A – Legal bases of fiscal frameworks

The following tables contain an overview of the various legal documents and additional materials I have used in this dissertation to operationalise the stringency, design and timing of (national) fiscal frameworks and their reforms.

European fiscal framework

Legal act	Type	Publication date
Treaty on European (Maastricht Treaty)	European treaty	07.02.1992
Council Regulation (EC) No 1466/97 of 7 July 1997 on the strengthening of the surveillance of budgetary positions and the surveillance and coordination of economic policies	Council Regulation	07.07.1997
Council Regulation (EC) No 1467/97 of 7 July 1997 on speeding up and clarifying the implementation of the excessive deficit procedure	Council Regulation	07.07.1997
Council Regulation (EC) No 1055/2005 of 27 June 2005 amending Regulation (EC) No 1466/97 on the strengthening of the surveillance of budgetary positions and the surveillance and coordination of economic policies	Council Regulation	07.07.2005
Council Regulation (EC) No 1056/2005 of 27 June 2005 amending Regulation (EC) No 1467/97 on speeding up and clarifying the implementation of the excessive deficit procedure	Council Regulation	07.07.2005
Council Directive 2011/85/EU of 8 November 2011 on requirements for budgetary frameworks of the Member States	Council Directive	23.11.2011
Regulation (EU) No 1173/2011 of the European Parliament and the Council of 16 November 2011 on the effective enforcement of budgetary surveillance in the euro area	Regulation of the European Parliament and the Council	23.11.2011
Regulation (EU) No 1175/2011 of the European Parliament and the Council of 16 November 2011 amending Council Regulation (EC) No 1466/97 on the strengthening of the surveillance of budgetary positions and the surveillance and coordination of economic policies	Regulation of the European Parliament and the Council	23.11.2011
Council Regulation (EU) No 1177/2011 of 8 November 2011 amending Regulation (EC) No 1467/97 on speeding up and clarifying the implementation of the excessive deficit procedure	Council Regulation	23.11.2011
Treaty on Stability, Coordination and Governance in the Economic and Monetary Union (TSCG)	Intergovernmental treaty	02.03.2012
Regulation (EU) No 472/2013 of the European Parliament and the Council of 21 May 2013 on the strengthening of economic and budgetary surveillance of Member States in the euro area experiencing or threatened with serious difficulties with respect to their financial stability	Regulation of the European Parliament and the Council	27.05.2013
Regulation (EU) No 473/2013 of the European Parliament and the Council of 21 May 2013 on common provisions for monitoring and assessing draft budgetary plans and ensuring the correction of excessive deficit of the Member States in the euro area	Regulation of the European Parliament and the Council	27.05.2013
Additional documents		
Council Regulation (EC) No 479/2009 of 25 May 2009 on the application of the Protocol on the excessive deficit procedure annexed to the Treaty establishing the European Community	Council Regulation	25.05.2009
Council Regulation (EU) No 679/2010 of 26 July 2010 amending Regulation (EC) No 479/2009 as regards the quality of statistical data in the context of the excessive deficit procedure	Council Regulation	26.07.2010
Common principles on national fiscal correction mechanisms	Communication from the European Commission	20.06.2012
Towards Genuine Economic and Monetary Union. Four Presidents' Report	Report	05.12.2012
Regulation (EU) No 549/2013 of the European Parliament and the Council of 21 May 2013 on the European system of national and regional accounts in the European Union	Regulation of the European Parliament and the Council	26.06.2013

Making the best use of flexibility within the existing rules of the stability and growth pact	Communication from the European Commission	13.1.2015
Completing Europe's Economic and Monetary Union. Five Presidents' Report	Report	22.06.2015
Proposal for a council directive laying down provisions for strengthening fiscal responsibility and the medium-term budgetary orientation in the Member States	Proposed council directive	06.12.2017

Slovakia (FRA)

Legal act	Type	Publication date
Constitutional Act no. 493/2011 Coll. of the 8th December 2011 on budgetary responsibility	Constitutional amendment	08.12.2011
Act of 29 November 2013, (§ 30a) amending and supplementing Act No. 523/2004 Coll. on the General Government Budgetary Rules and on amendments to certain other Acts, in the wording of subsequent regulations	Ordinary law amendment	29.11.2013

Austria (Stability Pact)

Legal act	Type	Publication date
101st Agreement between the Federal Government, the Länder and the municipalities on the Coordination of Budgetary Management of the Federal Government, the Länder and the municipalities (Austrian Stability Pact)	State treaty	30.06.1999
39th Agreement between the Federal Government, the Länder and the municipalities on strengthening stability-oriented budget policy (Austrian Stability Pact 2001)	State treaty amendment	28.02.2002
19th Agreement between the Federal Government, the Länder and the municipalities on the continuation of stability-oriented budget policy (Austrian Stability Pact 2005)	State treaty amendment	15.02.2006
1st Federal constitutional law amending the federal constitutional law and the federal budget law	Constitutional amendment	04.01.2008
127th Agreement between the Federal Government, the Länder and the municipalities on the continuation of stability-oriented budget policy (Austrian Stability Pact 2008)	State treaty amendment	07.10.2008
139th Federal Act on the Management of the Federal Budget (Federal Budget Act 2013 - BHG 2013)	Ordinary law	30.12.2009
117th Agreement between the Federal Government, the Länder and the municipalities on the continuation of stability-oriented budget policy (Austrian Stability Pact 2011)	State treaty amendment	12.12.2011
150th Federal Act amending the Federal Budget Act 2013	Ordinary law amendment	29.12.2011
30th Agreement between the Federal Government, the Länder and the municipalities on an Austrian Stability Pact 2012 - ÖStP 2012	State treaty amendment	23.01.2013
79th Decree of the Federal Minister of Finance on the definition and calculation of the structural budget balance, management of the control account and the determination of legal entities pursuant to Section 2 (4) no. 2 BHG 2013 (Debt Brake Decree)	Decree	22.03.2013
149th Federal Act amending the Federal Act on the Establishment of the Public Debt Committee	Ordinary law	31.07.2013
Additional documents		
787th Decree of the Federal Minister of Finance regulating the form and structure of the estimates and accounts of the Länder, the municipalities and municipal associations (Ordinance on the Budget and Accounts Clearance - VRV)	Decree	30.12.1996
35th Agreement between the Federation, the Länder and the municipalities on a consultation mechanism and a future Stability Pact for the territorial authorities	Constitutional amendment	14.01.1999
313th Decree of the Federal Minister of Finance: Decree on estimates and clearance of accounts 2015 - VRV 2015	Decree	19.10.2015

Proposal concerning a Federal Constitution Act amending the Federal Constitution Act and the Federal Constitution Act on Authorisations of the Austrian Association of Municipalities and the Austrian Association of Cities	Proposed constitutional amendment	04.10.2017

France (LOPGFP)

Legal act	Type	Publication date
Draft constitutional law for the modernisation of the institutions of the Fifth Republic.	Constitutional amendment	21.08.2008
Organic Law No. 2012-1403 of 17 December 2012 on public finance programming and governance	Organic law	17.12.2012
Additional documents		
Draft constitutional law on the balance of public finances	Proposed constitutional amendment	11.07.2011

Germany (Debt brake)

Legal act	Type	Publication date
20th Act amending the Basic Law	Constitutional amendment	12.05.1969
21st Act amending the Basic Law (Financial Reform Act)	Constitutional amendment	12.05.1969
Act amending the Basic Law (Article 91c, 91d, 104b, 109, 109a, 115, 143d)	Constitutional amendment	29.07.2009
Act implementing Article 115 of the Basic Law (Article 115 Act - G 115)	Ordinary law	10.08.2009
Decree on the procedure for determining the economic component in accordance with Article 5 of Article 115 of the Act (Article 115 Ordinance - Art115V)	Decree	09.06.2010
Act implementing the Fiscal Treaty at national level	Ordinary law	15.07.2013

Ireland (Fiscal Responsibility Act)

Legal act	Type	Publication date
Ministers and Secretaries (Amendment) Act 2011. Number 10 of 2011	Ordinary law amendment	04.07.2011
Thirtieth Amendment of the Constitution of Ireland	Referendum	31.05.2012
Thirtieth Amendment of the Constitution (Treaty on Stability, Coordination and Governance in the Economic and Monetary Union) Act 2012	Constitutional amendment by referendum	27.06.2012
Fiscal Responsibility Act 2012. Number 39 of 2012	Ordinary law	27.11.2012
Ministers and Secretaries (Amendment) Act 2013. Number 29 of 2013	Ordinary law amendment	23.07.2013
Additional documents		
Fiscal Responsibility (Amendment) Act 2015	Proposed ordinary law amendment	09.06.2015

Portugal (LEO)

Legal act	Type	Publication date
Law no. 91/2001 of the 20th of August. Budget framework law (LEO)	Organic law	20.08.2001
Law no. 22/2011 of the 20th of May. [LEO amendment]	Organic law amendment	20.05.2011
Law no. 54/2011 of the 19th of October [Public finance council)	Organic law?	19.10.2011
Law no. 37/2013 of the 14th of June. [LEO amendment]	Organic law amendment	14.06.2013
Law no. 41/2014 of the 10th of July. [LEO amendment]	Organic law amendment	10.07.2014
Law no. 82-B/2014 of the 31st of December [Budget law]	Ordinary law	31.12.2014
Law no. 151/2015 of the 11th of September. Budget framework law (LEO)	Organic law	11.09.2015

Annex B – Analysis of existing fiscal framework indices

So far, quantitative analyses have dominated the empirical research on fiscal frameworks and their effects on budgetary outcomes, which has been fostered by the growing availability of time-series cross-country data on fiscal frameworks in recent years. The European Commission, the IMF, and to a limited extent also the OECD, provide these data. Especially the fiscal rules database of the European Commission has become central for quantitative analyses of both the influence factors and effects of fiscal frameworks. Its main advantage is its comparatively high degree of detail and the compilation of indices that measure the 'stringency' of both single fiscal rules (the Fiscal Rule Strength Index) and overall national fiscal frameworks (the Standardized Fiscal Rule Index).

Given the importance of the Commission's indices in the empirical literature, this annex sets out to critically examine how they are constructed and whether they are actually capable of adequately measuring the stringency of fiscal rules. The first of the following sections provides a detailed description of the fiscal rules database of the European Commission. It discusses the type of data and their collection procedure as well as the main criteria and components and how they are aggregated.

The second section then analyses the five different criteria making up the Fiscal Rule Strength Index, pointing out two central points of critique: (1) the numerical fiscal rule value is excluded from the measurement of the stringency of a fiscal rule and (2) the effects of interdependence of different elements of fiscal frameworks on their overall stringency are not taken into consideration.

The third section subsequently focuses on the aggregation procedure of the individual fiscal rules into the overall Standardised Fiscal Rule Index. In the discussion, I highlight the consequences of not taking into account the differences in stringency between different types of rules across different levels of government as well as the effect of different aggregation procedures, such as accumulation or absorption, on the actual measure of fiscal rule stringency.

The final section of this annex summarises the identified shortcomings, providing an overview of the types of problems and their impact on the adequate measurement of fiscal rule stringency.

The fiscal rules database of the European Commission

According to the European Commission (2017e), numerical fiscal rules "set numerical targets for budgetary aggregates. More specifically, they pose a permanent constraint on fiscal policy, expressed in terms of a summary indicator of fiscal outcomes, such as the government budget balance, debt, expenditure, or revenue developments." The fiscal governance unit of the DG ECFIN has collected data on these four main types of fiscal rules on all levels of government of EU countries since 1990 through a direct collection from the respective member states. It is based on questionnaires sent to national ministries of finance that began in 2006 and that have been annually updated since 2008, which allows the compilers to create a Fiscal Rule Strength Index

(FRSI) for balanced budget rules, debt rules, expenditure rules and revenue rules. Subsequently they use the information on these rules to construct a Standardised Fiscal Rule Index (SFRI) that summarises the stringency of national fiscal rules in one variable.

The original methodology for measuring fiscal rule stringency has been modified after a review undertaken by DG ECFIN in 2015 and 2016. The European Commission originally made both data following the 'old' and the 'new' methodology available, with data from the 'old' methodology being phased out subsequently (see European Commission 2017a). In the 'old' methodology, the European Commission (2017c) considered five criteria among which are (1) the statutory base of the rule, (2) the room for revising objectives, (3) the existence and nature of mechanisms to monitor compliance and enforcement of the rule, (4) the existence of pre-defined enforcement mechanisms, (5) and the media visibility of the rule.

The 'new' methodology equally takes into account five different criteria: (1) legal base, (2) binding character, (3) monitoring and enforcement bodies, (4) correction mechanisms, and (5) resilience to shocks (European Commission 2017b). Both methodologies are inspired by Deroose et al. (2006). While carrying different names, the first four of the five criteria are largely the same in both methodologies. Only the former fifth criterion 'media visibility' has been completely scrapped and been replaced by a criterion interested in the resilience of specific fiscal rules to "shocks or events outside the control of the government" (European Commission 2017b).

The first criterion, the statutory or legal base of the rule is interested in the legal standing of a fiscal rule, assuming that laws set in a country's constitution are more stringent than if they are based on ordinary laws or are merely set in coalition agreements or a political commitment of one or several governing bodies. The second criterion, the room for setting or revising objectives differentiates between no (except for escape clauses), constrained or complete freedom in setting and revising fiscal objectives. The more circumscribed the revision possibilities are, the more stringent a fiscal rule should thus be.

The third criterion includes some measures of the "nature of the body in charge of rule monitoring and the correction mechanism" and is constructed based on two main elements: the "nature of the body in charge of monitoring respect of the rule", and the "nature of the body in charge of monitoring the correction mechanism in case of deviation from the rule" (European Commission 2017b). The data compilers argue that in both cases, an independent authority should arguably support, in comparison to the control by institutions such as courts of audit, parliaments or governmental bodies, more stringent fiscal rules, particularly when supported by real-time monitoring by the respective monitoring institution. In comparison to the 'old' methodology, the 'new' one also ascribes fiscal rules with more stringency "if there is an independent body providing or endorsing the official macroeconomic and [/] … or budgetary forecasts on which the annual budget is prepared" (European Commission 2017b).

The fourth criterion is interested in the type of correction mechanism in place in case of rule deviations. In terms of stringency, it creates a hierarchy from cases where 'automatic' correction and sanction mechanisms are in place, over cases in which there are "pre-determined rules framing its nature/size and/or timeline" to cases where there are no ex-ante defined actions in case of rule deviation (European Commission 2017b).

The former fifth criterion 'media visibility' (European Commission 2017c) was based on the assumption that closer observation of fiscal rules by the media would make a rule more stringent. It was replaced in the 'new' methodology with a criterion on the "resilience to shocks or events outside the control of the government, which adds up different elements that allow for a certain degree of leeway to ensure compliance with fiscal rules and to account for economic cycles. The European Commission (2017b) assumes that fiscal rules that contain (a) a clearly defined escape clause in line with the SGP, (b) a budgetary margin in relation to a fiscal rule or a safety margin to the MTO enshrined in the fiscal rule, (c) "targets defined in cyclically-adjusted terms" or that "account for the cycle in any way (e.g. targets defined over the cycle) and contain (d) "exclusions from the rule in the form of items that fall outside authorities' control at least in the short term (e.g. interest payments, unemployment benefits)" should make for comparatively more stringent fiscal rules.

Except for the exclusion of media visibility and the inclusion of the criterion of the resilience of a fiscal rule of shocks, most of the changes from the 'old' to the 'new' have been rather subtle. Some of the categories in the different criteria were slightly adapted, some of the stringency assignments were made more difficult to fulfil, for example mere political commitments are not counted as fiscal rules anymore. But overall, it was not a complete overhaul of the methodology and subsequently, derived indices for single fiscal rules or for the stringency of fiscal rules overall in a country did in most cases not change very significantly.

Shortcomings of the components of the Fiscal Rule Strength Index

The former 'media visibility' criterion

The removal of 'media visibility' as a criterion for the stringency of fiscal rules surely constitutes an improvement in the construction of the European Commission's Fiscal Rule Strength Index, as it was the only criterion not to be based on legal or binding documents but rather on 'expert assessments'. It has also been the target of criticism at the expert level: even if an assessment of 'media visibility' through experts, or – let us imagine – the measurement of mentions of a particular fiscal rule in the media is possible, low 'media visibility' might rather be a consequence of a stringent fiscal rule rather than a less stringent one. Similar measures exist for independent fiscal councils (European Commission 2017d), where the criticism seems to be equally valid. The chairman of the German Independent Advisory Board to the Stability Council, Eckhard Janeba, highlighted this in relation to the German fiscal framework/council (Interview Janeba):

> "If you have a fiscal situation like in Germany, then of course you are not cited. Then, the media are not interested if the Advisory Board [of the Stability Council] says, the public finances are in good shape. Media like discrepancies (…), so when rules are violated or when different institutions come to different conclusions. That is like in every talk show: If everyone would say the same, then nobody would watch it."

In his view, "for Germany, the real test is still pending", but seemed rather convinced "that the German mechanism would work" claiming that if the independent advisory board would say that "the rule would be violated, then this would lead to a large-scale media feedback" (Interview Janeba). As an example to underline this assessment, Janeba discussed the interest of the media in 2015, when there were doubts among the independent advisory board about the transparency of the cost calculations of the refugee immigration made by the federal government (Unabhängiger Beirat des Stabilitätsrats 2015). He highlighted that the advisory board did not, in his view, receive sufficient information, which was made public by the board and led the media to, in his words, argue that "[the] government conceals, so to speak, the refugee costs", which was widely reported (Interview Janeba).

Media visibility as a criterion for the measurement of fiscal rule stringency thus seems to have not been a particularly convincing choice, as high media visibility could actually point to less stringent fiscal rules that are contested politically. If rules would be that stringent that policy makers would automatically adhere to their requirements, the interest of the media would be probably the lowest. Hence, the decision to remove it from the applied methodology of the European Commission was a clear step for improvement.

