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**The Sensitive Swings of the European Pendulum:  
Ordoliberal and Neo-Keynesian Competitive Theories  
of European Integration**

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# **The sensitive swings of the European pendulum: Ordoliberal and Neo-Keynesian competitive theories of European integration**

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**Abstract:** The continuing problematic management of the 2010 European economic crisis is the cause and the result of the two contrasting philosophies within the European Union regarding its institutional architecture. The first approach highlights key assumptions about the tradition of German Ordoliberalism, such as the emphasis on respect for rules, on fiscal accountability, on financial solvency and on economic austerity policies. The second approach combines Neo-Keynesian theories, with common features such as flexible and adaptive rules, solidarity, and credit expansion policies. The paper approaches the European Union's *crisis of the crisis management* in the light of these two competitive philosophies.

**Keywords:** crisis management, EU economic governance, fiscal policy, ordoliberalism

**JEL Classification:** E42, F15, E61, H12, P16

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## 1. Introduction

The financial crisis that occurred in 2007/2008 in the United States as a result of the explosion of subprime loans and the resulting banking crisis quickly spread to the European economy and led to the worst global economic crisis since the era of the Great Depression of the 1930s. In spite of the initial estimates, the US economy managed to recover faster than the European one (only in 2017 the GDP growth rate of the Eurozone showed the dynamics of the pre-crisis period- 2.5%). Although the debate on the exact factors of these different courses is still ongoing (fiscal stimulus policies, quantitative easing measures, etc.), it is certain that the delayed response of the Eurozone decision-making centers has contributed to the intensity and duration of the manifestation crisis. As there was no broad consensus among the Eurozone member states on the causes and appropriate ways to tackle the crisis, policies that kicked the can down the road were followed to remove the default of a national economy which would coalesce the Eurozone as a whole, but without correcting the imperfections of the Eurozone as an optimal currency area. Today, the Eurozone remains extremely vulnerable to the possibility of a new financial crisis (Benassy-Quéré et al, 2018), despite the significant progress made in its institutional shielding.

At the heart of the different approaches to crisis management that have been developed and the plans for the transformation of the institutional architecture of the Eurozone, there are the different ideological and theoretical attitudes of the two dominant currents, which we are schematically called ordoliberal and neo-keynesian views. However, we must not perceive these two currents as doctrinal systems of ideas that are crystallized in given and immovable political decisions. After all, throughout the crisis the Eurozone members showed a considerable degree of flexibility and a compromise of their different interests, which eventually contributed to the strengths of the Eurozone. It is therefore more useful for analytical reasons to treat these two considerations more as mental frameworks within which decision makers form their assessments of their environment (the Weberian ‘world images’)<sup>1</sup>

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<sup>1</sup> According to Max Weber (Gerth and Mills, 1946, p. 280), “not ideas, but material and ideal interests, directly govern men's conduct. Yet very frequently the ‘world images’ that have been created by ‘ideas’ have, like switchmen, determined the tracks along which action has been pushed by the dynamic of interest.”

and thus orient their actions accordingly. Against this background, the political antagonisms that occur within the Eurozone can be seen as a ‘battle of ideas’ (Brunnermeier et al, 2016).

## **2. The political context**

The management of the European crisis, which was the focus of Greece in 2009 because it had the most vulnerable economy due to its fiscal situation (twin deficits), was lagging behind, fragmentary and, to a large extent, contradictory. The Greek crisis, along with the structural deficiencies of the Greek economy, exposed the institutional weaknesses of the Eurozone. The institutional architecture of EMU was initially problematic as it did not cover basic functions of an excellent monetary area. In particular, EMU did not have a lender of last resort, European labor and product markets were severely rigid and did not have the necessary adaptive flexibility, while lacking the required fiscal policy coordination to address the significant asymmetries of its economies into a possible crisis. In short, at the outset of the crisis EMU did not constitute an excellent currency area (De Grauwe, 2015).

