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Ideas, Political Power, and Public Policy

Edited by
Daniel Béland, Martin B. Carstensen and Leonard Seabrooke

ROUTLEDGE

Ideas, Political Power, and Public Policy

Through the last couple of decades, scholars on both sides of the Atlantic have increasingly emphasized the importance of ideas in understanding processes of change and stability in politics and public policy. Yet, surprisingly, relatively little has been done to more clearly and stringently conceptualize the relationship between political power and the role of ideas in public policy and political development. This volume addresses this major lacuna in the policy and political studies literature by bringing some of the best scholars in the field, who each write about the relationship between ideas and power in politics and public policy. The contributions frame the concept of ideational power and explore ways in which ideas shape power relations, across a number of distinct countries and policy areas. The topics covered include austerity, coalition building, monetary policy, social policy, tax policy, and macroeconomic indicators. The volume features a short introduction written by the co-editors, and a final, recapitulative essay prepared by Mark Blyth, one of the most cited scholars in the field.

This book was previously published as a special issue of the *Journal of European Public Policy*.

Daniel Béland holds the Canada Research Chair in Public Policy (Tier 1) at the Johnson-Shoyama Graduate School of Public Policy, University of Saskatchewan, Canada.

Martin B. Carstensen is an Assistant Professor at the Department of Business and Politics, Copenhagen Business School, Denmark.

Leonard Seabrooke is Professor of International Political Economy and Economic Sociology at the Department of Business and Politics, Copenhagen Business School, Denmark.

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Ideas, Political Power, and Public Policy

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Leonard Seabrooke is Professor of International Political Economy and Economic Sociology at the Department of Business and Politics, Copenhagen Business School, Denmark.

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Notes on Contributors

Daniel Béland holds the Canada Research Chair in Public Policy (Tier 1) at the Johnson-Shoyama Graduate School of Public Policy, University of Saskatchewan, Canada.

Mark Blyth is Eastman Professor of Political Economy at the Watson Institute for International and Public Affairs at Brown University, USA.

Martin B. Carstensen is Assistant Professor at the Department of Business and Politics, Copenhagen Business School, Denmark.

Robert Henry Cox is Professor in the Department of Political Science at the University of South Carolina, USA, and is the Director of The Walker Institute of International and Area Studies.

Oddný Helgadóttir is a doctoral candidate at Brown University, USA.

Matthias Matthijs is Assistant Professor of International Political Economy at Johns Hopkins University's School of Advanced International Studies in Washington, DC, USA.

Daniel Mügge is Associate Professor in the Political Science Department at the University of Amsterdam, the Netherlands.

Craig Parsons is Professor of Political Science, University of Oregon, USA.

Vivien A. Schmidt is Jean Monnet Professor of European Integration in the Pardee School of Global Affairs, and Professor of Political Science in the Department of Political Science, Boston University, USA.

Leonard Seabrooke is Professor of International Political Economy at the Department of Business and Politics, Copenhagen Business School, Denmark.

Wesley Widmaier is a Senior Lecturer in the Griffith University Centre for Governance and Public Policy, Australia.

Duncan Wigan is Associate Professor of International Political Economy at the Department of Business and Politics, Copenhagen Business School, Denmark.

Introduction
IDEAS, POLITICAL POWER AND PUBLIC POLICY

Daniel Béland, Martin B. Carstensen and Leonard Seabrooke

Throughout the last couple of decades, scholars have increasingly emphasized the importance of political ideas in understanding processes of change and stability in politics and public policy. The aim of ideational analysis in policy studies has not just been to theorize the representation or embodiment of ideas and the interactive processes by and through which ideas are generated and communicated. It has also underlined the importance of considering both ideas and discourse in the institutional context within which political actors both 'power' and 'puzzle'. Naturally, the causal 'power of ideas' has been an important subject of study in the ideational tradition, spawning important studies on how ideas and ideologies are institutionalized and how they define the interests of strategic policy actors. The power of ideas has always reigned among the most important issues in ideational analysis. With this in mind, it may come as a surprise that relatively little has been done to more clearly conceptualize the relationship between the concept of political power and the role of ideas in public policy.