The new 'resilience to shocks' criterion

The replacement of this fifth criterion with a criterion interested in the 'resilience' of a fiscal rule to (economic) shocks and events outside the control of government, did however not significantly help to better measure the stringency of fiscal rules. It consists of four different indicators, with the first of them taken from the fourth criterion of the 'old' methodology: the existence of 'clearly defined escape clauses' which, in the 'new' methodology also should be in line with the SGP, supposedly augmenting fiscal rule stringency.

This assumption seems to be based on arguments that the credibility of fiscal rules with complete inflexibility would be undermined in times of unusual circumstances (e.g. an unexpected economic shock or a natural disaster), when rule compliance could have harmful consequences on important economic and social variables (see Debrun et al. 2012: 3). As a prominent example, the authors discussed the inflexibility of the Stability and Growth Pact in the early 2000s, when Germany (and also France) did not follow the supranational fiscal rule requirements, which subsequently lead to a European Council decision to basically suspend the enforcement of the SGP, followed by a reform in 2005 (ibid.). Rule exceptions that are 'clearly defined' should also help avoid rules getting watered down through widely interpretable escape clause situations (see Calmfors 2015).

In the German case, the vagueness of the escape clause of the former constitutional balanced budget rule, Art. 115 GG (in force from 1969 to 2009), was one of the main sources identified by political decision makers and experts that supposedly led to an accumulation of public debt over time. The escape clause allowed to deviate from the 'golden rule' in situations of a 'disturbance of the macroeconomic equilibrium'. As Krawietz (2005: 1) has pointed out, neither the term 'disturbance' nor the term 'macroeconomic equilibrium' were further defined in the constitution, but in conjunction with the rest of the German constitution, the latter seemed to point to the so-called 'magical square' in German macroeconomic policy-making: stable price levels, high degree of employment, balanced current account, and steady and appropriate economic growth. Krawietz (2005: 2), however, highlighted that the vagueness of the term 'disturbance' would have given the lawmakers a significant margin of judgment.

While clearly-defined escape clause mechanisms thus help to ensure the 'flexibility' (and maybe 'credibility') of a fiscal rule in the long-term, it is, however, not immediately clear why such a rule should be more stringent (and the data compilers of the European Commission talk about the 'strength' of a rule) in comparison to rules that lack an escape clause. If it is assumed, and in both the theoretical and empirical literature this is the dominant view, that fiscal rules are there to affect and lower public deficit and debt levels, then the existence of escape clauses in many cases actually allows for deviations towards – at least in the short-term – higher deficit and debt levels, which would contradict the typical utilisation of the provided indices to evaluate the effect of more stringent fiscal rules on budgetary outcomes.

The other three indicators of the fifth criterion of the 'new' methodology of the European Commission look for the existence of budgetary (safety) margins to fiscal rules, check whether fiscal rule targets are defined in a cyclically-adjusted or structural sense, and review whether some items of the budget, particularly those prone to cyclical fluctuation such as unemployment benefits, are excluded from a fiscal rule. Also these three indicators are actually more interested in the 'flexibility' and 'credibility' of a fiscal rule, in the sense that compliance with fiscal rules might be more credibly achievable by the government. First, leaving some budgetary space to the rule limits, for example by running a structural balanced budget instead of exactly adhering to an 0.5% structural deficit rule, makes it easier to avoid accidental rule non-compliance. Second, if the fiscal rule is better adapted to the economic cycle, this allows politicians to avoid pro-cyclical behaviour, which is typically viewed as negative for macroeconomic policy-making and could undermine the credibility of a rule.

Concerning the first point, such a behaviour is visible in the German case, where different institutions such as the German Bundesbank (Interview Anonymous) or the independent advisory board of the stability council (Interview Janeba) have called for budgetary margins to ensure rule compliance even when faced with unexpected shocks and events, such as for example the European migrant crisis of 2015. What it effectively means is that a government would run an even more restrictive fiscal policy than obliged by a fiscal rule. It is not clear, however, why this would make a particular fiscal rule more stringent *per se*. A budgetary (safety) margin employed by a

government is not part of the fiscal rule itself, it is part of the fiscal-policy preferences of political decision makers rather than a consequence of a fiscal rule itself.

Regarding the second point: with the reforms of the SGP in 2005 and the Fiscal Compact, the idea of fiscal rules that would take into account the economic cycle became more and more prominent. It was also a consequence of the German non-compliance with the SGP in the early 2000s, where the government argued that the existing rules did not sufficiently take into account the cyclical position of the German economy (Interview Berger). As with the escape clause matter, it is, however, not clear why these elements of fiscal rules or fiscal rule-related fiscal policy-making would *per se* make for comparatively more stringent fiscal rules. One cannot straightforwardly say that a supposedly more anti-cyclical fiscal policy-friendly rule might be more stringent than a supposedly more pro-cyclical one. It is rather a more 'flexible' and arguably a politically more 'credible' one. In addition, it is increasingly questioned in the literature (see e.g. Heimberger and Kapeller 2017), if fiscal rules based on cyclically-adjusted or structural balances do not equally possess a strong pro-cyclical dimension – particularly in 'extraordinary times' – , which would make a distinction questionable in any case.

Shortcomings of the other four criteria of the Fiscal Rule Strength Index

Criterion 1 – Statutory/legal base of a fiscal rule

The overall idea of the first criterion, that the statutory/legal base of a fiscal rule makes a difference for the stringency of a fiscal rule is straightforward. There are higher parliamentary quorums necessary than for ordinary legislation to revise or repeal constitutional rules, and in countries with a constitutional court, the non-compliance of a public budget with constitutional fiscal rules can potentially be challenged. Under the assumption that fiscal rules indeed constitute a real fiscal policy constraint, then a rule that is difficult to be changed and that can potentially be enforced through courts should be very stringent. The criterion on the statutory/legal base has four different categories on an ordinal scale, reaching from constitutional rules, over ordinary law, to coalition agreements/agreements between different levels of government and political commitment by specific government authorities.

There are two main shortcomings in how the Commission operationalises the statutory/legal base of a fiscal rule, which are related to the specificities of national legal systems. This includes, in some countries, the presence of (1) additional legal layers or types of legislation, such so-called organic law and 'intra-state treaties'. In addition, judicial traditions differ between countries, leading to (2) varying practices regarding the use of constitutional law and constitutional courts (or similar institutions) that watch over the constitution.

First, some countries have additional tiers of law-making in their legal systems. France and Spain for example have a supplementary layer between constitutional and ordinary law, which is called organic law. The majority requirements for such types of laws typically lies in between the requirements for passing a constitutional amendment or passing an ordinary law. They entail some

sort of qualified majority requirement or requirements for simple majorities in several chambers before being adopted and are thus also more difficult to change than ordinary laws. Organic laws are generally used to manage institutional and state-related matters and have a binding effect over ordinary law, similar to constitutional law. Unfortunately, the criterion does not consider such types of laws, and for example, for the French case, defines the balanced budget rule that translates the Fiscal Compact into French law as ordinary legislation while it actually constitutes organic law.

Another type of legislation which equally does not fit in the categories of the European Commission's criterion can be found in some federal countries. For (fiscal) matters that touch different levels of government, some countries have what one could call 'intra-state treaties', which are not completely unlike international treaties. While typically not called laws but rather agreements – see for example the so-called 15a-agreements in Austria –, non-compliance with such treaties can be challenged before the constitutional court. Austrian constitutional scholar Heinz Mayer pointed out, however, that it is – in comparison with constitutional law – more difficult to enforce a decision of the court concerning a 15a-agreement (see Müller 2012). Overall, such intra-state treaties thus reside similarly to organic law in between constitutional and ordinary law, also because the agreement of a number of different governments is needed for the conclusion of such treaties. In the European Commission's index, fiscal rules that are based on organic law or on intra-state treaties are not acknowledged as such and are defined as based on ordinary legislation, which not necessarily describes the 'stringency' of such rules adequately.

Second, the Commission's operationalisation of the 'statutory/legal base' criterion does not take into account differences between different national legal systems and their traditions. The constitution does not play the same role in every European country. Institutions to protect the constitution do not exist everywhere to the same extent and some institutions cannot enforce the compliance of ordinary law with the constitution, as not all EU member states have a constitutional court in the classic sense.

As Claes (2017) discusses for the case of the Netherlands, the country "does not have a strong constitutional culture, and the Constitution does not play an important role in public life. The absence of constitutional review reduces the legal and political authority of the Constitution, which is overshadowed by European and international (human rights) law (mainly ECHR and EU law)". This implies that "during the legislative process and in the public debate, European and international law are more often indicated as guiding and limiting the action of public authorities, rather than the Constitution." Another example would be Finland, where "one of the greatest peculiarities of the Finnish constitutional system is the existence of a pluralist system of constitutional review combining abstract ex ante review by the Constitutional Law Committee of Parliament and ex post review by courts. In this model, the ex-ante constitutional review by the Constitutional Law Committee is primary, whereas judicial review is designed to plug loopholes left in the abstract ex ante review" (Ojanen (2017: 1).

For some countries, such as the Netherlands, it is thus very uncommon to lift some legislation onto the constitutional level, while in other countries, such as Finland, the main constitutional review institution is based in the parliament and thus dependent on political majorities rather than on an independent judicial review. The Fiscal Rule Strength Index of the European Commission, however, does not take into account such peculiarities and would assume, for example, that the Dutch government has implemented a comparatively less 'stringent' fiscal rule than other countries where it is more common to amend the constitution because of lower hurdles or a different constitutional culture.

Criterion 2 – Room for setting or revising of fiscal rule objectives

The second criterion of the Fiscal Rule Strength Index assumes that the room for setting and/or revising rule objectives should have an effect on the stringency of fiscal rules. As for the first criterion there are four categories on an ordinal scale, with a completely fixed fiscal rule target or limit, over some flexibility if either approved by the parliament or the government through some predefined procedure to rules which simply oblige the government to set some target/limit which it can, however, change at any point of time. The line of argument seems logical and I could not identify any specific shortcoming with this criterion.

Criterion 3 – Nature of the body in charge of rule monitoring and the correction mechanism

While being called the fiscal rules database by the European Commission, it actually more aptly considers the stringency of fiscal rules together with accompanying fiscal institutions that monitor rule compliance and are responsible for the handling of the correction mechanism, if one exists. The two main elements that make up the criterion on the 'nature of the body in charge of rule monitoring and the correction mechanism' are interested in the degree of independence of the monitoring institution: on the one hand, of the institution monitoring rule compliance, and, on the other hand, of the institution monitoring the correction mechanism in the case of rule deviations.

For both dimensions, an ordinal scale with four different categories is constructed, with fiscal councils being the most independent and thus, arguably leading to the comparatively most 'stringent' fiscal rules, while monitoring by institutions such as courts of audits, parliaments or governmental bodies, or the absence of a monitoring institution should lead to increasingly less stringent fiscal rules. The criterion receives additional points in the case of 'real-time monitoring of compliance' (e.g. when alert mechanisms exist) and, as mentioned above, if an independent body is "providing or endorsing if there is an independent body providing or endorsing the official macroeconomic and [/] … or budgetary forecasts on which the annual budget is prepared" (European Commission 2017b). While mainly stressing the independence dimension of monitoring institutions, much literature supports the idea that the degree of independence should influence the 'stringency' of fiscal rules as attempts to circumvent monitoring attempts or the enforcement of correction mechanisms should become more difficult. This criterion, thus, seems to be well-adapted to measure the 'stringency' of a fiscal rule.

Criterion 4 – Correction mechanisms in case of deviation from the rule

Similarly to the second and third criterion of the European Commission's fiscal rules database, the fourth criterion interested in the type of correction mechanism in place in case of rule deviations is straightforward in the logic of why more automatic and rule-based correction mechanisms should be more 'stringent' then semi-automatic or non-automatic correction mechanisms where corrective measures are not predefined. The criterion, however, is rather rough, given the complexity and legal elaborateness of existing correction mechanisms.

Missing value for the numerical value of the fiscal rule

After having discussed the different criteria entailed in both the 'old' and 'new' methodology of the European Commission's Fiscal Rule Strength Index, I now discuss one of the two, in my view, most important shortcomings of the index: the numerical value of the fiscal rule is not included in the construction of the index. For the 'stringency' of a particular fiscal rule, the index does not make any difference between a deficit limit of, for example, 0% of nominal GDP or of 3% of nominal GDP – or structural GDP for that matter. Subsequently fiscal rules with a stringent enforcement mechanism (entailing the legal base of a rule, the institutions monitoring compliance and the type of correction mechanisms), even if the numerical discretion constraint is comparatively rather 'weak', are thus deemed more 'stringent' than fiscal rules with a very 'stringent' numerical discretion constraint and a comparatively rather 'weak' enforcement mechanism.

While it is debatable which share the numerical value of a fiscal rule has vis-à-vis the enforcement mechanism of a fiscal rule, it does not seem to be justified to consider the numerical value not to matter at all *a priori*. If one deems the numerical fiscal rule value the central benchmark for fiscal policy making, it should indeed be the main predictor of budgetary outcomes. Also, most of the public debates on the introduction and strengthening of fiscal frameworks have been focused on the numerical deficit or debt limit rather than on the more technical elements such as the design of monitoring institutions or correction mechanisms.

Calculation of the Fiscal Rule Strength Index and the interdependence of its different criteria

Next to the exclusion of the numerical fiscal policy discretion constraint, the index for single fiscal rules neither considers the interdependence between the different elements of fiscal frameworks. To calculate the 'stringency' of each individual fiscal rule, "the scores of the five criteria are first standardized to run between 0 and 1" (European Commission 2017b). In the 'new' methodology they are then aggregated using an equal-weighting scheme. The 'old' methodology used a more complex random weights technique for this aggregation process, following the work of Sutherland et al. (2006).

For the creation of each index, some rather arbitrary choices have to be made to decide upon the relative impact of the different components. It is difficult to assess, for example, whether the correction mechanism of a fiscal rule plays a greater role in the 'stringency' of a fiscal rule than the

type of monitoring institution or vice versa. An equal weighting scheme here often seems to be the least 'biased' option in creating an index. Thus, I do not want to criticise this aspect. What is, in my view, however, quite problematic is that it seems unjustified to assume that the different components used to create the Fiscal Rule Strength Index are independent of one another. Only if we assume that each of the five elements included by the European Commission can influence the 'stringency' of a fiscal rule on its own and independent from the other elements, then we get an 'unbiased' index of fiscal rule 'stringency'. What I find, however, more plausible is that the different criteria of the Fiscal Rule Strength Index are interdependent meaning that the score on one of the criteria has an effect on the scores of the other criteria.

To demonstrate the potentially large discrepancies between the fiscal rule 'stringency' ascribed by the European Commission based on the aggregation of the five included criteria and what a more detailed analysis of the numerical fiscal discretion constraint and the interdependence between the different criteria reveals, I subsequently show the substantive differences between two central national fiscal rules for Germany and France: the German 'debt brake' voted in 2009 and the French structural deficit rule (LOPGFP), largely based on the European Fiscal Compact, and voted in late 2012. Due to its illustrative value, I also included this table in section 2.4.1 of chapter 2.

This comparison is just one example of a larger problem of the European Commission's Fiscal Rule Strength Index. I could have taken many different rules more to make my point and highlight the problem of excluding the numerical value of a fiscal rule as well as the important role of interdependence of the numerical fiscal discretion constraint and the five criteria included in the index construction.

Table B.1 – Comparison of the German debt brake and the French implementation of the Fiscal Compact

	DE	**FR**
Type of rule	BBR	BBR
FRSI	**7.93**	**8.47**
Sector	CG	GG
Coverage	17.3%	100%
Time frame (years)	Ann.	Multia.
Statutory base	3	3
Adjustment margin	3	3
Monitoring body	2	3
Adjustment margin	3	3
Monitoring body	2	3
Alert mechanism	0.5	0
Body in charge of establishing the existence of a deviation from the target	1	1.5
Body providing/endorsing macro and/or budgetary forecasts	0	1
Correction mechanism	4	4
Escape clauses	1	1
Budgetary/safety margin	0	0
Targets defined in cyclical adjusted terms	1	1
Exclusions	0	0

Source: European Commission (2017e), Own depiction

Table B.1 shows the main characteristics of both fiscal rules as captured by the fiscal rules database. For the following discussion, it is interesting to note that the French fiscal rule is assigned an overall slightly more 'stringent' value (the higher the index value, the more 'stringent') than the German fiscal rule. I will not discuss all of the elements of both fiscal rules but focus on some particularly crucial ones for showing the discrepancies between the existing index and an arguably more plausible analysis of fiscal rule 'stringency'. The dimensions that I analyse include (1) the stringency of the numerical discretion constraint and its corresponding

time horizon, (2) the defined 'excess' margins for triggering the correction mechanisms, and (3) the 'stringency' of the respective correction mechanisms.

Stringency of numerical discretion constraint and time-horizon

Both rules are categorised as so-called balanced budget rules, thus targeting the deficit dimension of the public budget. Here the German fiscal rule defines a 0.35% of GDP annual structural deficit for the Bund (and a 0.0% structural deficit limit for the Länder), while the French fiscal rule defines an 0.5% of GDP medium-term objective (MTO) target for the general government. In terms of numerical fiscal discretion constraint, the German debt brake thus appears to be slightly more stringent than the French one. The German debt brake, however, does not extend to the municipalities, even if they are indirectly connected to the budgetary outcomes of the Länder.

Particularly interesting, however, is the fact that, while, in the German case, the deficit limit applies to each single year, in the French case, the structural deficit limit is defined as an MTO, specifically demanding the government to propose an at least three-year path towards the MTO. The path can also comprise more than three years. The fiscal rules database itself describes the time-frame of the French fiscal rule as five years. A substantial difference between the German and the French fiscal rule arises out of the ability of the French government to replace the path towards the MTO every year, if it wants to, which means that the achievement of the 0.5% structural deficit can be, in principle, pushed indefinitely further into the future. As long as the government provides a plan towards the achievement of the MTO, it cannot, generally, be challenged, even if it pushes the year of rule compliance into the future. In the German case, the 0.35% structural applies for every single year and cannot be pushed into the future.