Under the pressure of the widespread crisis and the slow recovery, EU and especially Eurozone promoted policies to strengthen economic governance, in the direction of increased surveillance and more effective co-ordination of the economic policies of its member states aimed at strengthening the mechanisms for preventing and managing economic crises. In summary, the following main arrangements have been adopted to address macroeconomic imbalances and monetary stability:

- The introduction of the ‘six-pack’ legislation for EU Member States. (13.12.2011),
- The complementary adoption of the ‘two-pack’ legislation for euro-area Member States (30.5.2013),
- The adoption by the Eurozone members of the Euro Plus Pact (25.3.2011) as a complementary treaty of the Stability and Growth Pact,
- The adoption of the Fiscal Compact as part of the Treaty on Stability, Coordination and Governance in Economic and Monetary Union (2.3.2012),

- The establishment of the European Stability Mechanism (ESM) (27 September 2012) which replaced the previous EFSF and EFSM mechanisms.

In general, the advances in the eurosystem architecture widen, tighten up and impose a supervisory framework for EU economies (Public Budget Office, 2014). The most notable new provision is the introduction of the golden rule of the golden rule, i.e. the constitutional ban on budget deficits.<sup>2</sup> At the same time, the need to strengthen the development dimension of European policies and the importance of public investment, as demonstrated by the Commission's initiative on the Investment Plan for Europe (16.12.2014), is recognized.<sup>3</sup>

### **3. The ideological origins of European and Monetary Union**

Ideas shape the institutions which in turn determine our political choices. In view of the neo-institutional approach of governance, the institutions of the EU architecture integrate the competitive values, ideas and perceptions of its member states, helping us to perceive their evolution over time (Bulmer, 1998).

Particular influence on the formation of Economic and Monetary Union (EMU) has exercised and continues to exercise the political stream of ordoliberalism. Ordoliberalism is one of the many tributaries that expose to the river of political and economic liberalism. Ordoliberalism<sup>4</sup>, an integral part of the multifaceted current of German liberalism<sup>5</sup>, was mainly linked to the Freiburg School where the 1930s, with

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<sup>2</sup> According to the golden rule of the balanced budget, Member States are required to incorporate in their national legislation the budgetary rule of annual budget balances or surpluses. In any case, the annual structural deficit should not exceed 0.5% of GDP or 1% of GDP if the government debt is significantly below 60% of GDP.

<sup>3</sup> The well-known Juncker Plan mobilizes €315 billion of financial resources over the three-year period 2015-2017, through the establishment of the European Structural Funds (ESF) with the cooperation of the ECB to leverage funds for investment in specific sectors of economic activity and support for start-ups.

<sup>4</sup> The term derives from the Latin word *ordo* which expresses the ideal of civilized society in Ancient Rome, where citizens lived freely in high predictability.

<sup>5</sup> Representatives of German liberalism include Alfred Müller-Armack, Wilhelm Röepke and Walter Rüstow (rapporteur for the term 'neoliberalism' in 1938), who have more emphasized the social

main representatives Walter Eucken, Franz Böhm and Hans Großmann-Doerth, sought the normative foundations of a free- society (Vanberg, 2004). The specific weight of history often has a catalytic effect on the formation of perceptions, and the representatives of ordoliberalism have not been an exception. Having experienced the trauma of the Weimar Republic's collapse and the rise of Nazism, the hyperinflation of the 1920s, the explosion of socio-economic antagonisms, and the lack of institutional counterbalancing to support the democratic regime, (constitutional) conditions for the smooth operation of the economy (Gerber, 1994, pp. 27-28).

In the problem of ordoliberal perspective, the state must be sufficiently strong so that it does not retreat in the face of specific economic interests and at the same time weak so as not to falter the economic decisions of economic actors. Starting from the observation that the economy is embedded in rules and cannot be separated from them, ordoliberalism sought to shape the terms of a harmonious symbiotic relationship between the economy and society. The establishment of a rule-based economy, where competition is presented as a counterweight to potential abuse of economic and political power and markets act as a tool of social integration instead of division, places ordoliberalism between in the planned economy and laissez faire (Gerber, 1994, pp. 83-84).<sup>6</sup>