The ideational side of power relations (which may be called ideational power) requires further study. At least part of this relative lack of connection to power theory seems attributable to ideational scholars' strong focus on supporting the more general claim that 'ideas matter' as causes, thus carving out a clear position *vis-à-vis* more traditional interest-oriented approaches. This effort has clearly been fruitful – as seen not least by the growing attention to ideas within policy studies and political science more generally – but the central task of delineating how ideational scholarship can contribute to understandings of power remains.

The present edited collection sets out to do so in two principal ways. First, building on existing ideational scholarship, contributors to this collection take on the task of investigating the relation between ideas and political power to develop clearer understandings of ideational power in policy research. Second, this collection is focused on conceptualizing the relationship between political power and ideas. In other words, the contributions combine a strong grounding in ideational analysis with an equally strong commitment to connect with and draw on the approaches to power developed in other traditions of policy studies and political science.

Studying the relationship between policy ideas and power is not only important for ideational scholarship but also relevant for the larger power debate in political science. To be sure, although students of power have acknowledged the central role of perceptions and interpretations for the practice of power in politics – perhaps most famously in Steven Lukes's third face of power – the power debate has too often depended on scholars from outside political science and policy studies to further conceptualize the relationship between power and ideas. Michel Foucault's work is noteworthy in this regard. This literature has been helpful in promoting a stronger focus on the relation between ideas and power, but there are a number of methodological and epistemological problems involved in 'transposing' these insights into policy studies. This collection seeks to develop an approach to ideational power more clearly wedded to a political science tradition.

Following a conceptual analysis by Martin B. Carstensen and Vivien Schmidt, the contributions featured in the present collection all address the relationship between ideas and political power. They study this relationship across a wide range of issues and topics, which range from coalition building and ideational explanation to neoliberalism and the role of professionals and of central bankers in public policy. The contributions relate power to ideas by delineating mechanisms through which they interact. For some this follows the 'power in', 'power over' and 'power through' ideas framework advocated by Carstensen and Schmidt, which focuses the scholars to not only consider interests as a form of idea – a common assertion in ideational analysis – but also the institutional environments, collective and personal tactics, and resources drawn upon to express ideas as interests. For other contributors the focus is more on mapping who is promoting which ideas and the institutions and networks they draw upon. Either way, the contributions theorize the relationship between ideas, power and public policy. The collection ends with a short essay by Mark Blyth. Taken together, these contributions make three central contributions. First, by moving the concept of power to the centre of ideational policy analysis and by developing a specific category of ideational power comparable to other forms of power, it brings greater conceptual clarity to the role of ideas in public policy. Second, it shows the empirical relevance of this broad approach to power by employing it in a substantive analysis of a diverse set of policy areas. Finally, to further the development of the study of policy ideas, this collection connects two literatures that up until now have too often lived separate lives, namely ideational analysis and the power debate of public policy and political science**.** Taken together, this collection aims to refocus the study of ideas in politics to address in clearer conceptual terms how ideas come to impact policy-making.

The contributors to the collection all participated in a two-day workshop held at the Copenhagen Business School in June 2014 and funded by the European Commission FP7 grant ‘GREEN – Global Reordering: Evolution through European Networks’ (#266809-GR:EEN). Further work by Carstensen and Seabrooke, and some contributors to this collection, has been supported by the Horizon 2020-funded project ‘European Legitimacy in Governing through Hard Times: The role of European Networks’ (#649456-ENLIGHTEN). Thanks are due to the workshop participants, including Cornel Ban, Joelle Dumouchel, Juliet Johnson and Ben Rosamond. We also wish to gratefully acknowledge the hard work of the reviewers, as well as the useful input and advice of the editors of the *Journal of European Public Policy*.

Power through, over and in ideas: conceptualizing ideational power in discursive institutionalism

Martin B. Carstensen and Vivien A. Schmidt

ABSTRACT Owing to the tendency of discursive institutionalists to conflate the notion that 'ideas matter' for policy-making with the 'power of ideas', little has been done to explicitly theorize ideational power. To fill this lacuna, the contribution defines ideational power as the capacity of actors (whether individual or collective) to influence other actors' normative and cognitive beliefs through the use of ideational elements, and – based on insights from the discursive institutionalist literature – suggests three different types of ideational power: *power through ideas*, understood as the capacity of actors to persuade other actors to accept and adopt their views through the use of ideational elements; *power over ideas*, meaning the imposition of ideas and the power to resist the inclusion of alternative ideas into the policy-making arena; and *power in ideas*, which takes place through the establishing of hegemony or institutions imposing constraints on what ideas are considered.