These substantial differences are, however, not represented in the Fiscal Rule Strength Index, even if it becomes clear that the German fiscal rule is much more 'stringent' in this regard. The differences in the required time horizon also have a strong knock-on effect on the 'stringency' of the other components of the fiscal rules.

'Excess' margins for triggering the correction mechanism

The German debt brake does not contain any 'excess' margins in the case of a 'minor' non-compliance with its deficit limit. It includes however a so-called control account where 'excessive' deficits can be accumulated up to 1.5 percent of GDP. If the accumulated 'excessive' deficit surpasses this value, the account balance has to be brought back inside the prescribed limits, taking into consideration the economic cycle. The French structural deficit rule follows the approach taken by the European Commission and allows for 'excess' margins of up to an additional 0.5% structural deficit for a single year or for 0.25 structural deficit for two successive years.

Also here, the 'debt brake' is, in principle, more 'stringent' than the French structural deficit rule. The difference is, however, less important than for the yearly applicability of the rules and might only play a role in the longer term, e.g. when Germany would use up its fiscal leeway by completely filling up its control account.

The 'stringency' of the correction mechanism

The possibility to change the budgetary path towards the MTO of 0.5% of structural deficit every year for the French fiscal rule also makes a big difference for the 'stringency' of the correction mechanism, which in any case is 'weaker' in the French case. With the control account and the obligation to repay 'excessive' accumulated deficits, the 'debt brake' has a rather 'stringent' approach to fiscal rule compliance. In France, the correction mechanism equally obliges the government to propose corrective measures in case of non-compliance with the structural deficit limits along the proposed budgetary path towards the MTO. But the budgetary path towards the MTO is not fixed for the following years in a definitive manner. And as it can be changed every year, the likelihood of actual corrective measures seems to be very unlikely. While, on paper, receiving the same score on the 'stringency' of the correction mechanism, the more flexible time-frame strongly influences the degree of fiscal discretion constraint the numerical value of the rule finally imposes.

What I have tried to show here is that we should be careful about the capacity of the European Commission's Fiscal Rule Strength Index to adequately measure the 'stringency' of fiscal rules as proposed by the data compilers. Many of the utilised criteria are interesting and valuable but the lack of the inclusion of some crucial elements such as the actual numerical fiscal discretion constraint as well as a lack of considering interdependencies between the different criteria definitely harms the robustness of the index to measure what it purports to measure.

Shortcomings of the overall Standardised Fiscal Rule Index

To aggregate all fiscal rules active in a given country to a Standardised Fiscal Rule Index that allows to compare the overall 'stringency' of a country's fiscal rule framework, the European Commission aggregates the scores of the fiscal rule strength index in the following fashion: the index scores of each single fiscal rule are "multiplied by the coverage of general government finances by the respective rule, and next, the products obtained thereby are a summed up. If more rules apply to the same general government sub-sector, then the rule with the higher fiscal rules strength index score is assigned weight one, while the second and third weaker rules obtain weights 1/2 and 1/3 respectively. The assigned weights are mainly determined by the fiscal strength of the rule and its coverage. This weighting is adopted to reflect decreasing marginal benefits of multiple rules applying to the same sub-sector of general government" (European Commission 2017b).

Similarly to the decision on how to aggregate the different criteria of the Fiscal Rule Strength Index, it is also difficult to decide how to best aggregate the 'stringency' of individual fiscal rules to the overall 'stringency' of a fiscal rule framework that covers all fiscal rules in force in a given country. This is particularly difficult as different rules target different budgetary aggregates (may it be the budgetary balance, the debt level, expenditures or revenues) and are valid for different levels of government and thus often cover only specific shares of overall public budgets (such as central government, regional government, local government and social security, which would all be a part

of the overall general government). In the following sub-section, I show which shortcomings the European Commission's approach for the Standardised Fiscal Rule Index suffers from and how they affect the measurement of the 'stringency' of an overall fiscal rule framework.

Different stringency of different types of fiscal rules

While actually already constituting a problem for the construction of the index for individual fiscal rules, the missing distinction for the different degrees of 'stringency' between different types of fiscal rules particularly constitutes a problem for the overall index aggregation. For both indices the 'stringency' of a fiscal rule is seen as equal between a deficit rule, a debt rule, an expenditure rule or a revenue rule. According to the aggregation procedure the fiscal discretion constraint exercised by each of these different types of fiscal rules should be the same.

I challenge this to be the case, however, both in theoretical and practical terms. Deficit rules should, in comparison be the most fiscal discretion-constraining ones. This is due to the fact that they touch both the expenditure and revenue side of the budget and that their constraint typically applies every year with each new budget. Both expenditure and revenue rules touch only one side of the budget meaning that, for example, an expenditure rule puts a discretion constraint only on public spending but does not constrain the revenue side. Depending on the set-up of an expenditure rule, fiscal policy-makers could thus reduce taxation and run prolonged deficits even if there are constraints on the expenditure side. Vice versa, revenue rules might reduce fiscal policy discretion, typically ensuring a specific amount of tax revenues but do not necessarily have an effect on expenditures. Expenditures could still rise rapidly and cause budget deficits. Only a complementary set of expenditure and revenue rules would develop a similar fiscal discretion constraint as deficit rules.

In comparison to expenditure rules or revenue rules, debt rules constrain in principle, just as deficit rules, both the expenditure and revenue side of public budgets. They function, however, more indirectly than deficit rules as the fiscal policy discretion constraint is less stringent under 'normal' economic circumstances and might not apply in the same way for each year. While, in practice, much of the fiscal policy discretion constraint depends on the actual fiscal situation in a country, theoretically, deficit rules and debt rules as more encompassing rules should, in my view, be assigned higher scores for their 'stringency', while both expenditure rules and revenue rules should have comparatively lower scores. Of course, here it is debatable, what the respective adequate multiplicators should be, something that I cannot solve here. What I simply want to point out, however, is that we should be careful of assuming that a revenue rule would be as 'stringent' as a deficit rule.

Aggregation of fiscal rules (stringency, coverage, accumulation vs. absorption)

The differences in the 'stringency' of different types of fiscal rules are unfortunately not considered in the aggregation process towards the overall Standardised Fiscal Rule Index of the European Commission. As there are rather substantial differences in the number of fiscal rules per country,

this could lead to an overestimation of the role of comparatively 'weak' fiscal rules for overall 'stringent' fiscal rule frameworks. Even with the aggregation procedure used by the European Commission, where each additional fiscal rule is given decreasing importance, a set of revenue rules at different levels of government would lead to a substantially higher score of fiscal discretion constraint than one deficit rule at the general government level. Also, in federal countries where different levels of government have at least partial budget autonomy, the likelihood of several fiscal rules on different governmental levels seems higher, while in unitary countries a single fiscal rule on the general government level might fulfil exactly the same role. The 'stringency' of the overall fiscal rule framework could thus potentially be overstated in federal countries in comparison to more unitarian ones, a direct consequence of an accumulative approach for index aggregation.

During a meeting of European Union officials with national representatives of independent fiscal councils in February 2018 at DG ECFIN, the aggregation procedure of the Standardised Fiscal Rule Index, as well as the concrete index values for different countries more broadly, was heavily criticised by several country officials. According to François Monier, the then Rapporteur général of the French Haut Conseil des finances publiques (HCFP), the ranking of the fiscal framework 'stringency' was contested as being too dependent on the number of fiscal rules (Interview Monier). Representatives of the Austrian and Spanish fiscal councils apparently questioned the high 'stringency' values for Spain and France and the low 'stringency' value for Austria, with the latter mainly being a consequence of the acknowledged existence of only two fiscal rules in comparison to a significantly higher number of rules in Spain and France. The sceptics contrasted the measures fiscal framework 'stringency' with the actual budgetary outcomes for these countries, where Austria fared significantly 'better' in terms of lower public deficits.

There would be some different options from the European Commission's method to aggregate the single fiscal rule 'stringency' scores of its database. We could, for example, postulate that each fiscal rule has its own discretion-constraining effect on fiscal policy-making and that there would not be a 'stringency'-decreasing effect on each additional fiscal rule, as policy makers arguably have to comply with every single one of them (strict accumulation rule). We could however equally plausibly argue that the most 'stringent' fiscal rule absorbs all 'weaker' fiscal rules as they are encompassed in the more 'stringent' one.

Table B.2 – Types of aggregation rules for the construction of an overall fiscal rules index

Accumulation rules
- Every additional fiscal rule is counted fully as it provides a proper discretion constraint on fiscal policy making - Every additional fiscal rule is counted with a diminishing multiplicator, as the marginal benefit of each additional rule decreases (as applied by the European Commission)
Absorption rules
- Types of fiscal rules in the same sub-sector of government, that are entailed in another type of fiscal rule are absorbed by the latter - Types of fiscal rules on lower levels of government, that are entailed in another type of fiscal rule on the general government level are absorbed by the latter - More encompassing fiscal rules absorb equally or less encompassing fiscal rules in same sub-sector of government - Fiscal rules on the general government level absorb fiscal rules on a lower government level
Mixed rules
- We can think of many different combinations of accumulation and absorption rules, inside and across different rule categories and governmental levels

Source: Own description

Or we could argue that the most 'stringent' rule of each type, or the one that covers the most general level of government absorbs all other lower-level (sub-national) fiscal rules of each type (different absorption rules). Of course, we can also think of many different combinations of accumulation and absorption rules, that might better describe the fiscal policy discretion constraint of a fiscal framework. Table B.2 sums up some of the alternative aggregation procedures that might be better corresponding to how fiscal policy discretion constraint through a set of different fiscal rules works. It considers the type of rules as well as the coverage of rules.

Summary of the shortcomings of existing fiscal framework indices

The sections above have highlighted a substantial number of shortcomings and problems of the current fiscal rule 'stringency' indices of the European Commission. Table B.3 summarises the main points made to help evaluate their impact on the 'adequate' measurement of fiscal rule 'stringency'. The table also ranks the shortcomings in terms of their importance for measuring fiscal framework 'stringency'.

Table B.3 – Type and importance of shortcomings in the measurement of fiscal rule stringency in the Commission methodology

Importance	Shortcomings
Major	Problematic elements of indices - No value/score of the numerical fiscal policy discretion constraint - No consideration of interdependence of different criteria
Medium	Problematic elements of indices - Different 'stringency' of different types of fiscal rules not considered Media visibility' criterion (only in 'old' methodology) - Higher scores actually a sign for non-compliance 'Resilience to shocks' criterion - Escape clauses do not make a rule more 'stringent' - Cyclically-adjusted rule limits/targets do not make a rule more 'stringent' - Exclusions of cyclically sensitive budgetary items do not make a rule more 'stringent'
Minor	Problematic elements of indices - Aggregation procedure pragmatic but not necessarily the most 'adequate' one Statutory/legal base of fiscal rule - Organic law and intra-state treaties are not considered - Selective choice of included coalition agreements (only in 'old' methodology) 'Resilience to shocks' criterion - Budgetary margin not part of the fiscal rule 'stringency' itself

Source: Own description

Of course, it is always easier to critique existing indices than come up with one's own index/measurement of fiscal rule stringency. I acknowledge the massive amount of work that went into recording every single fiscal rule in place in European Union member states since 1990, especially given the work that went into fleshing out rather detailed criteria for each of them. Nevertheless, the analysis of this section has shown that there are still substantial shortcomings in the way the indices compiled by the Commission measure the stringency of single fiscal rules and the overall stringency of fiscal frameworks among EU member states. This analysis wants to stress that we need to be careful to work with these indices and that many of the empirical quantitative works made so far probably suffer from the fact, that the provided data do not adequately measure the fiscal policy discretion constraint of the included

fiscal rules. The comparison between one of Germany's and France's structural deficit rules has, I think, highlighted this problem rather clearly.

Unfortunately, I neither possessed the time resources nor the language resources to provide my own index of fiscal framework 'stringency' for neither the Eurozone-19 nor the EU-27. Considering additional elements of fiscal rules such as the numerical discretion constraint and the interdependence of different criteria has thus led me to propose a more qualitative approach for this dissertation. This has not been the plan from the beginning, as I had originally envisaged a mixed-methods approach. Working on the available indices, however, made me very sceptical that any robust quantitative analyses could be drawn from such an endeavour, which would further complicate case selections based on quantitative results.

As pointed out in the table, particularly the missing value/score of the numerical fiscal policy discretion constraint and the lack of considering the interdependence of different criteria seems a major problem for the 'adequacy' of fiscal rule indices of the European Commission. Not taking account of these elements can lead to very significant divergences between the 'real' 'stringency' of fiscal rules in comparison to the measurement in the available two indices. Less substantial than these two aspects, a more medium-sized shortcoming affecting the robustness of the index is that the variation of stringency of different types of fiscal rules is not considered. In addition, the 'media visibility' criterion in the 'old' methodology and the 'resilience to shocks' criterion in the 'new' methodology are most likely not adequately capturing the stringency of fiscal rules. The current criterion on 'resilience to shocks' rather measures elements of rule 'flexibility' and/or 'credibility'. Some rather minor shortcomings of the current fiscal rules database are that the aggregation procedure towards the overall fiscal rule index might not be the most 'adequate' one. Additionally, some further adaptations to the 'statutory/legal base of fiscal rule' criterion and the 'resilience to shocks' criterion would help to improve the overall quality of the index. These objections are, however, comparatively minor and most likely do not have a very substantial effect on the robustness of the fiscal rule stringency values (they might play a role for countries that possess a large number of different fiscal rules).

To sum up this annex, there seems to be an overall need of improvement for the indices of the European Commission. While there has been a review and subsequent modification of the methodology applied by the data compilers, these changes have unfortunately remained rather cosmetic in comparison to the impact of some of the discussed shortcomings that have not been addressed. More substantial changes to the methodologies would have probably required to completely rework the already effected data gathering efforts. A detailed analysis of the legal texts in each country would need to replace the questionnaire approach of the fiscal governance unit of DG ECFIN, which would, however, mean a distinctively larger data-gathering effort. For the near future I, thus, do not expect substantial changes to be done on the provided indices. Which means that we need to remain very careful in how to use the existing data for empirical quantitative analyses. A more limited use might be necessary as the indices do not seem particularly apt to measure what they purport to measure: the 'stringency' of national fiscal rule (frameworks).

Annex C – Measuring budgetary outcomes and fiscal rule compliance

In this annex, I discuss the difficulties and uncertainties that exist in forecasting, drafting and executing a budget in real-time and show how strongly ex-ante and ex-post data on budgetary outcomes can differ. The recent focus on potential output, structural balances and deficit limits further exacerbates the problem of adequately measuring budgetary outcomes in real-time. Disputes about the most-apt methodology for the calculation of the structural balance, the correct distinction between structural and one-off measures, a supposed chronic negative bias in real-time output gap estimates, as well as controversies about the potential procyclicality of structural balance measures also highlight the substantial volatility in the calculated estimates. Both data revisions on nominal, and now increasingly on structural, GDP and budget data make ex-post analyses of the effects of fiscal frameworks on budgetary outcomes prone to methodological pitfalls.

This poses problems for two literatures using fiscal frameworks and their stringency as an independent variable: (1) the literature interested in measuring the effect of fiscal frameworks on budgetary outcomes and (2) the literature focused on measuring the compliance of budgetary outcomes with the numerical fiscal rule limits of fiscal frameworks. My main point of critique is that most of the empirical research in these fields uses ex-post data on budgetary outcomes (something that is seldomly acknowledged explicitly, see Reuter 2017 for a rare exception), which, however, often differs substantially from original budget forecasts and plans, as well as from real-time data of budgetary outcomes. This is particularly relevant for structural balance and deficit estimates. Revisions from the initial budgetary forecasts can take place all the way along the budget drafting and execution phase, but once a budget has been executed, politicians can no longer take any influence on it, even if there are still significant data revisions afterwards.

Revisions from ex-ante over real-time to ex-post budgetary outcomes can occur for several reasons. First, errors in the forecasting of projected economic growth, public expenditures and revenues can occur due to economic fluctuations, miscalculations of reform outcomes, (natural) disasters, an over-optimistic/-pessimistic stance, fiscal trickery or creative accounting by politicians and public officials. Here divergences arise mainly between ex-ante and real-time budgetary outcomes and pose comparatively minor problems for the validity of the discussed empirical analyses.

Second, and of greater concern, are revisions of budgetary outcomes particularly linked with structural balances. These revisions can sometimes take place several years after a budget has been executed, depending on the concrete evolution of the economic cycle and on the utilised statistical or econometric method. A substantial mismatch can occur here between the actions undertaken by fiscal policy makers given a certain real-time estimate of structural deficits and the finally estimated structural deficit that would have, in real-time, maybe led to different fiscal policy decisions.

Third, and equally relevant, are data revisions due to changes in the methodologies underlying the calculation of budgetary outcomes, such as the move from the ESA 1995 to the ESA 2010, or more narrow revisions that can be due to the reinterpretation of ambiguous budgetary items. As such changes typically broaden the scope of items included in budgetary analyses, originally rule-compliant fiscal policies might, ex-post, turn into seemingly incompliant ones. Taken together, these points highlight the potential fallacies arising from using ex-post data on budgetary outcomes to measure both the effect of fiscal frameworks on them and on fiscal rule compliance. As for the use of fiscal framework 'stringency' indices, also ex-post data on budgetary outcomes would need to be scrutinised more carefully or replaced by real-time data to avoid fallacies in interpreting potential causal relationships between the two of them.

The following sections focus on the second and third point of the discussion above. Section 2 engages with three key issues related to the structural budget balance concept. It engages with (1) the complications arising from the 'fragility' and 'volatility' of structural budget balance and deficit. This is currently an issue under scrutiny among many fiscal policy makers and experts, particularly since the Fiscal Compact made structural deficit rules the primary discretion constraint in national fiscal policy making among Eurozone member states. The section equally highlights how (2) different methodologies can led to substantially different results in the calculation of structural balances and how (3) the uncertainty of output gap and structural balance estimates leads to substantial ex-post data revisions.