The basic pillars of ordoliberal theory are the pursuit of price stability and low inflation, the responsibility of economic actors (a concept derived from insurance law), the independence of central banks from political power (but also, if possible, by the bankers), preventing fiscal deficits and (legal) protection of competition rules. Generally speaking, ordoliberalism follows the model of neoclassical economics but aims at formulating a social theory (Nedergaard, 2013) as it considers that the economic structure (class) is linked to any other basic political structure (political, judicial, etc.) and integrates elements of a moral theory. The impact of ordoliberal ideas on the post-war German economic policy was significant as they were linked to

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dimension of the market economy. For the differences between the two main schools in Freiburg and Cologne, see: Mureşan, 2014, p. 114.

<sup>6</sup> According to Hayek (1985, p. 18), “most likely, nothing has caused greater damage to the liberal affair from the rigid insistence of some extreme liberals on certain dogmatic prejudices and above all at the beginning of laissez faire”.

the wonders of the *Wirtschaftswunder* and the model of the ‘social market economy’ (Mureşan, 2014).<sup>7</sup>

The differences between ordoliberalism and Keynesianism are important. The classical liberals treated Keynesianism as a theory without rules (Eucken, 1992), and the Keynesian ideas never influenced German post-war economic policy outside academia (Allen, 2005). The neo-keynesian approaches are characterized by active fiscal policy (including budget deficits), the acceptance of high inflation as an economic policy tool, and the short-term view of economic management (Nedergaard, 2013).<sup>8</sup> Especially in the case of France, apart from the post-war dominance of Keynesianism, the theories of economic planning and economic coordination, although marginalized, have left their defects in the country's economic policy in the form of the easiest State intervention in the economy.

Apart from the above, another key difference between neo-keynesian and ordoliberal theories lies in the role of fiscal policy. Contrary to Keynesian theories that restrictive income policies (austerity policies) must be applied in the economic cycle, ordoliberalism argues that restraint (but also reduction) in public spending can be expansive even in times of recession (Blyth, 2014, p. 242). In the field of monetary policy, and of course, Keynesian influences on the role of central banks can be found in the functioning of the American Central Bank (Fed), where in its statutory objectives the contribution to maximizing employment is equated with the pursuit of price stability.

The institutional regulatory framework of EMU as well as competition policy, more than any other European policy, bear the imprint of ordoliberal economic theory. The establishment of the European Central Bank (ECB) in 1998 was the core of EMU's institutional architecture. Based on the institutional model of the German central bank (Bundesbank), the ECB's primary objective was to effectively implement

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<sup>7</sup> Among the politicians directly influenced by the ideas of Eucken and ordoliberalism in post-war Germany, Ludwig Erhard, the initiator of monetary reform in 1948, was distinguished as Finance Minister (1943-1963), later Chancellor (1963-1966) and prominent member of the neoliberal International Mont Pelerin Society. Erhard wished to “de-politicize” the economy (Mierzejewski, 2004, p. 39).

<sup>8</sup> Keynes, referring to the quantitative theory of money, wrote in *A Tract of Monetary Reform* (2013, p. 65) that “we are all dead in the long term”, meaning that the economy does not always balance directly due to changes in people's preferences, which makes it necessary intervention.

a long-term anti-inflationary monetary policy aimed at European financial stability (Dyson, 2008).<sup>9</sup> It is characteristic that the German official and one of the major EMU architects Hans Tietmeyer has been leading the issue of ‘moral hazard’ and preventing the ECB from operating as a ‘lender of last resort’ (Dyson, 2016).

Concurrently, European competition policy has been influenced by ordoliberalism through regulatory provisions to prevent the abuse of the dominant position of financial interests (Gerber, 1999).<sup>10</sup> The more specific arrangements for European state aid schemes as an integral part of the single market (Nedergaard, 2013) are of similar influence.<sup>11</sup>

In fact, the different ordoliberal and neo-Kenyan approaches of EMU highlight the old distinction in the field of monetary theory between *rules* and *discretion* and emphasize, in particular, the predominant ‘regulatory’ notion that discretionary interference with monetary policy is economically ineffective (Glasner, 2017), either because of possible arbitrariness of planners (Eucken, 1992) or the limited use of the money-giving tool (Friedman, 1951) or even due to the time inconsistency of economic decisions with long-term objectives (Kydlan and Prescott, 1977).