1. INTRODUCTION

The emergence of discursive institutionalism as a fourth institutionalism in political science was predicated on the success ideational scholars enjoyed in arguing that 'ideas matter (Schmidt 2008). To defend the emphasis on ideas as an explanatory factor in political analysis, the first generations of ideational scholarship took pains to demonstrate and theorize that indeed ideas do matter, and that they do so by providing interpretive frameworks that give definition to our values and preferences and thus make political and economic interests actionable (Beland and Cox 2011; Parsons 2007; Schmidt 2002). Considering that power is one of the central concepts of political science, it comes as no surprise that in claiming a central position for ideas in political analysis, ideational scholars often entertain the notion that ideas are somehow related to practices of power. What is perhaps more surprising is that with few exceptions (notably Beland 2010), most scholars in discursive institutionalism speak of the political power of ideas without much further theorization. Blyth (2001: 4), for example, argues that the possession and promulgation of ideas that serve to define a given moment of crisis and project the institutional forms that will resolve it becomes ‘a crucial power resource’, while Cox (2001: 471, 485) analyses the ‘path-shaping power of ideas’ as well as the ‘powerful legitimizing impact’ of ideas on reform proposals. And, unsurprisingly, examples of scholars who connect the promotion of policy ideas with a more general notion of political or social power are legion (to name but a few: Beland 2009; Campbell 1998; Hay and Rosamond 2002; Kingdon 1984; Kuzemko 2014; Parsons 2002). To distinguish more clearly between the general claim that ideas matter in politics, and the more specific argument that one significant way ideas matter is through agents’ promotion of certain ideas at the expense of the ideas of others, this contribution develops the concept of ideational power.

Ideational scholarship has put power front and centre, but it has done so without much explicit theorizing about what exactly ideational power is and how it relates to other forms of power. A similar development has taken place in the power debate of the last *circa* six decades: most approaches have more or less wholeheartedly accepted that ideas are important for understanding relations and structures of power, but little has been done in a general way to theorize this connection. Take for example proponents of a view of power as *compulsory*, i.e., an understanding of power as concerning relations of interaction of direct control by one actor over another where these relations allow one actor to shape directly the circumstances or action of another (Barnett and Duvall 2005: 43, 49). Classic versions of this understanding are found, for example, in the work of Weber (1947: 52) and the pluralist Dahl (1957), the latter of which defined power as instances where ‘*A* has power over *B* to the extent that he (*sic*) can get *B* to do something that *B* would not otherwise do’ (202–3). These notions of power are generally joined by a focus on the material foundation of power relations, but, as argued by Barnett and Duvall (2005: 50), ‘Compulsory power is not limited to material resources; it also entails symbolic and normative resources.’ This point was also made by Dahl (1968) – something which is seldom recognized by his critics (Baldwin 2013) – when he included values, attitudes and expectations among the factors that a power analyst might want to examine in explaining power relations.

Another prominent approach to political power is *structural*, which concerns the constitution of subjects' capacities in direct structural relation to one another (Barnett and Duvall 2005: 43). The tradition that has perhaps most clearly employed a structural approach to power is Marxism. Here the structural relation is a class relation in capitalism through which resources and thus power is distributed, in turn supported by the state's public powers of territorial rule and physical coercion that constitute the factor of cohesion between the levels of a social formation (Poulantzas 1982). Although later writers like Gramsci (1971), Althusser (1971) and Lukes (1974) – and more recently scholars like van Appeldorn (2001), Olin Wright (1997) and Therborn (1980) – have done much to bring greater prominence to ideas in their understanding of class and state power, in structuralist Marxist approaches ideas figure primarily as a means for furthering the dominance of the ruling class (Abercrombie *et al*. 1980), or as an expression of the 'false consciousness' of the masses. A structural understanding of power has also figured prominently in the study of business power, where the structural dependence of the state on capital is argued to predispose governments to adopt policies that promote firm investment, even without business leaders necessarily having to do anything actively (e.g., Lindblom 1977, Przeworski and Wallerstein 1988).