Section 3 then focuses on the pitfalls introduced by ex-post data revisions due to changes in the methodologies of public budget accounting. Fiscal policy-makers make their policy decisions based on real-time data – data that often quickly become obsolete in hindsight – and equally evaluate the likelihood of fiscal rule compliance and potential necessary measures based on these real-time data. It seems thus questionable to use ex-post data rather than real-time data as the empirical results might contradict the actual (compliance) behaviour of political decisions-makers. Section 4 finally provides a short summary of the difficulties and pitfalls to measure the effect of and compliance with fiscal frameworks using budgetary outcomes.

Data revisions linked to the structural balance concept

The 'fragility' and 'volatility' of structural budget balance estimates

For a long period of time, the discussion of forecasted, real-time and final budgetary outcomes has not considered the differences between nominal, cyclically-adjusted and structural measures of budget balance. But particularly since the SGP and the Fiscal Compact have put structural deficit rules at their centre, budget plans are supposed to comply first and foremost with these rules. Also adjustment paths in case of non-compliance are based on improvements in the structural deficit position, the 'structural effort'. This, however, further complicates the already complex forecasting and budget drafting process. While nominal deficit levels can be measured, structural deficit levels are hypothetical measures that cannot be observed and that have to be estimated. The additional

layer of complexity is due to the unobservability of several elements underlying structural deficit estimations.

Concrete budgetary outcomes in nominal terms can be measured in real-time and as final data on a specific year. The final data generally do generally not differ very much from real-time data and are typically available by the end of the following year. Due to the estimation procedures involved in structural deficit calculations, budgetary outcomes in structural terms can, however still change several years after the execution of a budget, and often they do so substantially.

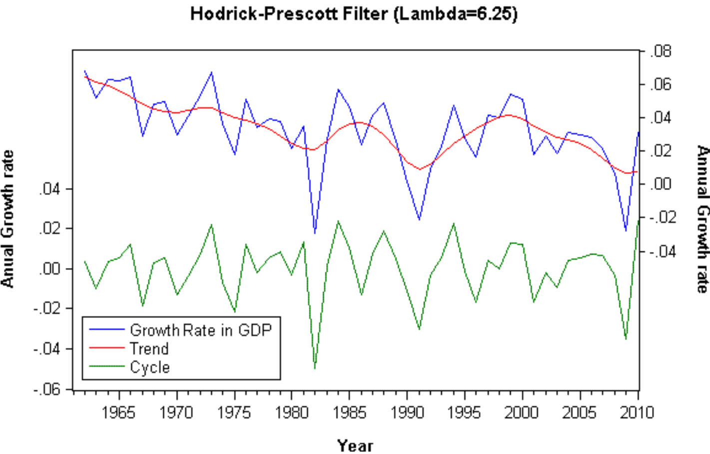
This 'fragility' or 'volatility' of real-time structural budget balance estimates was highlighted frequently by interviewees (e.g. Interview Steger). While a majority of them was, in principle, support of the idea behind structural deficit rules, namely to reduce the pro-cyclical fiscal policy-making potentially fostered by nominal deficit rules, many of the interviewees also highlighted that the often-significant revisions of structural deficit estimates would make a quite unsuitable indicator to serve as the primary benchmark for fiscal policy-making (see also Bénassy-Quéré et al. 2018: 9, Claeys et al. 2016). Additionally, different methodologies for its calculation lead to widely diverging assessments.

Different methodologies for structural balance calculation

Structural deficits are based on estimations of potential or trend GDP (growth) – in contrast to actual GDP (growth) and the resulting output gap between actual and potential GDP. As potential or trend GDP growth cannot be observed, it "can only be derived from either a purely statistical approach or from a full model based econometric analysis" (Havik et al. 2014: 4). One of the most common statistical approaches to measure the output gap and subsequently derive structural balances is the so-called Hodrick-Prescott Filter (HP filter). It is used to separate the underlying trend of a time-series, in this case of GDP growth, from its cyclical component, as shown Figure C.1, produced by Giles (2011).

At the point of its introduction in 2003, the Swiss debt brake, for example was based on a HP filter. The HP Filter has repeatedly been criticised for its boundary value problem, meaning that particularly the end point of a time series had a significant effect on the estimated trend and that trend estimations could be questionable when structural breaks exist in the data (see Deutsche Bundesbank 2017: 39, Bruchez 2003). In the Swiss case, this has been addressed

Figure C.1 – Visualisation of one possible application of the HP Filter



Source: Giles (2011)

by replacing the simple HP Filter with a modified so-called MHP Filter that reduces the endpoint problem through a recursive procedure (see Bruchez 2003: 2, Hausner and Simon 2009: 267), while alternatively the issue can also be partially corrected through forecasts (see Deutsche Bundesbank 2017: 39).

Next to statistical approaches such as the HP filter and its modifications, econometric models have become increasingly influential for calculating potential GDP growth and the output gap, on which cyclical and structural balances are based. As Havik et al. (2014: 4) point out, since 2002, the European Commission and in particular the ECOFIN Council have moved towards a production function methodology, typically applying the so-called Cobb-Douglas Production Function. They highlight the advantages of an econometric approach in comparison with a merely statistical one, as one would gain "the possibility of examining the underlying economic factors which are driving any observed changes in the potential output indicator and consequently the opportunity of establishing a meaningful link between policy reform measures with actual outcomes", equally allowing for the creation of forecasts and scenario building (ibid.: 5).

The usage of the production function methodology in the European case was actually a consequence of the perceived pro-cyclicality of previous methods such as the HP filter, with the aim of reducing "the degree of cyclicality of the trend growth estimates to an absolute minimum in order to avoid the mistakes of the past" (ibid.: 6). As the authors admitted themselves, the issue of pro-cyclicality still remains a major issue for the production function methodology as seen in the dispute of the Spanish government with the European Commission about their calculations of the 'natural unemployment rate' (see Heimberger and Kapeller 2017).

For both statistical and econometric approaches it remains important to be "clear however that conducting either type of analysis requires a number of arbitrary choices, either at the level of parameters (statistical methods) or in the theoretical approach and choice of specifications, data and techniques of estimation (in econometric work)" (Havik et al. 2014: 4). Havik et al. (2014: 4) thus contend that "given the large uncertainty surrounding output gap estimates, due care must be taken in interpreting their size and evolution", something that might not be very compatible with neither the use as limits in numerical fiscal rules nor for using them for an ex-post analysis of compliance of public budgets with such limits.

Additional uncertainty is added by the fact, that different methodologies for the calculation of structural balances and deficits can lead to substantial diverging estimates and forecasts. In its seventh opinion, the German independent advisory board to the stability council highlighted these divergences based on different estimates and forecasts of potential GDP growth and the size of the output gap made by different German and international institutions (see Unabhängiger Beirat des Stabilitätsrats 2017 and Table C.1). While all of the estimations had been made in spring 2017, the differences ranged from 1.4% of GDP in 2016 (between the estimations of the European Commission and the German Bundesbank) up to 2.9% of GDP in 2018 (between the German federal government and the OECD). The relatively similar estimations made by the German federal

government, the European Commission and the 'Joint Diagnosis' are all based on that they all rely on the output gap methodology of the European Commission. Of particular interest here is the fact that even for the previous year (2016), the output gap estimates still differed substantially, which means that also structural deficit estimates differ strongly in parallel.

Table C.1 – Estimations of potential growth and the output gap in 2017 (see Unabhängiger Beirat des Stabilitätsrats (2017: 7)

	2016	2017	2018	2019	2020	2021
German Federal government (Spring Projection, April 2017)						
Potential GDP	1.5	1.7	1.4	1.4	1.4	1.4
Output gap	0.0	-0.2	-0.1	0.0	0.0	0.0
European Commission (May 2017)						
Potential GDP	1.8	1.7	1.5			
Output gap	-0.1	-0.2	-0.1			
Joint diagnosis (April 2017)						
Potential GDP	1.6 (1.5)	1.7 (1.5)	1.6 (1.6)	1.5 (1.6)	1.6 (1.6)	1.7 (1.6)
Output gap	0.3 (0.5)	0.2 (0.5)	0.4 (0.7)	0.3 (0.6)	0.1 (0.3)	-0.3 (0.0)
German Council of Economic Experts (March 2017)						
Potential GDP	1.3	1.0	1.1	1.2	1.2	1.2
Output gap	0.4	0.8	1.3			
German Central Bank (June 2017)						
Potential GDP	1.4	1.4	1.3	1.2		
Output gap	1.3	1.5	2.0	2.3		
IMF (April 2017)						
Potential GDP	1.4	1.4	1.4	1.4	1.3	1.3
Output gap	0.4	0.6	0.7	0.8	0.7	0.7
OECD (June 2017)						
Potential GDP	1.1	1.1	1.1			
Output gap	0.9	1.8	2.8			

Source: Adaptation of a table produced by the independent advisory board of the stability council (2017: 7)
Note: The numbers in brackets include unemployment rate of refugees as structural not as cyclical, as done by the European Commission and thus not counting in the structural balance.

Uncertainty of output gap and structural balance estimates

Bouis et al. (2012: 24) pointed out that the reliability of cyclically-adjusted (and also structural) balances is dependent very much on output gap uncertainty, which also affects the usefulness of using such hypothetical measures for fiscal-policy making in practice. Revisions to structural – as well as nominal – budget balances are common, but output gaps, as the authors highlight, are particularly prone to larger revisions at cyclical turning points. Koske and Pain (2008: 55) noted that "there is evidence for at least some countries that revisions to the gap over time can lead to revisions in the structural balance of 1 per cent of GDP or more."

Bouis et al. (2012: 25) added that not only output gap uncertainty but also asset-price misalignments and contingent government liabilities can have a substantial effect on the uncertainty about cyclically-adjusted balances. In the case of temporary asset price shifts, as for example experienced during the dotcom bubble and housing bubbles, potential growth could be overestimated, and cyclically-adjusted balances can thus be incorrect, leading to "pro-cyclical fiscal action, especially where policy makers cut tax rates or increase spending in response to unexpected revenue

buoyancy" (see Price and Dang 2011: 2). Supporting this stance, Liu et al. 2015: 1, 26) found "that asset price cycles are imperfectly synchronized with the business cycle" and "that the average fiscal impact of asset price cycles in a sample of OECD countries is about 2 percent of GDP pre-crisis [Great Recession] and significantly higher in countries with large asset price movements, reaching at least 4 percentage points of GDP during episodes of large mis-valuation." The authors stressed that this made it crucial to consider asset price developments for estimating structural balances, as their non-inclusion could lead to a pro-cyclical bias that could create a pro-cyclical fiscal policy stance among political decision makers. It also means that significant revisions of the structural balance and deficit estimates could be the consequence, when these misalignments increase or decrease over time.

Heimberger (2014: 143) compared the ex-ante, real-time, and ex-post structural deficit estimates of the European Commission for Austria across prognosis and time. He used the spring and autumn prognoses from 2007 to 2014, looking how they estimated the structural deficit for the years from 2009 to 2015. Even only looking at the differences between the later real-time estimate (in the autumn of the year of interest) and ex-post revisions, he finds significant changes. For example, for the year of 2009 the autumn 2009 and the spring 2010 estimates differ by 0.9 percent of structural deficit. Or for 2012, the autumn 2012 and the autumn 2013 estimates differ by even 1.1 percent of structural deficit. Given these massive revisions, the use of ex-post data on budgetary outcomes (particularly in structural terms) to measure the effect of fiscal frameworks on them seems highly questionable.

Data revisions and the ex-post analysis of rule compliance

Another key issue regarding the measurement of budgetary outcomes and their use in empirical analyses interested in the role of fiscal frameworks and fiscal rule compliance concerns data revisions, which can happen because of changes in the economic situation during the year of budget execution and changes in the methodologies used to define the general government and the items counting towards public deficits and debt.

Regarding the first point, Reuter (2017: 6f) stated in a recent paper that he "can only analyze ex-post and annual compliance with fiscal rules. Thus, it is not possible to infer if governments at the time, thought that they complied with fiscal rules ex-ante and only broke their rules because of unexpected shocks". While he argues to control for such events by including "changes in macroeconomic forecasts" to see whether they "significantly influence the probability of compliance" this nevertheless remains problematic: Under the assumption that such shocks could be both negative and positive (recessions and growth spurts), then over the medium- and long-term, governments would actually comply with a specific rule, while it might have failed to do so for a specific year while in another it had "over-fulfilled" for example a structural deficit limit.

To account for such a situation, some fiscal frameworks actually have so-called 'control accounts' (Kontrollkonten), for example Germany and Austria, which would allow to accumulate a certain

amount of 'excessive deficits' to be balanced over the business cycle. Even if the government would thus overshoot the rule limit in a single year, it would not necessarily mean that it had not complied with the requirements of the limit, as long as the control account would not be overshot as well and as long as the 'excessive' deficit would be compensated for in the following years. Even if fiscal rules typically demand compliance for each year, in practice this is not always the case, as many limits care more about the medium- and long-term compliance with the set fiscal goals.

The second point, data revisions due to changes in methodologies, was also discussed by Reuter (2017: 7). He pointed out that "the observed compliance (…) might differ from the compliance observed in the respective years due to data revisions (which can be quite substantial as shown e.g. in Castro et al. 2013)." Anton Matzinger, the vice-head of the budget department of the Austrian Federal Ministry of Finance, stressed this point in an interview when discussing the (non-)compliance of the Austrian government with the national stability pact (Interview Matzinger and Fleischmann):

> "(…) this has happened to Austria several times in retrospective [for example in 2004]. It is about a reform measure concerning the Austrian Federal Railways [ÖBB], which was coordinated with the European Commission, with Eurostat and that was announced to us as not deficit-relevant back then. On that basis it was carried out, but three years later another administrator has been there and said, 'no, that is actually affecting the deficit', and has filed it like this in one of those time series data revisions. Now we have such a spike there and it seems as if the stability pact has not been complied with, while at the moment of the action, the year, and at the point in time, and that is the decisive point in time, of the report of Statistics Austria, it has of course been complied with."

As Der Standard (2008b) noted, the originally published public deficit of 1.2% in the year of 2004 was revised upwards to 4.4% in September 2008, later even further to 4.8% and 4.9% (see Eurostat 2017). A few months earlier, the editorial team of Der Standard (2008a) criticised that the ex-post increase of the public deficit, now exceeding the requirements of the Maastricht criteria, as well as the European and Austrian stability pacts, were not publicly acknowledged by the then finance minister Wilhelm Molterer of the ÖVP. As the newspaper noted, not only Austria but also other countries such as Belgium, Spain and Italy were touched by the deficit corrections through Eurostat, particularly concerning railway restructurings in the early 2000s.

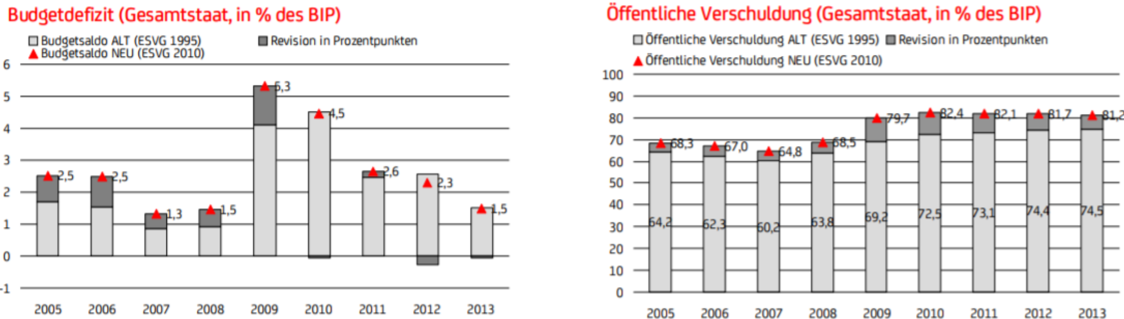
Behind such data revisions has repeatedly been revisions of the European System of Accounts (ESA) and, on a less structural level, also its interpretation. Since 1970, the ESA provides a system of national and regional accounts for better comparison between different countries. It was revised in 1979, 1995 (applied in 1999) and in 2010 (applied in 2014) and is currently used by all member of the European Union, which are obliged to apply this system of accounts. As the Parlamentarischer Budgetdienst (2014: 1) notes, the ESA allows for the production of comparable data which is often the foundation for economic analyses and political decisions. And as it highlights, revisions of the ESA take regularly place to account for changes in general conditions and to provide improved and more detailed data.

The implementation of the ESA 2010 brought some significant changes due to a new treatment of expenditures for research and development, broadening the concept of investment, as well as a

revised separation between the private and the public sector. While the effects of the change from the ESA 1995 to the ESA 2010 differed across countries, for most EU member states it led to increased public deficits and debt levels, especially in hindsight, as the time series were updated backwards, typically back until 1995. Austria, for example, was strongly affected by the change from the ESA 1995 to the ESA 2010, with roughly 1,400 public enterprises, often municipal ones, being reclassified as belonging to the ‘sector state’ (Parlamentarischer Budgetdienst 2014: 3f, Bank Austria 2014: 1). According to the Bank Austria (2014: 2), over the course of the 18 years from 1995 up to 2012, the revisions made by the ESA 2010 increased public deficits in 16 of these 18 years. Only in the years of 2010 and 2012 the changes led to a deficit reduction in comparison with the previous ESA 1995.