Dominant ideas and perceptions help us to explain the different institutional paths followed by economies. Although today there is a gradual process of convergence of the national economies of the Eurozone to the ideology of neo-liberal/conservative economic policy, the debate on the presence of various models of modern capitalism (varieties of capitalism) highlights the importance of national traditions in the economy. In this light, the German model of capitalism, as discussed

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<sup>9</sup> In accordance with Article 127 (1) TEU: “The primary objective of the European System of Central Banks shall be to maintain price stability”.

<sup>10</sup> It should be noted that in 1957 the first Against Restraints of Competition was introduced in Germany.

<sup>11</sup> According to Article 107 (1) TEU: “Save as otherwise provided in the Treaties, any aid granted by a Member State or through State resources in any form whatsoever which distorts or threatens to distort competition by favouring certain undertakings or the production of certain goods shall, in so far as it affects trade between Member States, be incompatible with the internal market”.



above in this distinctive corporatist model of 'Rhine capitalism', belongs to 'coordinated market economies'.

On the contrary, in the case of France, although the post-war strong and distinct tradition of state interventionism (*dirigisme*) is a distant past, certain particular elements of economic and political culture continue to survive so that the French model of capitalism is today categorized as "influenced by state-influenced market economies. This is because, even with no longer having the old tools to intervene in the economy, France continues to look for answers to the emerging issues of the economy (industrial policy, labor relations, etc.) in the country's rich state-intervention economic tradition. Although a more 'state of mind' than an applied policy (Schmidt, 2016), traditional 'exceptionalism' continues to exert a considerable (albeit declining) influence on the shaping of European balances.

In the context of the ongoing crisis in the management of the Eurozone crisis, the question of the possibility of reconciling the different macroeconomic traditions (models), a question which had also been shared by members of the Ordoliberal School, part of which was skeptical about the adoption of the 'German' economic principles from other states (Dyson, p. 164).

#### **4. Ordoliberal and Neo-Keynesian theories in the crisis**

The intensity of the European crisis has surprised the political system as a whole, as until 2008 the EMU project, despite the different theoretical and ideological approaches to its organization and operation, was considered to be completely successful. Participants in decision-making centers in the EU have shown exemplary indifference in the early stages of the economic crisis, an attitude often found in economic history (Keynes). Different narratives about the European debt crisis and its causes have contributed to the delayed response of European institutions. During the Eurozone crisis, not only economic divergence but also divergence of beliefs (Stiglitz, 2016, p.30) was observed, while an effective single economic space implies a level of common perceptions.

In summary, two groups were formed, the first involving Germany to emphasize the importance of budgetary discipline and moral hazard and the second, involving France and the countries of the European South, to put forward the need for

mechanisms of financial support and solidarity (Lehmann and Umbach, 2017, p.13). The influence of the German perceptions within the Franco-German axis, the driving force of the process of European unification, determined the direction of the Eurozone (Brunnermeier, 2016, p. 39).

In the evolution of the debt crisis management in the Eurozone we can schematically distinguish two main phases. In the first phase, focusing on the Greek debt crisis, the political emphasis is on adherence to the rules and consequently on the disciplining of the countries that violate them. At the initial stage of the crisis and until May 2010, when its escalation imposed a radical change of attitude, the German side categorically denied any financial assistance to Greece. The ECB, following the pattern of efficient markets, according to which markets need no intervention beyond the level of a stable inflation rate, has shown inertia. This is because the ECB did not have the statutory authority to act as a lender of last resort, and the decision-making process is more complex, unlike the American Fed that acted promptly and more dynamically (Kang et al 2016). The keynesian-inspired proposals for debt mutualisation as a mechanism for sharing responsibility, relaxing monetary policy and deleting part of the debt of the economies tested have never been seriously discussed.