Institutional power is another conception of power that has played a central role in policy research. In this context, institutional power may be defined as actors' control of others through the formal and informal institutions that mediate between A and B (Barnett and Duvall 2005: 51), an approach represented by authors like Mills (1956 [2000]) and Bachrach and Baratz (1962) and more recently by scholars within the historical institutionalist tradition (e.g., Immergut 1990; Pierson 2004; Rothstein 1992; Thelen 1999). That ideas may take on an important role in the context of institutional power was acknowledged by the early writers, as well as the more recent historical institutionalists (Blyth *et al*. forthcoming), but in both cases ideational power was never developed as an analytical category in its own right.

In the effort to identify the analytical tools to analyse ideational power, the contribution advances two connected claims. First, it argues that ideational power may be developed as an analytical category in its own right comparable to other types of power. This, as such, is not new. Scholars such as Foucault (2000), Gramsci (1971), Lukes (1974) and Laclau and

Mouffe (1985) have similarly emphasized the central role of ideas in relations of power, be it as discursive formations, hegemony, ideology or the production of subjectivity. Although the contribution draws on insights from these traditions, the approach developed here also differs from existing approaches to ideational power. Thus, having discursive institutionalism as its overall analytical frame, it takes a more agency-oriented approach in focusing on the interaction between élite policy actors in wielding ideational power, along with the interaction between élites and groups less powerful in terms of resources or institutional position. Moreover, while it acknowledges the importance of ideational structures for constraining which ideas are considered politically viable (or even mentionable), it conceptualizes actors as sentient and critical actors able to critically engage with the ideas they hold (Carstensen 2011a), as well as to think, speak and act collectively to (re)construct the structures by which they may be constrained or appear to be determined (Schmidt 2008). Drawing on both existing ideational scholarship and the larger power debate in political science, the contribution defines ideational power as the capacity of actors (whether individual or collective) to influence actors' normative and cognitive beliefs through the use of ideational elements.

Second, although the contribution seeks to carve out a position for ideational power, it also argues for the relevance of understanding how ideas feed into other kinds of power processes. That is, under the rubric of ideational power, we map out three kinds different types of ideational power. The first type is *power through ideas*. Defined as the capacity of actors to persuade other actors to accept and adopt their views of what to think and do through the use of ideational elements, it is the most common approach to ideational power among discursive institutionalists. The second form, here called the *power over ideas*, is most strongly connected to compulsory power, since power here is related less to persuasion and more to agents' imposition of ideas and the power of actors to resist the inclusion of alternative ideas into the policy-making arena. Third, ideational power also plays into processes of structural and institutional power, what we term *power in ideas*. In the first case, this takes place through agents having established hegemony over the production of subject positions; in the latter, by institutions imposing constraints on what ideas agents may take into consideration. Taken together, it is the ambition of the contribution to present these three types of ideational power – and the different guises they take on as they combine and intersect in concrete instances of power wielding – as analytical heuristics to analyse how ideas play into processes of power and resistance in public policy.

2. IDEATIONAL POWER

As a starting point for the following discussion about the specific character of ideational power, a general understanding of what kinds of social relations are broadly referred to with the concept of 'power' is necessary. Here we draw on Hay's (2002) insightful combination of theoretical perspectives, including direct decision-making power (Dahl 1957), indirect agenda-setting power (Bachrach and Baratz 1962) and preference shaping (Lukes 1974). Thus, Hay (2002: 185) defines power as 'the ability of actors (whether individual or collective) to "have an effect" upon the context which defines the range of possibilities of others'.[1] What is particularly useful about Hay's definition is its effort to bridge structurally oriented approaches and explanations more inclined towards an agency-oriented view of power. Instead of favouring one of these approaches to power analysis, this general definition of power focuses on the various ways – whether through the indirect form of power in which power is mediated by structures, or in the direct sense of A getting B to do something that s/he would not otherwise do (Hay 2002: 186) – in which the context that actors inhabit matters for their capacity to act and act upon others.