Interestingly, it was very difficult to retrieve data on public deficit and debt from both the ESA 1995 and ESA 2010, as the different data compilers have rather systematically replaced the older data with the newer one. Direct comparisons between the observed deficits and debt levels are thus not made very easy. The Bank Austria (2014: 2) provided a comparison of the Austrian case, both in terms of changes to public deficit and debt levels (see Figure C.2). Unfortunately, the left graph does not contain numbers for the deficits according to the ESA 1995, but only according to the ESA 2010. Nonetheless, what is visible from the graph is that upward revisions from 2005 to 2009 seem to have been at least 0.4 percent points of GDP, reaching up to more than 1 percent for 2009. This highlights that ex-post analyses of compliance with fiscal frameworks can be misleading, particularly by overestimating times of non-compliance. As the ESA 2010 enlarged the ‘sector state’, it typically also led to an increase in public deficit and debt. But of course, in some cases it was also possible that the revision with the ESA 2010 actually helped countries ex-post to comply with a fiscal framework that they originally had not.

Figure C.2 – Changes for public deficit and debt levels in Austria due to the replacement of the ESA 1995 with the ESA 2010 in 2014



Sources: Bank Austria (2014: 2)

Summary of the problems to analyse budgetary outcomes and fiscal rule compliance

The two previous subsections have sought to identify and discuss some of the most important difficulties and pitfalls in conducting empirical analyses on the effect of fiscal frameworks on budgetary outcomes or fiscal rule compliance, when drawing on ex-post budget data. Data revisions

linked to ‘fragile’ and ‘volatile’ structural balance estimations and due to changes in accounting methodologies and data interpretation can undermine the validity of budget data. This is particularly a challenge for research that wants to use these data as a dependent variable, as changes in budgetary results and rule compliance might not be due to the suspected influence factors, but rather due to estimation corrections and changes in accounting methodologies. This potential fallacy concerns almost all of the existing empirical quantitative research on the discussed topics. We should thus be sceptical about the robustness of quantitative analyses evaluating the effects of and compliance with fiscal frameworks for budgetary outcomes.

A straightforward solution for this problem would be to draw on real-time data, for example on the assumptions of the annual budget plan, or even based on the executed budget. These data are, however, not that easily accessible. It is also not completely clear, which real-time data would be the most appropriate one. In any case, comparisons between real-time and ex post budgetary outcomes and rule (non-)compliance behaviour would help to discern the effects of fiscal frameworks.

Annex D – Further information on interviews

The role of interviews in a comparative case-study approach

A comparative case-study approach with a strong focus on process-tracing can gain immensely from interrogating those actors that were involved in bringing about or implementing institutional reforms and that subsequently (have to) work with these institutions (Tansey 2007, Richards 1996). They can help us understand how and by who reform processes were initiated, who was included in the discussions, which problems and solutions were on the table, and how the negotiation and decision-making process unfolded, knowledge that is often not accessible through publicly accessible documents (see Lilleker 2003). They can also tell us how adopted reforms are subsequently applied, modified, or ignored, and what consequences this has for actual policy outcomes. And finally, they can also give us insights into their ideas and interests. A central element of the empirical work carried out for this dissertation project thus consists of semi-structured elite and expert interviews (Bernard 2011: 157ff, Hopf 2004) for each of the six country-cases as well as for the supra-/international level.

Selection strategy of potential interviewees

Potential interviewees were selected according to a non-probability sampling logic that included both purposive and snowball/chain-referral sampling, with both positional and reputational criteria playing a guiding role for the choice of eventual interlocutors (Tansey 2007). As the sample of interviewed people is not that much smaller than the population of pertinent interlocutors and as the idea of process-tracing in this context is to follow specific actions and events of involved actors around fiscal framework reforms, it makes sense to deliberately identify these people (Tansey 2007: 768-769). In each of the six cases, as well as at the supra-/international level I started out by identifying the key actors based on purposive sampling that followed positional criteria (Tansey 2007: 771).

First, I looked for individuals that held key positions inside institutions and organisations, that are typically involved in the formulation, implementation and execution of fiscal policy-decisions: political parties, parliaments, governments, finance ministries, central bank and fiscal councils. Additionally, I identified relevant research institutions, think tanks, interest groups, and international organisations, whose roles and influence are, however, more diverse across cases. Second, I then contacted those potential interlocutors and used the interviews I conducted with them to complement this purposive sampling with snowball/chain-referral sampling (Tansey 2007: 770). At the end of the conversation, I asked them, who else they could recommend me to talk to on the issues that were treated during the discussion in terms of influence and competence in the field of fiscal policy-making. This allowed me to include potential interviewees that were not necessarily visible in the public sphere based on their positional characteristics, but rather mattered in reputational terms (see Tansey 2007: 770). In addition, I also selected a few interviewees based on temporal criteria, looking for actors that had held important positions in the fiscal policy sphere

for comparatively long periods of time, to gain better insights into the long-term perspective of fiscal policy-making in the different country cases.

Most of the interviews for this dissertation were conducted with fiscal policy-makers (budgetary speakers of different parties, members of parliamentary budget committees, and/or advisors to the parliamentary factions of parties), public officials (personnel involved in the formulation, implementation, and execution of public budgets), and experts from (semi-)independent institutions specialised in fiscal policy such as fiscal councils, central banks, universities, other research institutions, and think tanks. Additionally, representatives of national employer and employee organizations were interviewed. AT the international level, finally, interviewees came from central institutions such as the IMF, the OECD, the European Commission, as well as rating agencies.

Interview strategy and analysis

To make the most out of the time-intensive labour of organising, holding, and analysing interviews, it is important to find the appropriate interview strategy for each research project. Fiscal policy-making concerning public deficits and debts, and policy-making on fiscal frameworks even more so, is a mainly elite- and expert-driven policy field. In smaller countries, the number of knowledgeable people on technical elements of fiscal frameworks can be very limited, and expertise and decision-making on fiscal policy-making are often highly concentrated inside just a few national institutions (Interview Conefrey IE). Given the comparatively low number of involved actors and their centrality to fiscal policy-making, obtaining interviews thus can be rather difficult and time-consuming, sometimes taking several months from making first contact with a potential interviewee to the actual interview[25]. And as most potential interlocutors are high-level actors with tight schedules and many interview requests at any point of time[26], it is typically not possible to have more than one opportunity to interrogate them. Additionally, time-constraints of interviewees make an efficient use of the interview time necessary.

In this setting I considered a semi-structural interview strategy as best-suited to both allow for control over the interview and retain flexibility to follow new leads and delve deeper into topics that come up during the conversations (Bernard 2011: 157). I also drew on a problem-centred approach for interviewing (see Witzel 2000). To this end, I developed an interview guide containing two batteries of questions. A first one treated fiscal policy more broadly (nevertheless with a focus on public deficits and debt), a second focused more concretely on (national) fiscal frameworks. The opening questions of each block were formulated in rather broad terms (see Bernard 2011: 163, Fontana and Frey 2005: 713), allowing to pick up on the specific content of the interviewees' responses and further elaborate them. I also paid attention not to cue the interlocutors especially in the early parts of the interviews, by keeping out questions that could 'push' interviewees into a

[25] One interviewee was only available five months after I contacted her. For some interviewees, I had to recontact them several times, with the final time span between first contact and the interview of more than one year.

[26] According to one interviewee, she received on average two interview requests per day.

specific theoretical direction or perspective. As suggested by Hermanns (2004: 211, see also Kvale 1996: 33), I started the interviews out by asking "the subject about his or her view of things which the interviewer 'actually' knows", thus projecting "an attitude of deliberate naiveté". Only later on during the interviews, I started to show my 'competence' in the field more explicitly, confronting them with their own arguments and ideas, often challenging them with competing points of view to probe their reactions (see Bernard 2011: 158,165). I presented these counter-arguments in a fashion that let me stay in a "neutral position", to ensure that interviewees would not perceive these assertions and questions as a personal critique from my side. Generally, I took on an understanding position to the outlook of my interviewees. This is a form of "stage managing" to proof to the interlocutor that one "can really identify with the perspective of the subject and is truly in a position to 'accept the truth as presented' " (Hermanns 2004: 211). Otherwise, the collaborative and productive spirit of the interviews could have potentially been undermined. For the overwhelming part of the interviews, I had the impression that this strategy worked well, with typically engaging and fruitful discussions. Only in a very few instances, I was confronted with an interviewee that did not really want to answer to the questions I asked or did not really engage with the issues I presented to him/her.

While expert and elite interviews are generally done 'in situ', I chose a largely different path. I held most of the conversations (roughly 80 percent) over the phone or Skype. This option allowed for greater flexibility for both my interviewees and me. Experts and elites often travel for meetings and conferences. This means that their availability at their usual workplace can be limited and spread out unevenly over the year. Suggesting an interview via the phone or Skype then offers more options for scheduling an interview. This higher flexibility given to potential interlocutors made it subsequently more likely – I suspect – that they would agree upon an interview. It also gave them the opportunity to use time slots that usually would not be available as they might not constitute 'appropriate locations' for an interview. One of my interviewees, for example, was taking a long walk between two meetings while speaking with me(Interview Kogler)[27]. Others were calling from hotels in which they stayed during conference trips (Interview Debrun).

Allowing for phone/Skype interviews was also advantageous to me because I would not have been able to conduct six country cases as well as do interviews at the supra-/international level, if I would have needed to travel to all the different locations where potential interviewees were based, even if I would have done one case after another. It would have been almost impossible to speak with a sufficient number of relevant individuals in each of the cases, given the time constraints of potential interviewees and their periodical (in-)availabilities due to the different phases of national budgeting processes. Rather than doing one case after another, I could thus work on all the different cases simultaneously. This allowed me to use and cross-check insights not only in a sequential fashion (potentially biasing the findings as the empirical research went on), but transversally, going back and forth between different cases to probe different arguments and

[27] Another interviewee suggested to hold the interview while he was driving with his car. Due to a schedule conflict, I could not follow his suggestion and conducted the interview while he was in his office (Interview Angerer).

theories based on the acquired knowledge. I thoroughly compared those interviews held personally with those conducted over the phone/Skype to check if that strategy would not lead to significantly different interview outcomes in terms of length, depth and quality. In terms of length, conversations over the phone/Skype were – on average – only about 8 percent shorter (73 vs. 79 minutes) than interviews 'in situ'. In more impressionistic terms, I could also not identify any systemic disparities regarding the interview contents. Interlocutors seemed equally open in their answers and there were no noteworthy differences in how undisturbed the interviews were. Almost all of the interviewees agreed with being recorded. There were equally no significant differences between interviews via phone/Skype or 'in situ' on this matter.

List of conducted interviews

For this research project, I have conducted 72 semi-structured expert- and elite interviews with 81 interviewees, mainly between July 2017 and December 2018. A few exploratory interviews were done ahead of the main empirical work. Another interview was done in 2022 in preparation for a new research project on fiscal frameworks. Below you can find a list of all the interviewees, organised by country case, but starting with a diverse group of actors from supra-/international institutions. The tables include information on the relevant functions and institutional attachments, the day, time and length of interviews, as well as the location and type of interview. Many of the interviewed actors could be assigned to several of the cases as well as the supra-/international level, as they held – in a sequential or even simultaneous fashion – positions across different countries and institutions.

Supra-/international institutions

Interviewee	Institution & Function	Day	Time & Length	Location & Type
Anonymous	DG ECFIN	18.06.2022	15:00, 90 min	Brussels, Personal
Anonymous	DG ECFIN	18.06.2022	15:00, 90 min	Brussels, Personal
Anonymous	DG ECFIN	18.06.2022	15:00, 90 min	Brussels, Personal
Xavier Debrun	Division chief at the IMF	16.08.2018	10:00, 90 min	Brussels, Skype
Luc Eyraud	Deputy division chief at the IMF	21.06.2018	15:00, 60 min	Washington D.C., Telephone
Nicolas Carnot	Economic advisor at the European Commission (DG ECFIN)	25.05.2018	15:00, 60 min	Brussels, Telephone
Philipp Rother	Head of the fiscal surveillance section at the European Central Bank	11.09.2018	10:00, 60 min	Frankfurt, Telephone
Sebastian Barnes	Economic advisor at the OECD	12.06.2018	14:00, 50 min	Paris, Personal
Ed Parker	Head of EMEA Sovereign Ratings at Fitch Ratings	31.08.2018	11:00, 60 min	London, Telephone
Mauricette Salque	Associate Managing Director at Moody's France	05.11.2014	16:30, 60 min	Paris, Personal

Slovakia

Interviewee	Institution & Function	Day	Time & Length	Location & Type
Viktor Novysedlák	Executive Director at the Council for Budgetary Responsibility, Director of the Tax Revenues & Fiscal Analysis Department of the Ministry of Finance of Slovakia	24.01.2018	10:00, 105 min	Bratislava, Skype

L'udovít Ódor	Deputy governor at the Slovak Central Bank, Chief economist and director at the Slovak ministry of finance (IFP), Council member of the Council for Budgetary Responsibility, Vice-chairperson of the EU IFIs, Advisor to the prime minister and the minister of finance	19.07.2018	13:00, 60 min	Bratislava, Skype
Michal Horváth	Member of the Council for Budgetary Responsibility, Secretary of the EUNIFIs, Member of the Economic and Financial Committee of the EU and the Eurogroup working group, Advisor to Slovak finance ministers	23.02.2018	10:30, 120 min	Bratislava, Skype
Juraj Suchta	Head of the fiscal policy department of the Institute for fiscal policy at the Slovak ministry of finance, Financial attaché (permanent representation of the Slovak Republic to the EU)	07.08.2018	10:00, 60 min	Bratislava, Telephone
Branislav Relovsky	Head of the public finance section at the Slovak Central Bank	13.09.2018	09:00, 60 min	Bratislava, Telephone
Radovan Durana	Co-founder and senior analyst at the Institute of Social and Economic Studies (INESS)	21.02.2018	16:00, 80 min	Bratislava, Skype
Peter Golias	Director of the Institute for economic and social reforms (INEKO)	22.08.2018	10:10, 50 min	Bratislava,

Austria

Interviewee	Institution & Function	Day	Time & Length	Location & Type
Bernhard Felderer	President of the Austrian Fiscal Council, Member of the general council of the Austrian Central Bank, Director of the Institute for Higher Studies, Professor for Macroeconomics	11.05.2018	11:00, 100 min	Vienna, Telephone
Gerhard Steger	Head of the budgetary section of the Austrian finance ministry, Chairman of the OECD working party of Senior Budget Officials, Head of the section on public finances, fiscal equalization, holdings, and EU at the Austrian Court of Auditors	22.11.2017	09:00, 125 min	Vienna, Skype
Anton Matzinger	Group leader and deputy head of the budgetary section of the Austrian finance ministry	15.11.2017	10:00, 100 min	Vienna, Skype
Eduard Fleischmann	Austrian finance ministry	15.11.2017	10:00, 100 min	Vienna, Skype
Lukas Reiss	Economist at the Austrian Central Bank	27.06.2018	10:00, 80 min	Vienna, Phone
Margit Schratzenstaller	Deputy head of the Austrian Institute for Economic Research (WIFO) and head of its public finance section, Expert for the Austrian Fiscal Council	20.06.2018	10:00, 80 min	Vienna, Phone
Helmut Berger	Head of the Parliamentary Budget Office of the Austrian Parliament, Administrator at the Austrian Court of Auditors	05.10.2017	14:00, 105 min	Vienna, Skype
Friedrich Sindermann	Parliamentary Budget Office	05.10.2017	14:00, 105 min	Vienna, Skype
Bruno Rossmann	Budgetary speaker of the Liste Pilz, Budgetary speaker of Die Grünen, Member of the Austrian public debt committee, Economist at the Austrian Chamber of Labor	16.01.2018	10:00, 70 min	Vienna, Telephone
Werner Kogler	Budgetary speaker of Die Grünen, Head of Die Grünen	28.02.2018, 10.04.2018	15:00, 60 min 15:30, 50 min	Vienna, Telephone

Kai Jan Krainer	Budgetary speaker of the Austrian Socialdemocratic Party, Member of the budgetary committee and the Austrian parliament	06.02.2018	09:00, 120 min	Vienna, Telephone
Andy Samonig	Chief advisor of the ÖVP parliamentary club on public finances, Economist at the Austrian Central Bank	27.06.2018	15:00, 70 min	Vienna, Telephone
Alois Gradauer	Budgetary speaker of the Austrian Freedom Party, Deputy chairperson of the budgetary committee of the Austrian parliament	27.11.2017	09:00, 60 min	Linz, Telephone
Erwin Angerer	Budgetary speaker of the Austrian Freedom Party, Deputy chairperson of the parliamentary club of the FPÖ	28.05.2018	08:30, 45 min	Vienna, Telephone
Markus Marterbauer	Head of the macroeconomics and statistics division at the Austrian Chamber of Labor (AK), Vice-president of the Austrian Fiscal Council, Expert for the budgetary committee of the Austrian Parliament	16.11.2017	09:00, 55 min	Vienna, Telephone
Ralf Kronberger	Head of the fiscal and trade policy division at the Austrian Chamber of Commerce (WKO), Member of the Austrian Fiscal Council	21.12.2017	14:15, 45 min	Vienna, Telephone
Ernst Tüchler	Deputy head of the macroeconomic division of the Austrian Trade Unions' Association (ÖGB), Alternate member of the Austrian Fiscal Council	22.11.2017	14:00, 115 min	Vienna, Skype
Michael Oliver	Economist at the Austrian Federation of Industries (IV) in the public finance and economics division	24.01.2018	14:00, 75 min	Vienna, Phone