It is interesting to note that a series of cultural-related social and cultural factors have shaped the specific interpretation of the Greek (but also the European) crisis as a whole. In particular, the roots of ordoliberal politics and economic theory refer to German Protestant and Lutheranism (Mureşan, 2014, pp. 29-35). In this context, moral hazard, beyond financially damaging, is morally reprehensible as it encourages irresponsible behavior. The ethical dimension of the economy reflects the confusion of the concepts of guilt (*schuld*) and the sanctions imposed on the debtor (*Schuldner*) in the German language (Offe, 2016, p. 96). In view of this, the implementation of a rigorous debt-forgiveness adjustment program is proof of the actual atonement of debtors who have breached the rules.

Corresponding cultural elements include the dominant economic idea of austerity as it is linked to the central position of working ethos and saving/ investing in German Protestantism (Weber). The phrase “first saved and then spent” (*erst sparen, dann kaufen*) is characteristic of this approach (Blyth, 2013, p. 132). An example of this approach is the example of the ‘Swabian housewife’ used at the beginning of the crisis by German Chancellor Angela Merkel, according to which the

management of public finances should resemble prudent management of a household's finances.<sup>12</sup>

It is clear, therefore, that the economic logic that dictated the terms of rescue of the Greek economy echoed the cultural plots of ordoliberalism. The first economic adjustment program (Memorandum I) imposed punitive interest rates in Greece (Sachs, 2015) and a long process of internal depreciation leading to a large contraction of the economy. Both of these policies can be seen as a response to moral hazard, but also as one, in some ways, the possibility of a real rebuke for the irresponsible fiscal stance of the country in the past. As an insistence on adherence to the rules and the avoidance of moral hazard, the rejection of any proposal (including the IMF) for debt restructuring in the initial phase of the crisis must still be seen.<sup>13</sup>

Indicative of this interpretation of the crisis is the perception of the necessity of the EU to “tie Odysseus’ hands” (Kazakos, 2007, p. 28) limiting the possibility of politics to intervene by violating economic logic. The Fiscal Compact, and in particular the constitutional provision of the ‘golden rule’, is a typical example of the introduction of an economic Constitution, and in particular it reveals the influence of the German Constitution (Fabbrini, 2013), which in turn reflects the principles of ordoliberalism (Nedergaard, 2013, page 6). The various neo-keynesian approaches have contributed, among other things, to the assumptions of the need for a monetary policy that does not limit its goals to price stability, the flexibility of economic governance (and policy priority over the rules) sharing the cost of economic adjustment with the increased contribution of surplus economies (Brunnermeier et al, 2016, p. 74).

Of course, political reality is formed under conditions of competition and uncertainty and it is never a faithful representation of the world of ideas. In the case of managing the Eurozone debt crisis, the two different approaches have co-shaped (albeit not to the same extent) its course. Thus, the second phase in crisis management, when after 2011 it was broadly accepted that the policies pursued did not deliver the expected results and the growing crisis threatened to pull other states in

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<sup>12</sup> According to the statement of A. Merkel in 2008, US banks would have to consult the Swedish housewife in managing their finances. Pietism, a puritanical version of Lutheranism, dominates in Sweden, a region of southwestern Germany (Economist, 2014).

<sup>13</sup> Finally, in March 2012, the process of restructuring the Greek public debt, which was in private sector involvement (PSI), with the write-off of debt of 106 billion euros, was completed.

the European South by jeopardizing the cohesion of the Eurozone is characterized by the adoption unconventional measures, with their flexibility in mind and a broad interpretation of the rules of economic governance. Initially, the bail-out clause in Article 125 TEU<sup>14</sup> had to be circumvented in order to support the economies that were threatened with default. This was made possible by the European Council Decision (25.3.2011) establishing a monetary support mechanism for the euro area as a single economic area and not an individual Member State.<sup>15</sup>

On the question of the ECB and in the face of the current crisis, Germany, though macroscopically maintaining an unwavering approach, seemed to cross many of its 'red lines' (Lehmann and Umbach, 2017, p. 12) and in any case beyond its statutory powers. As the crisis put the Eurozone in jeopardy, the ECB worked, albeit with delay, as a lender of last resort.<sup>16</sup> Other ECB interventions include the Outright Monetary Transactions program, (OMT),<sup>17</sup> which concerned the secondary market for sovereign debt of euro area countries subject to conditionalities (EFSF/ ESM), and then (March 2015) a Quantitative Easing-QE program for the purchase of sovereign debt in order to stimulate the economy and to face the immediate risk of deflation in the Eurozone.