Following this starting point, we define *ideational power* as the capacity of actors (whether individual or collective) to influence other actors' normative and cognitive beliefs through the use of ideational elements. This may occur directly through persuasion or imposition or indirectly by influencing the ideational context that defines the range of possibilities of others. Although, as shall become clear below, ideational power connects with compulsory, structural and institutional forms of power, we believe this understanding of ideational power retains enough distinctiveness to constitute a form of power in its own right. A useful way of approaching the concept of ideational power, then, is to distinguish it from the more general claim of the literature that 'ideas matter'. This aligns with Barnett and Duval's (2005: 42) argument that the concept of power is best understood as the production of *particular kinds of effects*, namely those on the capacities of actors to determine the conditions of their existence, rather than as 'any and all effects and thus as nearly synonymous with causality'. In other words, the claim concerning ideational power is more specific than a claim that ideas have causal impact. Clearly, there are numerous arguments about why ideas are important in politics, including that ideas give meaning to actors' experience of the world (Wendt 1999), enable actors to handle informational complexity or even situations of outright uncertainty by offering interpretations of what is wrong and how to move forward (Blyth 2002), as well as inspire discourses that may justify policy programmes in both cognitive and normative terms (Schmidt 2002). What brings these different arguments together is the core logic of ideational explanation to account for actions 'as a result of people interpreting their world through certain ideational elements' (Parsons 2007: 96), ideational elements being discourse, practices, symbols, myths, narratives, collective memories, stories, frames, norms, grammars, models and identities.

Acts of ideational power – whether successful or not – only occur in a subset of the relations relevant for understanding how ideas matter, namely when actors seek to influence the beliefs of others by promoting their own ideas at the expense of others. In this view, ideational power has three distinguishing features. First, it is characterized by a conception of power which is exerted through the constitution of intersubjective meaning structures that agents both draw on to give meaning to their material and social circumstances and battle over to affect what ideas and discourses are deemed viable. Second, ideational power is conceived as both a top–down and a bottom–up process. That is, ideational power takes seriously not only the discursive struggles taking place among policy actors at the top of the hierarchy to affect their particular vision of the world, but also those related to the effort of policy actors at the bottom as much as at the top of the power hierarchy to translate their ideas into language accessible to the general public (Schmidt 2011). This contrasts with the singular focus on top–down interaction generally characterizing the compulsory, structural and institutional understandings of power.

Finally, in this contribution, ideational power is conceptualized in agency-oriented terms. Although, as we shall see below, less agency-oriented approaches – like, for example, the structural and institutional understandings of ideational power – are relevant for analysing the role of ideas in exerting political power, the approach developed here focuses on the ways that actors, through the use of ideational elements, seek to influence other actors' normative and cognitive beliefs. As a result, although such actors could be represented as members of élites, classes or interest groups, as in compulsory, structural and institutional power, when talking of their exercise of ideational power they are better described as ideational leaders (Stiller 2010) and/or as members of advocacy coalitions (Sabatier and Jenkins-Smith1993), epistemic communities (Haas 1992), as well as of social movements (Béland 2009). That we take an agency-oriented approach should not be taken to indicate that ideational structures are unimportant. Quite the contrary; agents are clearly dependent on existing ideational structures to develop, defend and communicate their ideas to other élites and the public. However, it is important to recognize that ideational structures are not constants unamenable to revision or conversion through strategic agency. Ideational structures continually evolve through agents' unconscious use of them, but will come to be recognized consciously when critics contest them – a view also taken by Gramsci (1971) on the role of intellectuals. In the view of this contribution, at their inception ideational structures are the result of conscious construction by agents committed to a certain set of (often philosophical) ideas, which they work hard to promulgate through persuasive discourses (see also Schmidt forthcoming).

In this contribution we suggest three types of ideational power, each dealt with in consecutive sections. First, and perhaps most commonly analysed within discursive institutionalism, ideational power occurs when actors have a capacity to persuade other actors of the cognitive validity and/or normative value of their worldview through the use of ideational elements (power *through* ideas). Second, ideational power is manifested as a capacity of actors to control and dominate the meaning of ideas, either directly by imposing their ideas or indirectly through shaming opponents into conformity or resisting alternative interpretations (power *over* ideas). This version of ideational power connects with more compulsory forms of power, since here the beliefs of others are directly disregarded. Third, and finally, ideational power shows itself when certain ideas enjoy authority in structuring thought or institutionalizing certain ideas at the expense of other ideas (power *in* ideas). Here, ideational power is most closely related to structural and institutional forms of power, since it concerns the ways that historically specific structures of meaning or the institutional setup of a polity or a policy area enhances or diminishes the ability of actors to promote their ideas.