France

Interviewee	Institution & Function	Day	Time & Length	Location & Type
Raoul Briet	President of the first chamber of the Court of Auditors, Member of the High Council of Public Finance	15.06.2018	11:15, 60 min	Paris, Personal
François Monier	General rapporteur of the High Council of Public Finance	08.02.2018	10:00, 160 min	Paris, Personal
Carole Anselin	Head of the office of budgetary policy at the finance ministry of France	29.05.2018	15:15, 80 min	Paris, Personal
Paul Tempelaere	Assistant to the head of the office of budgetary policy at the finance ministry of France	29.05.2018	15:15, 80 min	Paris, Personal
Michel Houdebine	Assistant general director of the Treasury at the finance ministry of France, Chief economist of the Treasury	06.09.2018	09:30, …	Paris, Personal
Audrey Coucoureux	Administrator at the French Senate	25.03.2015	18:30, 120 min	Paris, Personal
Agnès Bénassy-Quéré	Professor at the Paris School of Economics, Member of the High Council of Financial Stability, Member of the general council of the French Central Bank, Member of the circle of economists	28.06.2018	15:00, 45 min	Paris, Personal
Xavier Timbeau	Principal director of the OFCE	19.03.2018	15:00, 80 min	Paris, Personal
Karine Berger	National secretary on the economy of the Socialist Party, administrator at INSEE responsible for macroeconomic projections, councilor of François Hollande	25.01.2018	14:45, 60 min	Paris, Personal
Marie-Christine Dalloz	Member of parliament for the Republicans, Secretary of the parliamentary budget committee, National secretary of the Republicans on fiscal matters	26.09.2018	18:00, 75 min	Paris, Personal

Germany

Interviewee	Institution & Function	Day	Time & Length	Location & Type
Eckhard Janeba	Chairperson of the independent advisory board of the stability council, deputy chairperson of the scientific advisory council of the ministry for the economy, Professor at the University of Mannheim	11.07.2017	14:00, 65 min	Mannheim, Skype
Lars P. Feld	Member of the German Council of Economic Experts, Member of the independent advisory board to the stability council, Member of the scientific advisors to the federal ministry of finance, Expert for the second federalism commission, President of the Walter-Eucken-Institute, Professor at the University of Freiburg	26.07.2017	14:30, 65 min	Freiburg, Telephone
Bernd Hanke	Head of the Bund-Länder financial relations section and head of the public finance section in the German finance ministry	30.05.2018	15:30, 115 min	Berlin, Telephone
Martin Snelting	Head of the public finance section in the German finance ministry	19.04.2018	15:15, 40 min	Berlin, Telephone
Anonymous	German Central Bank	25.07.2017	15:00, 100 min	Personal
Axel Troost	Fiscal policy speaker and deputy chairperson of Die Linke, Member of the fiscal policy committee at the German parliament, Co-founder of the WASG	04.12.2017	13:30, 60 min	Telephone
Oswald Metzger	Budgetary speaker of B90/Die Grünen, Member of the Convent for Germany	13.06.2018	08:00, 80 min	Skype
Marc Schattenmann	Senior advisor and coordinating head of the SPD public finance working group	10.07.2018	11:00, 60 min	Berlin, Telephone
Joachim Poß	Fiscal policy speaker of the SPD, deputy chairperson of the SPD parliamentary club responsible for its public finance division, Member of the second federalism commission	15.01.2018, 18.01.2018	10:30, 60 min 10:30, 50 min	Telephone
Otto Fricke	Chairman of the budgetary committee of the German parliament	27.03.2018	16:00, 50 min	Telephone
Ernst Burgbacher	Parliamentary director of the FDP parliamentary club, Chairperson of the FDP inside the second federalism commission as well as its deputy chairperson	02.10.2017	09:45, 25 min	Telephone
Eckhardt Rehberg	Budgetary speaker of the CDU/CSU and chairperson of the CDU/CSU working group on public finances, Member of the budgetary committee of the German parliament	25.05.2018	09:00, 50 min	Rostock, Telephone
Mehrdad Payandeh	Head of the economic, fiscal, and tax policy section at the German Trade Union Confederation (DGB)	12.12.2017	13:30, 60 min	Berlin, Telephone
Florian Moritz	Head of the European and international economic policy division at the German Trade Union Confederation (DGB)	12.12.2017	13:30, 60 min	Berlin, Telephone
Raoul Didier	Head of the tax policy division at the German Trade Union Confederation (DGB)	12.12.2017	13:30, 60 min	Berlin, Telephone
Benjamin Koller	Deputy head of the economic, fiscal, and tax policy department at the Confederation of German Employers' Associations (BDA)	20.12.2017	09:00, 60 min	Berlin, Telephone
Tobias Hentze	Senior economist for fiscal and tax policy at the German Economic Institute (IW Cologne)	20.04.2018	10:00, 55 min	Cologne, Telephone

Ireland

Interviewee	Institution & Function	Day	Time & Length	Location & Type
Íde Kearney	Economist at the Dutch Central Bank, Member of the Irish Fiscal Advisory Council	25.06.2018	10:00, 60 min	Amsterdam, Telephone
Thomas Conefrey	Senior economist at the Irish Central Bank, Chief economist and head of secretariat at the Irish Fiscal Advisory Council	31.05.2018	14:30, 55 min	Dublin, Telephone
John McCarthy	Assistant general secretary and chief economist at the finance ministry of Ireland, Chair of the EPC output gap working group, Deputy member of the Economic and Financial Committee, Irish member of the OECD's Economic Policy Committee	30.07.2018	16:10, 50 min	Dublin, Telephone
John FitzGerald	Research Professor and Programme Coordinator of the Macroeconomics Research Area of the ESRI, Member of the Commission of the Irish Central Bank	17.04.2018	10:00, 85 min	Dublin, Telephone
Kieran McQuinn	Research Professor and Research Area Coordinator for Macroeconomics at the ESRI, Economist at the Irish Central Bank	12.03.2018	16:00, 45 min	Dublin, Telephone
Fergal O'Brien	Director of Policy and Chief Economist at the Irish Business and Employers Confederation (IBEC)	28.05.2018	17:00, 50 min	Dublin, Telephone
Tom McDonnell	Senior economist at the Nevin Economic Research Institute (NERI)	20.03.2018	15:00, 70 min	Dublin, Telephone
Grant Sweetnam	Economic adviser for Fianna Fáil at the Irish parliament	01.06.2018	16:00, 70 min	Dublin, Telephone

Portugal

Interviewee	Institution & Function	Day	Time & Length	Location & Type
Luis Gomes Centeno	Head of the staff at the Public Finance Council	31.07.2018	12:00, 90 min	Lisbon, Telephone
Jürgen von Hagen	Vice-president of the Public Finance Council, Professor at the University of Bonn	18.07.2017	14:00, 75 min	Bonn, Personal
Paul de Grauwe	Vice-president of the Public Finance Council, Professor at the LSE	17.08.2018	10:15, 30 min	Skype
José Carlos Azevedo Pereira	Assistant general director at the Planning, Evaluation, Strategy and International Relations Office (GPEARI)	11.07.2018	10:30, 70 min	Lisbon, Telephone
Cláudia Braz	Economist at the Department of Economic Studies at the Portuguese Central Bank, Coordinator of the Public Finance Group of the Public Finance and Structural Studies Department at the Portuguese Central Bank, Chairperson of the Working Group on Public Finances of the European System of Central Banks	30.08.2018	11:00, 60 min	Telephone
Tiago Cunha	Assistant to the general secretary of the General Confederation of the Portuguese Workers (CGTP)	24.08.2018	12:20, 80 min	Lisbon, Skype

Annex E – Ontological and epistemological research foundations

Overview of the approach chosen in this dissertation

A specific set of ontological and epistemological assumptions underlies any research endeavour. They guide the choice of theory, methodology, and the type of empirical research effort carried out. Ontological and epistemological foundations are, however, seldomly spelt out explicitly. In social scientific research, such implicitness can be advantageous, as it allows researchers more easily to bridge the gaps between different kinds of research (approaches). This, however, often comes at the price of an ambiguous rather than a genuine consensus across scholars. Misunderstandings and unproductive disputes between academics can be the result when different underlying ontologies and epistemologies collide. Rather than interrogating the internal coherence and plausibility of different approaches towards reality and scientific knowledge, many scholars simply 'talk past each other', when criticizing the methodology and empirical findings of others.

One way to deal with the implicitness of ontological and epistemological foundations in academic works, and to minimise the potential for unproductive discussions, is to derive their stance from the respective literatures they mobilise. Especially with interdisciplinary and multi-method research, this approach may, however, quickly reach its limits. Spelling out explicitly one's own basic assumptions, and even so just shortly at the beginning of a research project, thus seems to be indispensable to improve the quality of academic debate and avoid misunderstandings in social science. The following subsections serve this objective and lay out a – what I believe to be – a coherent and unambiguous approach for this dissertation.

A probabilistic ontology of the 'social world'

In definitional terms, an " 'ontology' refers to the character of the world as it actually is" (Hall 2003: 374, see also Clift 2014). It lays out "the fundamental assumptions scholars make about the nature of the social and political world and especially about the nature of causal relationships within that world (…) from which analysis begins and without which theories about the social world would not make sense" (ibid.). The type of underlying ontology is of central importance for the methodologies that research projects apply, because the appropriateness of specific methods depends on the fundamental assumptions one makes about the world (see Hall 2003: 374).

Exemplarily, Beach and Pedersen (2016b: 9) draw a sharp line between the ontologies of variance and case-based research: "Case-based research takes as its point of departure causal relationships within individual cases, whereas variance-based research builds on population-level mean effects in which probabilistic assumptions make most sense." This distinction, which basically contrasts quantitative with qualitative research, is also made by numerous other scholars (see Mahoney and Goertz 2006, Mahoney 2008). Authors such as Trampusch and Palier (2016: 3) and Ahram (2013: 280) take this argued dichotomy as the starting point to highlight the potential dangers of thoughtlessly mixing different ontologies, especially in mixed- and multi-method research

approaches. While quantitative analyses would typically be performed under assumptions of a probabilistic world, allowing for contingencies, many qualitative studies would rather focus on sufficient and necessary conditions, conceiving of "causal mechanisms as operating deterministically" (Trampusch and Palier 2016: 13, see also Hall 2003).

Beach and Pedersen (2016b: 9) justify their support for an ontological determinism in a curious fashion, however. They argue that "without deterministic claims being made, the study of individual cases makes little sense because if we do not find evidence of a relationship in a single case, we will not know whether that was an exception to an otherwise strong cross-case probabilistic relationship or not". I strongly disagree with this line of reasoning, in which the chosen methodological approach leads to the adoption of a specific ontology, rather than the other way around. As many others have argued, I contend that we should begin by thinking about which ontology of the (social) world is plausible, before devising research on it. Letting the type of method dictate our view on which kind of causality underlies the world seems to be a deeply misguided approach.

In their seminal work *Designing Social Inquiry*, King et al. (1994) take on a view that differs much from the diagnosed ontological dichotomy between large-n and small-n research of Beach and Pedersen (2016b) and others. They argue that "that the differences between the quantitative and qualitative traditions are only stylistic and are methodologically and substantively unimportant", given the adoption of a coherent set of ontological assumptions (King et al. 1994: 4). I strongly support this position, disagreeing that variance-based and case-based research necessarily demand different ontologies.

We should start out with plausible assumptions about the ontology of the world or specific parts of it and then investigate which methods may help us to devise meaningful and productive research. In fundamental terms, I assume that there is a 'real' world outside of the researcher's head and that causal relationships are at work in this world. Moreover, I have a number of reasons to believe that the 'social world', which inhabits and interacts with the broader world, is guided by probabilistic causal relationships. While the inanimate world may actually work according to deterministic laws and rules, I argue that as soon as human actors become involved, a probabilistic understanding of the world seems more plausible. This is based on the observation that humans, and to a lesser extent also animals, have a capacity for creative thought, problem-solving and action (see Carstensen 2011, Gross 2009).

The structure of the brain, a complex network structure of neurons which is susceptible to 'mistakes' (see Beck 2017, Pichler 2018) is at the heart of this capacity. The proneness to 'errors', far from being a shortcoming, provides the basis for the creation of new thoughts and ideas (see Kounios and Beeman 2014). These thoughts and ideas are subsequently compared to previous ones (see Mayseless et al. 2015). If new ideas born out of this 'creative process' seem to outdo previous ones in their ability to solve problems, gain understanding about the world, and help to achieve particular objectives, then they might replace or mix with pre-existing ideas. Subsequently, in the absence of a modelling capacity of each neuron inside a human brain and given the possibility

of random mistakes in neural network patterns, a deterministic approach to the social world in which humans act and interact seems rather implausible.

On the need for a probabilistic epistemology

Thinking about epistemology can further help us to understand why a probabilistic understanding of the social world makes sense even beyond its likely ontology. In general, epistemology is interested in the way one can know about reality. Going back to Beach and Pedersen (2016b: 9), they argue that "ontological determinism does not imply that we have perfect knowledge about why things happen in the empirical world. While the social world at the ontological level can be claimed to be deterministic (i.e. things do not happen randomly), our empirics-based knowledge about why things occur will always be imperfect".

On this point, King et al. (1994: 6), for example, "assume that it is possible to have some knowledge of the external world but that such knowledge is always uncertain". Interestingly, while the literature has stressed the importance of coherent ontologies and epistemologies, Beach and Pedersen (2016b) nevertheless soften their deterministic ontological claims in terms of epistemology. And indeed, there are several powerful arguments that underlie their statements about imperfect and uncertain knowledge: (1) the potential for errors of the human brain in the perception of the world, (2) specification errors that most likely happen in the process of simplifying the complexity of the world for research purposes, and (3) the role of measurement errors that might take place even if our sense and models of the world would be accurate.

First, and linking ontology with epistemology, the human brain is a limiting factor in perceiving the 'real' world. As Beckert (2016) discusses the observations of German philosopher Immanuel Kant, "it is impossible to obtain direct knowledge of the world because knowledge is an *a priori* conception of the human mind applied to its sense impressions, and is acquired only through analogical apperceptions. Since no impressions can be pure or fundamental, no impression can exist unmediated by cognitive structuring" (Beckert 2016: 247 paraphrasing Kant [1787] 1911). Given this limitation it seems difficult to make statements about causal relationships at work in the 'real' world that are consistently accurate.

Second, especially in the 'social world' we are facing complex situations and processes with many actors and many contextual factors involved. To handle this practically infinitely complex system (see O'Sullivan and Perry 2013), researchers need to break it down to enable us "to treat it in a scientific manner" which "is typically achieved through a model" (Eisl and Koch 2015: 52). As we cannot directly access the 'real' world, and as its complexity is not manageable in any single research endeavour, we create theoretical models of the world that use 'consciously false assumptions' (Beckert 2016: 248). According to Box (1979: 2), theoretical models of the world can never be true, but only need to be useful to be justified. And typically scientific theories are useful, when they help in the process of scientific discovery (Beckert 2016: 248). This has the consequence that all the (scientific) theories that we are constructing to explain what is happening in the 'real' social

world (and even in the natural world) are merely fictions that create a parallel reality and do not simply mirror the "empirical world they conceptualize" (ibid.: 251).

In epistemological terms, this means that we can only observe the world in probabilistic terms as "specification error, including the omission of important variables from our models" occurs constantly (Bennett and Checkel 2015: 12). To give a concrete example of this, let me come back to the human capacity for creative thought and action. Many theories depict humans in a very simplified manner, e.g. as the rational self-interested *homo oeconomicus* (Pareto 1906) or as the norm-conforming *homo sociologicus* (Dahrendorf 1958). This helps to reduce the complexity of the 'real' world and to have a model of action for situations, where it is impossible to discern the action-logic of each individual or group actor.

While these concepts might be useful to theorise expected causal relationships where actors are involved, we most likely never find a case where all of them either act perfectly rational and self-interested or perfectly norm-conforming. Actors might act simultaneously in both ways on different elements of a policy, change their action logic along a temporal sequence, or there are two or more actor groups that act according to different logics on the same subject. If we do not know the action logic of each actor – and I think that this is impossible in virtually all circumstances –, then a deterministic theory is going to fail, even if we would believe in underlying deterministic causal relationships.

Finally, also the role of measurement errors in empirical research points towards a probabilistic epistemological understanding in social science (Bennett and Checkel 2015: 12). Lieberson (1991: 307), for example, criticised the application of Mill's method of agreement and method of difference (Mill [1843] 1882) for causal inference in small-N studies based on the necessity of 'no errors in measurement' and 'a deterministic approach rather than a probabilistic one'. He argued that "these assumptions are normally inappropriate, since they contradict a realistic appraisal of most social processes (…)". Lieberson (1991: 309) elaborates that deterministic causal propositions imply that "a given factor, when present, will lead to a specified outcome", while probabilistic causal propositions are "more modest in [their] causal claim, positing that a given factor, when present, will increase the likelihood of a specified outcome." And while deterministic propositions are simpler, cleaner and easier to refute, he argues that "a probabilistic approach is often necessary to evaluate the evidence for a given theoretical perspective, even if we think in deterministic terms" stressing both the problem of measurement errors and the operation of 'complex multivariate causal patterns' (ibid.).

A specific feature of the social world that can lead to both specification and measurement errors is the fact that "(…) theories about the social world are (…) not simply representations of an underlying objective reality, for the reason that human actors, in contrast to the objects observed in the natural sciences change their behaviour based on their knowledge of the observations made of them. This influences the causal relations theories claim to identify" (Beckert 2016: 251, see also Giddens 1984). This might especially be the case in interview situations with powerful and

knowledgeable people who figure out 'what you are after' and accordingly adapt their answer behaviour according to their underlying agenda (see Chamboredon et al. 1994). Bennett and Checkel (2015: 25) similarly stress the 'instrumental motivations' of political actors and institutions that might lead to a form of selection bias in the "statements, document, and other sources they make accessible or available."

All these points show, how careful we should be about making deterministic statements about reality and how reasonable a probabilistic approach of the social world seems to be. A probabilistic understanding of the world should not be mistaken neither with (a) an understanding that believes causality to be a randomly occurring phenomenon, rather than working according to discernible causal regularities, nor with (b) an understanding that negates all possibilities to approximate our knowledge to reality. As King et al. (1994: 6-7) pointed out, "even though certainty is unattainable, we can improve the reliability, validity, certainty, and honesty of our conclusions by paying attention to the rules of scientific inference". While it may be difficult to gain robust knowledge about the social world, an approximation to it should nevertheless be possible, depending on the selection of adequate fundamental assumptions, theoretical explanations and empirical methods. At the least we should be able to refute certain theories and rank different theories in their degree of approximation to the 'real' world based on their plausibility, coherence, and accompanying empirical evidence we obtain.