At a theoretical level, the quantitative easing policies pursued make the boundaries between monetary and fiscal policy inconspicuous and in any case they move away from a 'pure' ordoliberal view of the ECB's aim approaching keynesian

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<sup>14</sup> According to Article 125 (1) TEU: "The Union shall not be liable for or assume the commitments of central governments, regional, local or other public authorities, other bodies governed by public law, or public undertakings of any Member State, without prejudice to mutual financial guarantees for the joint execution of a specific project".

<sup>15</sup> According to Article 136 (3) TEU: "The Member States whose currency is the euro may establish a stability mechanism to be activated if indispensable to safeguard the stability of the euro area as a whole. The granting of any required financial assistance under the mechanism will be made subject to strict conditionality".

<sup>16</sup> It is characteristic of the statement by ECB President Mario Draghi that "the Bank would do what it was necessary to save the Euro".

<https://www.ecb.europa.eu/press/key/date/2012/html/sp120726.en.html>

<sup>17</sup> Ireland and Portugal participated in the program aimed at reducing the yield on government bonds, but not Greece and Cyprus.

monetary policy<sup>18</sup> (although this is typically aimed at ensuring a 2% inflation rate).<sup>19</sup> It is characteristic that the ECB has been criticized mainly in Germany that it exceeded its statutory powers.

Moreover, the application of the State aid rules under the burden of the crisis to European businesses and banks has become considerably more flexible (Nedergaard, 2013, p. 14). The strict (and German-influenced) European competition policy, much of which refers to the prevention of discriminatory treatment of anti-competitive firms, has given its place, mainly through the role of the Commission, adapted to the necessities of the crisis (mainly to the weaknesses of banks), allowing for a number of exceptions to the general rules (Article 107 (1) TEU).

Last, it is worth noting the idea of establishing a European Monetary Fund to support (IMF standards), an idea that, although repeatedly proposed in the past without the necessary attention, is being discussed today seriously in the light of the recent crisis (Bransden and Khan, 2017).

The Eurozone, as well as the eurosystem as a whole, is a dynamic balance subsystem (Glynos, 2010), where the policies pursued are the result of a lasting compromise between the many different perceptions and aspirations of the national states. As a result, the European system is characterized by the simultaneous coexistence of conservative/ liberal and social democratic/ keynesian ideas. Thus, the Treaty of Lisbon balanced the Maastricht Treaty's ordoliberal predictions on the conduct of macroeconomic policy, having an apparently social democratic character (Ioakimides, 2018, pp. 88-89), as it sets out among the EU's main aspirations the (Keynesian) goal of full employment.<sup>20</sup> Flexibility, pragmatism and the (often painful) reconciliation of national interests are the timeless reality of the Eurozone (Beck and Kotz, 2017). This dynamic equilibrium is reflected not only in the shaping of the

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<sup>18</sup> Keynes (2017) addressed the question of quantitative easing in his classic work *The General Theory of Employment, Interest and Money*.

<sup>19</sup> Eurozone's different perceptions of the role of QE are typical, as the statement by the head of the Dutch central bank Klaas Knot points out that the quantitative easing program should be terminated shortly, although the inflation target of 2% has not been achieved yet (Vergauwen et al, 2018).

<sup>20</sup> According to Article 3 (3) TEU, "The Union shall establish an internal market. It shall work for the sustainable development of Europe based on balanced economic growth and price stability, a highly competitive social market economy, aiming at full employment and social progress, and a high level of protection and improvement of the quality of the environment".

European institutional framework but also in the changing interpretation of EU rules (Ioakimides, 2018, p. 90).