3. POWER THROUGH IDEAS

The understanding of ideational power as a capacity of actors to persuade other actors to accept and adopt their views of what to think and do through the use of ideational elements – here called *power through ideas* – is the most common approach to ideational power among discursive institutionalists. Persuasion is clearly central to this form of ideational power. Rather than viewing power as making someone do what they would otherwise not have done based on force, threats, institutional position, material resources, etc., the ideational power actors exert is based on their capacity to induce other actors to do something through reasoning or argument. It is not necessarily – or rather, it rarely is – a completely 'rational' process in the sense that the most powerful necessarily are the ones with the 'best' argument. Instead, the persuasiveness of an idea depends on both the cognitive and normative arguments that can be mustered in its support.

Cognitive arguments depend for success on their ability to define the problems to be solved, and to propose adequate policy solutions to those problems (Schmidt 2006, p. 251; see also Campbell 2004; Mehta 2011). Power is clearly at play here, since affecting what is considered viable problem definitions and solutions through the use of ideational elements fundamentally frames the context which defines the range of possibilities for others. More specifically, according to Schmidt (2002: 219), to be persuasive in cognitive terms, policy ideas – and the discourses employed to defend them – should be able to demonstrate: first, the policy programme's relevance, by accurately identifying the problems the polity expects to be solved; second, the policy programme's applicability by showing how it will solve the problems it identifies; and third, the policy programme's seeming coherence, by making the concepts, norms, methods and instruments of the programme appear reasonably consistent and able to be applied without major contradiction. The emphasis here is on 'seeming coherence', since sometimes vagueness or ambiguity makes for discursive success, as different parties to the discussion can interpret the ideas differently (Schmidt 2006: 251). Neoliberalism is a case in point, since its very generality, adaptability and mutability is one of the reasons for its success (see Schmidt and Thatcher 2013: ch. 1).

Normative arguments, by contrast, are not so much concerned with demonstrating the validity of an idea as its value. As such, they tend to make appeal to the norms and principles of public life, with persuasiveness dependent upon the extent to which they are able to demonstrate its appropriateness in terms of the values of a given community, whether long-standing or newly emerging (Schmidt 2002: 213). Although some ideas and discourses are based only on technical and scientific (cognitive) arguments, to make these powerful in persuading the broader public and the organizations representing it, they still need to fulfil a normative function by providing a more generally accessible narrative about the causes of current problems and what needs to be done to remedy them that resonate with the public (Schmidt 2006: 251–3). As noted by Widmaier *et al*. (2007: 755), 'the success of any élite group engaged in persuasion is often less related to their analytic skills than to the broad mass intuitions of the moment'. This means that mass expectations about how the economy should work – not just cognitively but normatively – set limits on the kinds of policy ideas that élite actors are able to persuade their constituents are necessary and/or appropriate. For example, even though one might expect neo-Keynesian cognitive arguments to persuade the public that more state spending in times of an economic downturn is the tried and true route to recovery from excessive deficits and debt, normative appeals based on neo- (or ordo-) liberal philosophical principles have in recent post-crisis times instead won the day, by invoking 'common sense' images of upstanding and righteous *Schwabian* housewives tightening their belts when their households are indebted.

The agency-orientation of this understanding of ideational power distinguishes it from the structural theories of theoretical dominance or socialization mentioned above, since it emphasizes actors' ability to 'stand outside' and critically engage with the ideas they hold and promote. In this perspective, ideas are not thought of as internalized or 'contained' in the minds of actors, but instead as a resource – a toolkit and not a coherent system – that exists between and not inside the minds of actors, and the use of ideas thus demands some creativity and critical faculty of the actor (Carstensen 2011a), at times enabling him or her to 'buck the system' (Widmaier *et al*. 2007). That is, actors not only have 'background ideational abilities' that enable them to think beyond the (ideational) structures that constrain them even as they (re)construct them. They also have 'foreground discursive abilities' that enable them to communicate and deliberate about taking action collectively to change their institutions (Schmidt 2008). In this view, ideational power is not primarily about manipulating people into not recognizing their 'real interests' (Lukes 1974), but rather about persuading other agents about one's understanding of an issue based on available intersubjectively held ideas. What becomes important in this perspective is to have influence on what is considered 'common knowledge' (Culpepper 2008) among élite policy actors within a policy area and use this in a discourse connected to the public philosophy of the polity.