Annex F – Causal mechanisms and the adequate methodological approach

At each moment in time, a myriad of different causal relationships is at work in the social world, often linked in a complex, interdependent, and contingent fashion. Nevertheless, I contend that there are some recurring and influential causal phenomena, that we can extract from this maelstrom of causal links. Specific sets of causal relationships may take a more consistent and regular form than other ones and subsequently have a greater role than other causal relationships in shaping central political, social and economic outcomes.

I argue that these regularities in causal relationships can be best understood under the terminology of causal mechanisms and that one of the main goals of academic research is to discover and analyse such regularities in the social world (see Gerring 2010: 1502). Over the years a significant number of definitions of causal mechanisms have been proposed (see Hedström and Ylikoski 2010: 51 for a list of definitions). These definitions differ – partly in a drastic manner – across three dimensions: (1) in terms of what constitutes a causal mechanism, (2) its scope, and (3) its underlying ontological assumptions. As causal mechanisms as a concept are often left ambiguous, they can mean very different things to different people (Gerring 2010: 1499-1500). For better clarity of the use in this dissertation, it thus makes sense to explicitly discuss all three dimensions.

Analytical constructs to reduce complexity

What constitutes a causal mechanism?

For King et al. (1994: 225), a causal mechanism "entail[s] linked series of causal hypotheses that indicate how connections among variables are made", which subsequently allows to test observable implications all along the causal chains and not only observe the relationship between the independent and dependent variable[28]. In a more complex fashion, Bennett and Checkel (2015: 12, referring to George and Bennett 2005: 137) define causal mechanisms as

> ultimately unobservable physical, social, or psychological processes through which agents with causal capacities operate, but only in specific contexts or conditions, to transfer energy, information, or matter to other entities. In doing so, the causal agent changes the affected entities' characteristics, capacities, or propensities in ways that persist until subsequent causal mechanisms act upon them. If we are able to measure changes in the entity being acted upon after the intervention of the causal mechanism and in temporal or spatial isolation from other mechanisms, then the causal mechanism may be said to have generated the observed change in the entity.

Beach and Pedersen (2013: 49) highlight the importance of entities and activities in causal mechanisms: "Each of the parts of the causal mechanisms should be conceptualized as composed

[28] Other than improving the "theory so that it has more observable implications, [one can] second, improve the data so more of the implications are indeed observed and used to evaluate the theory, and, third, improve the use of the data so that more of these implications are extracted from existing data" (King et al. 1994: 30).

of entities that undertake activities. Entities engage in activities (…), while activities are the producers of change, or what transmits causal forces through a mechanism (…). Entities can be individual persons, groups, states, classes, or structural phenomena depending on the level of the theory".

In this dissertation I conceive of causal mechanisms in the words of Hedström and Swedberg (1998: 13) as "analytical constructs that provide hypothetical links between observable events". In contrast to some parts of the literature (see Beach and Pedersen 2016a, 2016b), I do not view causal mechanisms as quasi-existent self-contained empirical phenomena but rather as meta-theories that help us perceive recurring and influential causal regularities. The study of these causal regularities then allows us to understand why relevant political, social, and economic phenomena come about and what we could do to potentially influence them.

At which scope level do causal mechanisms operate?

Scholars differ in the scope they give to causal mechanisms in the social world. As Gerring (2010: 1502) argues, "the scope of a causal proposition is of course always a matter of degree; there are no truly universal laws because every causal regularity implies some bounding features". In practice, the idea of causal mechanism often corresponds closely to what Merton (1968) has coined as 'middle range theories'. Such theories are, in the words of Hedström and Swedberg (1998: 61), "clear, precise, and simple. [They seek] to highlight the heart of the story by isolating a few explanatory factors that explain important but delimited aspects of the outcomes to be explained".

What 'delimited' means is, however, contested. Beach and Pedersen (2016a: 309), for example, favour the construction of causal mechanisms linked to specific cases with rather strict contextual conditions, only allowing for generalisation to a limited set of causally homogenous cases. Elster (1998: 45, quoted in Beach and Pedersen 2016a: 309), in contrast, argues that mechanisms should remain at a sufficient level of generality that goes beyond case specificities. Instead of debating at which level the identification and analysis of causal mechanisms should take place, Hedström and Ylikoski (2010: 52) argue that "mechanisms form a hierarchy. While a mechanism at one level presupposes or takes for granted the existence of certain entities with characteristic properties and activities, it is expected that there are lower-level mechanisms that explain them. It is an inherent feature of the mechanism view that the entities and mechanisms of various sciences are ultimately related to each other".

I subscribe to this understanding of the scope of causal mechanisms. As they are merely analytical constructs, causal mechanisms can be theorised at the micro-, meso- or macro-level. Depending on the concrete causal relationships to be studied, they can also link different levels (see Hedström and Ylikoski 2010). The object of study thus provides us with the scope conditions for causal mechanisms.

Do causal mechanisms operate in a deterministic or probabilistic fashion?

The role of ontological and epistemological determinism or probabilism enters the scientific debate again at the level of causal mechanisms. Beach and Pedersen (2016b: 10), for example, believe that causal mechanisms are ontologically deterministic elements of the world. They "contend that what might empirically seems to be a probabilistic relationship is typically the product of an inadequate understanding of the scope conditions under which a given mechanism functions". As a consequence, however, "case-based research has to operate with small, bounded populations of cases that are as causally homogenous as possible" (Beach and Pedersen 2016b: 10). A probabilistic understanding would, however, need to be applied when studying more heterogenous populations of cases, drawing a sharp contrast between small-N and large-N analyses. In Beach & Pedersen's line of reasoning, the role of context becomes a very prominent factor in 'allowing' a specific mechanism to function.

Falleti and Lynch (2009: 1152, drawing on Pawson 2000 and Bunge 1997) define such a context "as the relevant aspect of a setting (analytical, temporal, spatial, or institutional) in which a set of initial conditions leads (probabilistically) to an outcome of a defined scope and meaning via a specified causal mechanism or set of causal mechanisms". Interestingly, and in contrast to the line of argument of Beach and Pedersen 2016b), they deviate from a deterministic logic of well-contextualised causal mechanisms. Also Hedström and Ylikoski (2010: 51) argue that "to require the mechanism [to be] sufficient for the effect is an all too strong requirement. A mechanism can involve irreducibly stochastic elements and thus affect only the probability of a given effect". Bennett and Checkel (2015: 12) equally share the view that "we can never know with certainty whether the world in general or a particular mechanism that we hypothesize is deterministic or nearly so under specified circumstances or whether the world or a mechanism is stochastic".

As already laid out earlier in this chapter, I hold this latter view to be significantly more plausible than a view of ontological determinism of causal mechanisms that is in any case watered down by an inevitable epistemological probabilism. Beach & Pedersen's argument that causal mechanisms would be deterministic because the existence of a mechanism is only confirmed if we find evidence for all the proposed elements is in my view misled. While it seems logical that a proposed causal mechanism can only be said to be active if we actually find evidence for its working along the proposed causal chain, we not necessarily need to believe that the absence of evidence on some of the proposed elements means that the whole mechanism is inexistent (see George & Bennett 2005). As discussed above, specification and measurement errors might not allow us to find evidence for some of its elements. At an even more basic level, we may also lack the access to specific empirical materials or are bound by time constraints in gathering data.

Drawing on my underlying ontological and epistemological assumptions, I propose to conceive of causal mechanism as working in a probabilistic fashion. I strongly disprove of the "machine" analogy drawn by Beach and Pedersen (2016a: 79) which views the functioning of causal mechanisms like the transmission of a physical force through a specific configuration of 'cogs and

wheels'. I contend that actors have more agency than simple cogs, which 'blindly' transmit energy through the mechanism. A more 'realistic' conception of the 'social world' allows for causal regularities, meaning that actors often will indeed participate – and repeatedly so – in the functioning of a particular causal mechanism, but that they also have some room for manoeuvre that might transform or break the studied mechanism. Even if the context is practically the same in two cases with comparable sets of causal factors and actors, the causal mechanism may not play out exactly the same way or at all. I repeat, however, that this does not happen randomly but according to some degree of probability.

How to draw causal inferences about mechanisms from reality?

The follow-up question on causal mechanisms is then: Which methodological approaches might be apt to draw causal inferences about the (non)functioning of specific causal mechanisms from the social world? Here, quantitative, experimental, mixed-methods, and qualitative methods provide different entry points for inferring causality from empirical evidence.

Quantitative methods

Quantitative methods allow to test theoretical expectations across a large number of cases, providing statistical evidence for systematic relationships between variables. A particular quality of quantitative analyses is that they typically allow discerning the size of the effect that a change in an independent variable has on a dependent variable. But while aiming at establishing causal links between the independent and dependent variables, their observational nature makes it, in practice, very difficult to ascertain anything more than suggestive correlational evidence for most econometric/statistical methods.

The causal connection for statistical relationships then is typically established by a causal story – basically a narrative of a causal mechanism – that is very important to render the theoretical assumptions underlining the empirical findings credible. The outcome of the empirical model is only validated by the reader if the narrative, the conceptual model (or word model) underlying the empirical analysis, is accepted (see O'Sullivan and Perry 2013: 4-6, Bossel 1994). As Beckert (2016: 255) states, "if a narrative is unconvincing, readers will refuse to enter the author's imaginative world. The goal of the scientific process is to evoke submission to authorial intentions. (…) [C]onvincing narratives make scientific articles credible." Through which path such as credibilisation occurs is, however, contested.

Experimental research

While research based on observational data has difficulties to ascertain causal relationships without a plausible accompanying causal story, experimental research is better able to identify causal relationships between independent and dependent variables. In (quasi)laboratory settings, scholars can – at least supposedly – keep all potential independent variables constant other than one which is manipulated by the researcher. If outcomes differ according to changes of this manipulated variable, then one can be rather certain that a causal relationship is at work. Mill's methods of

difference and agreement (Mill [1843] 1882) are an application of this logic often applied in case-based research. The advantages of experimental methods in discerning causal relationships have also fostered the recent trend towards so-called natural experiments as a popular form of research redesign, picked up particularly in economics, but increasingly also in political science and sociology. Also survey experiments have seen growing interest in the last years.

Unfortunately, however, experiments not necessarily reveal the causal mechanism at work that links a manipulated independent variable and the affected dependent variable, leaving us in the dark about the actual causal chain. An excellent example to illustrate this potential shortcoming in understanding causal relationships are drugs. As Johnson (2015) points out, "knowing why a drug works has historically trailed the treatment, sometimes by decades. Some of the most recognizable drugs – acetaminophen[29] for pain relief, penicillin for infections, and lithium for bipolar disorder, continue to be scientific mysteries today." In contrast to quantitative methods, experimental designs not necessarily depend on a causal narrative to support a causal relationship of interest, but both methods, nevertheless, have the tendency to 'black box' the underlying causal mechanisms at work.

That is why both approaches have come under critique during the last years (see Hedström and Swedberg 1998, Hedström and Ylikoski 2010, Beach and Pedersen 2016a). The response of numerous scholars has been the proposition to open the 'black box' of the underlying causal story by linking independent and dependent variables with an explicit causal mechanism (see the detailed discussion above). This "implies that proper explanations should detail the cogs and wheels of the causal process which the outcome to be explained was brought about" (Hedström and Ylikoski 2010: 50) and that allow to empirically evaluate such mechanisms. I strongly support and subscribe to this move, as it helps us to arrive at more accurate explanations of social phenomena (see Trampusch and Palier 2016). The theoretical approach of causal mechanisms demands a departure from and going beyond an exclusively quantitative methodology for empirical research.

Mixed-method research designs

Researchers have subsequently proposed various types of so-called mixed-method research designs (see Coppedge 1999, Lieberman 2005, Creswell and Plano Clark 2007, Rohlfing 2008, Kuehn and Rohlfing 2009, Lange 2009, Rohlfing and Starke 2013, Harthcoat and Meixner 2017). The basic idea is to support quantitative analyses across a population with carefully selected case studies to empirically assess the accompanying causal stories as causal mechanisms. This can be achieved by looking for observable implications of different elements of the causal narrative.

A seminal paper in this regard has been Lieberman's (2005: 435) 'nested analysis", an approach that "combines the statistical analysis of a large sample of cases with the in-depth investigation of one or more of the cases contained within the large sample". According to him, "the strategy of combining the two approaches aims to improve the quality of conceptualization and measurement,

[29] More colloquially known as paracetamol, or by the brand names Tylenol or Doliprane.

analysis of rival explanations, and overall confidence in the central findings of a study" (Lieberman 2005: 436). In the 'nested analysis' approach, large-n analyses are useful to evaluate alternative theoretical arguments and serve as the basis for selecting cases for small-n analysis, which can help "to improve the quality of measurement instruments and model specifications used" in the large-n analyses (ibid.). Quantitative analyses can, thus, gain from the in-depth analysis of selected case studies if hypothesised causal relationships are actually found. This can help to identify spurious correlations, discriminate between rival explanations, and better specify the quantitative models.

In principle there is a lot of potential in mixed-methods research designs, but there are also some potential caveats to consider that may undermine the ability of mixed-methods approaches to draw valid causal inferences. A particularly important issue in this regard is how to ensure an adequate selection of cases, which is crucial for both the evaluation of correlational findings and the generalisation of case-study insights. Rohlfing and Starke (2013: 493) point out that standard mixed-methods approaches typically disregard the possibility that there may be more than one plausible and robust regression model that would serve for the selection of case studies.

Modelling uncertainty (or the potential for specification errors), however, is problematic as it structures "the classification of cases as typical or deviant [which] is indispensable for determining the subsets of cases to which process tracing insights can and cannot be generalized" (Rohlfing and Starke 2013: 493, see also Reiss 2009: 24). As the authors stress, "different models and quantitative results can yield different classifications of the same case, which leads to classification uncertainty about the status of that case when generalizing causal inferences." Also measurement errors can substantially bias the case selection, potentially both refuting actually accurate theoretical explanations or falsely supporting non-existent causal relationships. One thus should have a considerable degree of confidence in the quality of the quantitative data used and the robustness of regressions results for the selection of an appropriate case-study sample. Otherwise, quantitative and qualitative results will simply contradict each other, and little can be learned.

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This dissertation has been an extremely challenging and rewarding journey. Now, it is time to embark on the next ones.

Résumé de la thèse en français

Les objectifs clés de cette thèse

Située dans le champ de l'économie politique comparative et internationale, cette thèse s'intéresse aux cadres fiscaux nationaux dans la zone euro. Les cadres budgétaires sont des ensembles de règles budgétaires numériques propres à chaque pays, des conseils budgétaires indépendants, ainsi que des mécanismes de contrôle, d'application et de sanction pour garantir le respect des règles. Ensemble, ils visent à réduire le pouvoir discrétionnaire des décideurs politiques en matière de politique budgétaire afin de mettre en place des politiques budgétaires plus "durables". Au cours des trente dernières années, de nombreux pays dans le monde ont introduit des cadres budgétaires, qu'ils ont souvent renforcés au fil du temps. Dans la zone euro en particulier, un ensemble complexe et rigoureux de cadres budgétaires supranationaux et nationaux a été mis en place depuis le début des années 1990.

Si les cadres budgétaires sont généralement salués par les économistes comme un moyen efficace de réduire le "penchant pour le déficit" chez les politiciens, d'éviter l'"aléa moral" et de mener des politiques budgétaires plus "optimales" en termes économiques (par exemple, Calmfors et Wren-Lewis 2011, Kopits et Symanski 1998, Debrun et al. 2013), les spécialistes d'autres disciplines universitaires, comme les politologues, les sociologues et les historiens, ont adopté une position plus critique (par exemple, Pathak 2017, Blyth 2013). Nombre d'entre eux considèrent que la réduction du pouvoir discrétionnaire en matière de politique budgétaire est préjudiciable aux processus décisionnels démocratiques et conduit en fait à des résultats économiques, politiques et sociaux "sous-optimaux" (par exemple, McBride 2016, Glencross 2018). Pour ces observateurs, les cadres budgétaires institutionnalisent l'" austérité ", affectant négativement les fonctions d'allocation, de redistribution et de stabilisation de la politique budgétaire, et participent ainsi à une croissance économique atone et inégale. En même temps, les règles et conseils fiscaux sont considérés comme une forme de règle technocratique, qui entrave la capacité des politiciens à répondre de manière adéquate aux demandes des citoyens. Par la suite, ils pourraient jouer un rôle dans la croissance des mouvements populistes dans les démocraties avancées.

Les cadres budgétaires sont néanmoins devenus omniprésents dans les États membres de la zone euro au cours des dernières décennies. Ces pays sont, en même temps, soumis à un ensemble de règles et d'institutions supranationales tout en étant obligés de mettre en œuvre des règles nationales. Depuis l'accord sur le traité de Maastricht au début des années 1990, de nombreuses réformes ont été menées tant au niveau de l'Union européenne (UE) qu'au niveau national, introduisant et renforçant de plus en plus les cadres budgétaires au fil du temps. Il est toutefois intéressant de noter que les cadres budgétaires nationaux de la zone euro diffèrent considérablement dans leur rigueur, leur conception et leur calendrier. Cela est d'autant plus surprenant que de nombreuses pressions de convergence s'exercent, découlant des "nécessités" macroéconomiques d'une monnaie commune, des obligations légales découlant de traités supra et intergouvernementaux, ainsi que de la promotion de visions particulières des cadres budgétaires

par des institutions internationales telles que la Commission européenne, le FMI et l'OCDE. Sur la base de ces observations, les objectifs clés de cette thèse sont les suivants :

Premièrement, cette thèse vise à résoudre l'énigme susmentionnée, en expliquant la variation de la rigueur, de la conception et du calendrier des cadres budgétaires entre les États membres de la zone euro. En bref, la thèse révèle une influence forte et cohérente des idées macroéconomiques véhiculées par les politiciens, les fonctionnaires et les experts nationaux sur les réformes concrètes des cadres budgétaires, qui jouent un rôle crucial dans la traduction des idées et des concepts développés au niveau international dans des contextes nationaux particuliers (voir Ban 2016). De manière plus provisoire, je soutiens que les idées macroéconomiques propres à chaque pays n'ont pas seulement un effet sur la rigueur, la conception et le calendrier des cadres budgétaires, mais aussi sur l'élaboration effective de la politique budgétaire. Ce résultat suggère que le lien entre les cadres budgétaires et les résultats budgétaires identifiés dans de nombreuses études empiriques est largement endogène (voir Heinemann et al. 2018).