Related to the observed delayed response of the Eurozone to tackling the economic crisis is the question of the absence of a hegemonic power within it,<sup>21</sup> as Germany does not want to take on this role and the political and economic costs it entails, inviting its partners to comply with Eurozone rules (Offe, 2015, p. 91). In this context, Germany's continuing tendency to behave as the Euroland's 'reluctant hegemon' (Bulmer and Paterson, 2013) allows other states and other economic philosophies to influence the European sub-system, making its balance extremely sensitive. German ideas for European integration, although of increasing influence, have failed to dominate the European environment (Nedergaard, 2013, p. 15).

It is exactly this absence of a leading power to ensure systemic stability contributed to the crisis management crisis. According to the term Offe (2015, p. 3), members of the Eurozone were trapped in a state of uneasy and unstable balance as,

They are disempowered to manage their national currencies (as there is none anymore) yet unable to establish collectively the governing capacity that would allow them to manage their interdependency in ways that are tolerable for all and capable of curbing the power of the financial sector. Sociologically speaking, the scope of functional integration is much wider than the scope of social integration, or what we are passively *affected by* is beyond our collective capacity to *act upon*.

However, despite the emergence of new approaches (neo-keynesian, heterodox, etc.) to interpret the crisis, the basic ordoliberal assumptions (albeit not policies!) Remained broadly unchanged. According to them, the observed failure of EMU to shield the national economies from the crisis is attributable to the violation of statutory rules (such as initially by the relaxation of the Stability and Growth Pact to 2005 and later with the rescue programs of European economies) from the outset, its systemic structure (Sinn, 2014, p. 253).

Also, at the level of political elites, German policy does not change the direction of strictly respecting fiscal responsibility and strictly adjusting public

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<sup>21</sup> The term "hegemonic power" refers to the 'hegemonic stability' theory as used primarily in the international political economy and refers to the willingness and ability of a state to enforce compliance with the operating rules of the system, as its absence is a source of inherent instability.

finances, despite the differences between the two main political parties (the CDU/CSU conservatives and the Social Democratic SPD) on economic policy issues (e.g. tax policy, growth policies) where their different neoliberal and Keynesian influences are highlighted (Dullien and Guerot, 2012).

Actual facts often influence the way we perceive them. Although a radical review of the course of European integration is not to be expected in the short term, a 'rebalancing' of different views on causes and crisis management is likely (Dahan, 2016, p. 358). This new balance, though questionable whether it will be legislative/regulatory, may lead to a more pragmatic approach to the management of the Eurozone.

To sum up, the institutional architecture of EMU, particularly during the crisis, reflects Germany's soft power in European affairs. The intensity and duration of the European crisis has called into question the basic assumptions of the current German (ordo-liberal) approach, while at the same time reinforcing a neo-keynesian critique (van Esch, 2014). However, this questioning was not sufficient for the pending European integration, despite its constant oscillations, to move away from the pole of regulatory discipline to the pole of discretionary flexibility of the rules. To the extent that a functional balance between the different views of the process of European integration is not achieved, the Eurozone is likely to continue to manage its judgments without the required efficiency.

## **5. Concluding remarks**

In spite of the successive waves of economic and political turmoil, the Eurozone displayed remarkable survival reflexes as citizens and civilian staff in its member states seemed to realize that the cost of its dissolution would be unbearable for everyone (Offe, 2015). However, this fact rather for a moment works reassuringly, removing the sense of urgency. The, more or less interesting, political and academic proposals for the optimal functioning of the Eurozone do not seem to lead to a change in the dominant example of an institutional organization of the EU which continues to largely reflect (ordoliberal) German economic perceptions. In this respect, policies such as those relating to the completion of the banking union should be expected to be

promoted more rapidly in relation to policies that are not in the German priorities, such as those of a fiscal union.

Effective adaptation of the Eurozone to external (structural) asymmetric shocks requires the achievement of a functional balance between the requirement for increased accountability and the necessary risk sharing that its member states make to varying degrees. For this purpose, a reflective process is needed that leads to an understanding of the causes of the crisis and thus an effective approach to the ordoliberal and neo-Keynesian perceptions.

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