In the process of persuasion, moreover, we need to distinguish between the policy sphere, in which policy actors (consisting of experts and advocacy networks, organized interests, civil servants and public officials) engage in a 'co-ordinative' discourse of ideational generation and contestation, and the political sphere, in which political actors (consisting of politicians, spin doctors, campaign managers, government spokespersons, party activists) engage in a 'communicative' discourse of translation, discussion, deliberation and, again, contestation with the public (including not just the general public but also informed publics of opinion-makers, the media, organized interests, community leaders and activists) (Schmidt 2002, 2006, 2008). Notably, while the co-ordinative discourse may very well remain a top–down process, the communicative discourse ensures *power through ideas* occurs not only from the top–down but also from the bottom–up.

Power through ideas can have effects that matter for both stability and change in ideas and institutions, and may be exerted in both processes of revolutionary and evolutionary change. During more radical shifts in the ideas that govern a polity, the power that actors are able to exert through ideas is, for example, central for contesting existing institutions and to build legitimacy around a competing set of ideas (Blyth 2002), both among élites and in the public (Schmidt 2002). Because the authority of a reigning paradigm is not automatically challenged by developments in material circumstances (Hall 1993) – such developments need to be interpreted as policy anomalies that undermine the authority of the paradigm (Blyth 2013) – citizens and élites alike have to be persuaded about the weaknesses of existing institutions, which makes power through ideas absolutely essential for effecting change. When ideational power is exerted through ideas, evolutionary change may also be the outcome. This may, for example, happen as policy actors seek to respond to critiques from competing coalitions and sustain the legitimacy of existing institutions; by accepting that new ideas and institutions are layered on top of the existing institutional set up; or, alternatively, that existing institutions are converted, i.e., they are reinterpreted or redirected by the adoption of new goals, functions, purposes or the incorporation of new groups (see also Streeck and Thelen 2005). However, whether the changes are radical or evolutionary in kind, to effect change at the level of a policy programme or a paradigm – or indeed in public philosophies – it is necessary to challenge actors' *power over ideas*, to which we now turn.

4. POWER OVER IDEAS

The second type of ideational power emphasized in this contribution is the capacity of actors to control and dominate the meaning of ideas. Here, we want to emphasize three general forms that *power over ideas* may take: the first is exerted by actors with the power to impose their ideas; the second, by normally powerless actors who seek to shame other actors into conformity with their ideas or norms; and the third, by actors who have the capacity to resist even considering alternative ideas.

In the first case, the actors involved encompass those who control most of the levers of traditional power – coercive, structural and/or institutional – and who can therefore promote their own ideas to the exclusion of all others. Here, agents with the other traditional kinds of power resources also deploy ideational power to ensure that their ideas remain predominant so as to guard against challenge to their exercise of coercive power or questioning of their structural and institutional powers. Although in this case there may also be elements of persuasion involved (*power through ideas*), as political élites seek to convince mass publics of the cognitive validity and normative value of their ideas through reasoned argument, the most salient characteristic of this kind of *power over ideas* is the control over the production of meaning and the diffusion of information via the mass media.

The classic case of this is, of course, the totalitarian regime, as defined by Arendt (1951), in which ideational power is a key defining characteristic, along with coercive, structural, and institutional power. In totalitarian regimes, ideational power – similar to Lukes's (1974) third face of power – comes in the form of control over public discussion through the dissemination of an ideology supported by massive propaganda campaigns and relentless repetition of misinformation provided by educational institutions, intellectual and artistic production, as well as all forms of public communication. In the present day, although the most prevalent cases of 'power *over* ideas' certainly have little to do with totalitarian mind control and total control over the media of information and communication, they display, nonetheless, similar characteristics in terms of primary access to the main channels of information diffusion. These go from control over the content of educational texts through control over the mass media, which serve to shape attitudes while crowding out alternatives. As cases in point, we need only mention the ways in which the media conglomerates of Rupert Murdoch in the United Kingdom and the Berlusconi media empire in Italy (including public television when Prime Minister) wielded major influence over political decision-making.