Deuxièmement, en tant que contribution plus large à la littérature existante, l'objectif de cette thèse est d'étudier les cadres fiscaux comme un moyen d'enquêter sur le rôle des idées macroéconomiques nationales dans les réformes institutionnelles et la prise de décision politique. Comme le montre l'étude empirique, les idées macroéconomiques nationales ont une influence parce qu'ils attribuent des compréhensions spécifiques (1) au rôle de l'État dans l'économie, et (2) au rôle des règles et de l'expertise économique dans l'élaboration de la politique fiscale. Je soutiens que les cadres fiscaux sont un site particulièrement approprié pour étudier l'influence des idées économiques sur la prise de décision politique en raison de leur complexité et de leur haut degré de technicité. D'une part, les cadres fiscaux n'ont généralement pas d'effets immédiats clairs sur les conflits de distribution, ce qui rend plus probable l'impact décisif des idées que dans d'autres domaines politiques, où les intérêts sont plus clairement définis (voir Moravcsik 1998, Moravcsik et Nicolaidis 1999, Schimmelfennig et Winzen 2019). D'autre part, les innovations particulièrement récentes dans les cadres budgétaires, telles que les règles de déficit dites "structurelles", ont ajouté une ambiguïté supplémentaire à leur signification et à leur impact dans l'élaboration de la politique budgétaire (voir Eisl 2020). Par conséquent, les décideurs politiques nationaux doivent interpréter et traduire des concepts et des méthodologies complexes et techniques dans des contextes et des processus décisionnels propres à chaque pays. Je soutiens que, pour être en mesure de le faire, ils s'appuient largement sur des ensembles d'idées macroéconomiques disponibles au niveau national.

Troisièmement, en étudiant les cadres fiscaux et leur relation avec les ensembles d'idées macroéconomiques, cette thèse vise à combler trois lacunes dans la littérature en économie et en sciences politiques :

(1) La recherche dans la tradition des approches de choix public a fourni des explications sur la nécessité d'introduire des cadres fiscaux (voir par exemple Buchanan et Wagner [1977] 2000, von Hagen et Poterba 1999, Kydland et Prescott 1977) mais peine à nous dire pourquoi les responsables de la politique fiscale seraient prêts à mettre en œuvre de telles institutions en premier lieu (Dryzek 1996). Cela constitue une énigme théorique que j'aborde dans les chapitres

empiriques de cette thèse en testant un certain nombre d'explications causales plausibles afin d'identifier les facteurs d'influence sous-jacents à l'adoption et au renforcement des cadres.

(2) Une littérature économique plus empirique a montré les effets des cadres fiscaux sur les résultats budgétaires, mais n'a pas réussi à écarter de manière convaincante les préoccupations relatives à l'endogénéité (voir par exemple Poterba 1996, Debrun et Kumar 2007, Heinemann et al. 2018). Les preuves rassemblées dans cette thèse suggèrent que les deux variables sont en effet fortement affectées par le même facteur causal, à savoir les ensembles d'idées macroéconomiques propres à chaque pays.

(3) Enfin, la recherche en science politique (ainsi qu'en sociologie et en histoire) s'est fortement concentrée sur le rôle de l'"austérité", les cadres fiscaux étant un outil central pour la mettre en œuvre (par exemple, Blyth 2013, Pathak 2017). Les chercheurs ont cependant traité ce concept comme une idéologie ou une politique largement uniforme, et ont donc ignoré les différences significatives entre les pays. L'analyse empirique de cette thèse contribue à cette littérature en identifiant des variations substantielles dans les "outils d'austérité" et leur (non-)applicabilité dans différents contextes nationaux, ce qui permet de nuancer et d'adapter certains des arguments clés de cette littérature.

Quatrièmement, au-delà de ses contributions à la littérature théorique et empirique existante, cette thèse vise également à faire progresser la recherche en termes méthodologiques. En étudiant six cas nationaux sur la base d'une stratégie de sélection diversifiée (voir Gerring 2007, Gerring et Cojocaru 2016), en s'appuyant sur de nombreuses preuves intra et inter-cas, et en testant en détail cinq explications plausibles différentes, l'objectif est de fournir une analyse qualitative capable de maximiser la validité interne et la généralisation externe des résultats empiriques (voir Slater et Ziblatt 2013). À mon avis, cette approche permet de contourner plusieurs problèmes des études quantitatives dans ce domaine de recherche. Les études actuelles ont des difficultés à identifier des relations causales robustes (voir Heinemann et al. 2018) et souffrent de la faible qualité des ensembles de données disponibles sur les cadres fiscaux. Dans le même temps, la stratégie de recherche largement déductive incluant six cas nous permet également d'éviter certains des pièges traditionnels des études qualitatives plus inductives qui construisent leur argument à partir des matériaux empiriques, ce qui rend souvent les généralisations des résultats problématiques (voir Beach et Pedersen 2016a, 2016b). Bien que nous n'ayons étudié que six des dix-neuf États membres de la zone euro, nous sommes convaincus que les relations causales identifiées se vérifient dans l'ensemble de la population des cas, en raison de la variation incluse dans les variables dépendantes et les principales variables indépendantes entre les cas, qui a été basée sur une stratégie délibérée de sélection de cas divers.

Le plan de la dissertation

Cette thèse est organisée comme suit. Avec ce chapitre 1 d'introduction, trois autres chapitres forment la partie 1 de la thèse, posant ses bases théoriques et méthodologiques. Dans la partie 2 de cette thèse, les chapitres 5 à 13 approfondissent l'analyse empirique. La dernière partie 3 comprend le chapitre 14 de conclusion ainsi que l'annexe.

La partie théorique et méthodologique de la thèse

Chapitre 2 - Identification des énigmes motivant la dissertation

Le chapitre 2 se concentre sur les principales variables dépendantes de cette thèse, les cadres fiscaux nationaux et leurs éléments constitutifs. Il sert également à identifier trois énigmes clés qui animent cette thèse. Ces énigmes sont fondées sur des considérations empiriques, théoriques et méthodologiques. La première partie du chapitre 2 développe l'énigme empirique qui est au cœur de cette thèse. En commençant par une vue d'ensemble de l'évolution générale de la conception et de la mise en œuvre des cadres budgétaires (nationaux) au cours des trois dernières décennies, elle met en évidence plusieurs pressions puissantes de convergence sur les cadres budgétaires de la zone euro. Le chapitre constate toutefois que, malgré ces pressions, des variations importantes subsistent dans la rigueur, la conception et le calendrier des cadres budgétaires nationaux. Il montre que ces variations subsistent même en tenant compte de l'inadéquation des indices existants qui mesurent les différents aspects des cadres budgétaires nationaux. La thèse se propose donc d'expliquer ce surprenant résultat empirique. La deuxième partie du chapitre 2 aborde ensuite trois différents courants de recherche sur les cadres budgétaires : (1) la littérature publique largement théorique, qui soutient que les cadres budgétaires sont capables de traiter un certain nombre de problèmes politico-économiques qui conduisent à un " biais de déficit public " dans l'élaboration de la politique budgétaire, (2) la littérature quantitative-empirique qui se concentre sur les effets des cadres budgétaires mis en œuvre sur les résultats de la politique budgétaire, et (3) la littérature existante limitée qui s'intéresse à l'explication de la variation de la rigueur, de la conception et du calendrier des cadres budgétaires. L'analyse identifie une énigme théorique et méthodologique. La littérature sur les choix publics a du mal à expliquer pourquoi des décideurs politiques rationnels et intéressés s'imposent des contraintes, tandis que la recherche empirique a du mal à établir des relations de cause à effet entre les cadres budgétaires et d'autres éléments. Le chapitre 2 se termine par une section qui définit plusieurs critères pour une approche théorique, méthodologique et empirique qui permettrait d'aborder les diverses énigmes et combler les lacunes de la recherche existante sur les cadres budgétaires.

Chapitre 3 - Élaboration de cinq explications plausibles pour l'énigme empirique

Le chapitre 3 s'appuie ensuite sur des études plus larges en sciences sociales pour élaborer cinq explications plausibles différentes de la principale énigme empirique de la thèse, à savoir la variation de la rigueur, de la conception et du calendrier des cadres budgétaires nationaux. La littérature mobilisée comprend des recherches en économie politique internationale et comparative, les "nouveaux institutionnalismes", les études idéologiques, les études sur le transfert et la traduction des politiques et les recherches sur les politiques publiques. La section 2 du chapitre 3 présente un argument idéationnel que je propose comme principale explication des variations des cadres budgétaires nationaux dans la zone euro. Cette approche idéationnelle s'inspire de l'approche translationnelle des idées macroéconomiques de Cornel Ban, que j'élargis pour l'utiliser dans cette thèse. Elle soutient que les idées développées au niveau international sont modifiées et hybridées avec les ensembles d'idées macroéconomiques nationaux dominants, ce qui conduit à des différences spécifiques à chaque pays. La section 3 présente ensuite quatre approches théoriques

alternatives qui pourraient expliquer la variation des cadres budgétaires nationaux, notamment le rôle des modèles économiques et des groupes d'intérêt, l'opinion publique, les marchés financiers et les actions coercitives d'acteurs externes puissants. Pour chacune des cinq explications, le chapitre discute de leurs fondements théoriques ainsi que des principales attentes empiriques.

Chapitre 4 - Développer une approche méthodologique pour résoudre les énigmes

Le chapitre 4 présente ensuite l'approche méthodologique de la thèse, un modèle de recherche par étude de cas comparative qui utilise à la fois l'analyse transversale et l'analyse intra-cas. Ce dispositif permet d'aborder les énigmes théoriques, méthodologiques et empiriques, notamment en ouvrant la "boîte noire" des cadres fiscaux nationaux par l'analyse des mécanismes causaux.

Le chapitre aborde brièvement les fondements ontologiques et épistémologiques du modèle de recherche utilisé et le rôle des mécanismes causaux en tant que constructions analytiques permettant de filtrer les régularités causales probabilistes de la complexité de la réalité, la rendant ainsi gérable sur le plan empirique. Des comparaisons et un suivi approfondi des processus sont utilisés pour identifier de manière adéquate les facteurs influençant la variation des cadres fiscaux nationaux dans six cas nationaux. Ces cas sont choisis sur la base d'une "stratégie de sélection de cas divers" qui permet de maximiser la validité externe et interne des résultats. À cette fin, les matériaux empiriques sont sélectionnés selon une logique de triangulation et évalués sur la base d'une approche bayésienne informelle. Le chapitre 4 discute enfin et opérationnalise les divers matériaux utilisés dans la partie empirique de la thèse.

La partie empirique de la thèse

Chapitre 5 - Détermination de la variation des cadres fiscaux nationaux

Le chapitre 5 sert d'introduction à la partie empirique. Il aborde la structure des neuf chapitres empiriques, dans lesquels les chapitres comparatifs 6 à 9 abordent chacun l'une des quatre explications alternatives, tandis que les chapitres 10 à 12 se concentrent sur l'approche idéationnelle dans trois études de cas de pays individuels, le chapitre 13 résumant les conclusions générales des chapitres empiriques. Le chapitre 5 analyse également en détail la rigueur, la conception et le calendrier des réformes des cadres budgétaires nationaux dans les six pays étudiés, en construisant la principale variable dépendante.

Chapitres 6 à 9 - Évaluation des explications alternatives de la variation du cadre budgétaire

S'appuyant sur une grande variété de documents, les chapitres 6 à 9 évaluent l'influence des modèles économiques/groupes d'intérêt (chapitre 6), de l'opinion publique (chapitre 7), des marchés financiers (chapitre 8) et des acteurs externes coercitifs sur la variation des cadres budgétaires nationaux (chapitre 9). Ces chapitres utilisent principalement des analyses comparatives, ce qui est généralement plus approprié pour écarter plutôt que confirmer des théories spécifiques. Lorsque cela s'avère utile pour évaluer la relation entre les facteurs d'influence potentiels et la variation des cadres budgétaires nationaux, les chapitres comparatifs font donc également appel à des preuves internes. Chacun de ces chapitres commence par une section d'introduction qui réintroduit les

principaux arguments et hypothèses discutés dans le chapitre théorique de la thèse, ainsi que les matériaux utilisés pour identifier les preuves empiriques qui pourraient aider à soutenir ou à contredire des éléments ou l'ensemble des mécanismes causaux respectifs. Lorsque cela s'avère nécessaire, les chapitres individuels abordent également des aspects méthodologiques, comme pour l'analyse de l'influence des groupes d'intérêt (chapitre 6) et l'évaluation des enquêtes/sondages d'opinion (chapitre 7). En général, les chapitres 6 à 9 visent à répondre à trois questions connexes qui peuvent aider à leur évaluation. La première s'intéresse à l'identification des données sur les principales variables indépendantes et à la manière dont la variation de ces variables correspond à la variation des cadres fiscaux nationaux. La deuxième question directrice appelle à l'identification des séquences temporelles entre les variables indépendantes et dépendantes, tandis que la troisième s'intéresse aux motivations des acteurs de la politique fiscale, ce qui peut aider à identifier les liens de causalité entre les variables d'intérêt. Les sections principales de chacun des quatre chapitres comparatifs sont consacrées à l'analyse des preuves empiriques disponibles, avec une section finale résumant les résultats pour chacune des explications théoriques alternatives testées.

Chapitres 10 à 12 - Trois études de cas approfondies pour analyser le rôle des ensembles d'idées macroéconomiques

Les chapitres 10 à 12 développent trois études de cas approfondies par pays (Slovaquie, Autriche, France). Ces chapitres ont plusieurs objectifs. Premièrement, ils permettent de retracer en profondeur le processus des principales réformes du cadre budgétaire national. Ensuite, ils servent à évaluer l'explication idéologique proposée. Pour ce faire, chaque chapitre identifie l'ensemble d'idées macroéconomiques dominantes en place, ses principales caractéristiques, son évolution dans le temps et la manière dont il est ancré dans les institutions politiques, économiques et de recherche du pays concerné. Les chapitres 10 à 12 se concentrent sur les preuves à l'intérieur des cas pour déterminer si la variation de la rigueur, de la conception et du calendrier du cadre fiscal correspond à l'explication idéationnelle proposée. L'approche de suivi des processus permet également d'évaluer les explications alternatives en identifiant les mécanismes de causalité à l'œuvre dans chacune des trois études de cas. Dans chacun des chapitres, l'analyse empirique est divisée en périodes clés de réformes des cadres budgétaires nationaux entre les années 1990 et la fin des années 2010.

Chapitre 13 - Synthèse des résultats empiriques

Le chapitre 13 conclut la partie empirique de la thèse en rassemblant et en évaluant conjointement les preuves empiriques analysées dans les différents chapitres empiriques. Les études de cas des trois pays suggèrent qu'une explication idéationnelle est la mieux adaptée pour expliquer la variation, en particulier dans la rigueur et la conception, des cadres budgétaires nationaux. L'analyse intégrée montre également que les marchés financiers et la coercition extérieure ont joué un rôle dans les épisodes de réforme individuels, mais ont plutôt influencé le calendrier et, dans une mesure limitée, la conception de certaines réformes des cadres budgétaires nationaux.

La partie conclusive de la thèse

Chapitre 14 - Conclusion et perspectives

Le chapitre 14 constitue la conclusion de la dissertation. Il vise à placer les résultats de la thèse dans un contexte académique et politique plus large, en discutant de leurs implications pour la littérature, l'élaboration des politiques fiscales actuelles et l'avenir des cadres fiscaux. Ceci est particulièrement pertinent dans le contexte des débats actuels sur la réforme du cadre fiscal européen. Le chapitre 14 revient sur les trois énigmes identifiées et examine dans quelle mesure l'approche méthodologique choisie et les preuves empiriques mobilisées ont permis de les résoudre. Cela permet d'identifier certaines lacunes de la thèse et la manière dont les recherches futures pourraient y remédier. La conclusion expose également les futures pistes de recherche, visant à ouvrir la voie à un agenda de recherche plus large sur les cadres fiscaux, allant au-delà des littératures actuellement prédominantes en matière de choix publics et d'économétrie.

Annexe

L'annexe fournit une liste de tableaux et de figures, un glossaire de termes et d'acronymes et des informations supplémentaires sur certains des matériaux clés utilisés dans cette thèse. L'annexe A offre une vue d'ensemble des divers documents juridiques et autres matériels utilisés pour rendre opérationnels les cadres fiscaux européens et nationaux en ce qui concerne leur rigueur, leur conception et leur calendrier. L'annexe B examine les données existantes sur les cadres fiscaux nationaux, discute des divers problèmes rencontrés par les indices de la Commission européenne pour mesurer de manière adéquate la rigueur des cadres fiscaux et met en évidence les défis que pose leur utilisation dans la recherche empirique. L'annexe C se concentre ensuite sur les problèmes de mesure des résultats budgétaires, dont beaucoup sont liés aux concepts sous-jacents aux règles de déficit structurel, et souligne les difficultés que ces problèmes impliquent pour la recherche sur la relation entre la rigueur du cadre budgétaire et les résultats budgétaires et sur l'évaluation de la (non-)conformité aux règles budgétaires. L'annexe D, enfin, est consacrée à une discussion des entretiens dans le cadre de cette thèse. Cela comprend leur rôle dans la conception globale de la recherche, le processus de sélection des personnes interrogées potentielles, la stratégie et l'analyse des entretiens appliqués, la liste des entretiens réalisés ainsi que deux entretiens types.