In the second case, although the actors are usually (but not necessarily) powerless in the sense that they enjoy little access to compulsory, institutional and structural forms of power, they are nonetheless able to pressure otherwise powerful actors to act in ways they would not otherwise have done by the use of discursive means. This second kind of ideational power shows some affinity to compulsory power as a result of its emphasis on a conflictual relation between actors, notably that an ideational agent is able to affect another agent without recourse to persuasion or necessarily changing the other agent's beliefs. In contrast to *power through ideas*, here the use of ideas to exert power is more instrumental, in the sense that the actor who is affected does not necessarily believe in the ideas, but the intersubjective efficacy of the idea – and the communicative discourse employed by the ideational agent – is so strong that the actors concerned are compelled to adhere to the idea. Probably the clearest examples of such use of ideational elements to shame otherwise powerful actors into conformity is found in the literature on the norm-setting power of domestic and transnational nongovernmental organizations and social movements (Finnemore and Sikkink 1998). In the area of human rights, for example, Risse *et al*. (1999) argue that advocacy networks play a potentially important role in developing international norms by employing shaming tactics to raise consciousness about an issue, both in reminding liberal states of their own identity as promoters of human rights, and for scolding non-liberal states for their violations.

Finally, another way that *power over ideas* shows itself is in the ability of actors – normally quite powerful also in terms of institutional position and authority – not to listen, i.e., a capacity to resist alternative ideas. In these cases, the generators of ideas are not only the powerful political actors discussed above, whose power over ideas ensures that their domination of meaning production includes their ability to remain deaf to contradictory ideas. It also characterizes policy actors clustered in closed groups of people, as part of, say, epistemic communities, discourse coalitions or advocacy coalition networks that are able to harness enough legitimacy around their policy ideas to avoid considering alternative approaches. Often such legitimacy is based on the technical or scientific complexity of the knowledge necessary to create policy in a given sector, which enables actors to disregard alternative approaches as untenable or not even qualified for discussion. This form of ideational power is often itself the main target of social movements' critique, since these dominant ideas set the parameters for what action is considered doable, which solutions are workable and what overall outcome is appropriate, and thus what kind of policies have any chance of success within the policy-making process (Schmidt 2002: 217–22).

One area of policy-making where this form of ideational power has been especially prevalent is financial regulation. Important for the *power over ideas* enjoyed by certain policy making groups in national and international settings has been the increasing complexity of crafting financial regulation, the lifting of important regulatory subjects to an international agenda, and the isolation from more popular concerns. Thus, according to Tsingou (2014), an important reason for the intellectual dominance of market-friendly ideas, and the underrepresentation of more market-sceptic ideas was that many of the most important ideas in financial regulation – ideas generally consistent with private sector preferences – were hatched inside transnational networks of experts held together by élite peer recognition, common and mutually reinforcing interests, and an ambition to provide global public goods in line with values its members consider honourable. The relations between members of the networks were based not on official affiliation but rather on sharing financial expertise and views about how to regulate financial markets, and were thus practically impossible to access for policy entrepreneurs with alternative views. Although many of the 'market efficiency'-oriented ideas no longer dominate public discourse about financial markets and how they function, and despite the fact that lobbyists of the financial sector do not enjoy the same degree of privileged access to policy-makers that they did before the crisis (Young 2013), the regulation of financial markets continues to be based on ideas that are directly borrowed from neoliberal conceptions of financial markets (Mügge 2013). An important reason why seems to be that actors with stakes in the upholding of pre-crisis ideas remain able to largely ignore alternative conceptions of how to regulate financial markets (see also Moschella and Tsingou 2013).

This also indicates that power over ideas is particularly important for fending off pressures for change. During a period of crisis, for example, it matters hugely who has the authoritative capacity to interpret events as anomalous and thus as a challenge to the reigning paradigm. In battles for authority characteristic of periods of crisis (Hall 1993), power over ideas enables actors to ignore alternative idea sets and thus keep them from receiving serious consideration by élites and public alike. Power over ideas may not only be instrumental for actors in avoiding change, it may also be useful for implementing changes to the existing institutional setup in a more evolutionary way, perhaps by pushing institutions towards greater purity and conformity with their policy paradigm. It is worth noting, however, that the control over which ideas are given consideration in the policy-making process is not ultimate control. If, for example, a competing coalition of policy actors is able to challenge the authority of an epistemic community, perhaps by employing *power through ideas*, it may be necessary to accept the inclusion of ideas belonging to another paradigm into the policy programme. In other words, power over ideas is never final; it is always potentially open for challenge and contestation.

5. POWER IN IDEAS

How can we understand that certain ideas are considered viable and reasonable – or at least that actors feel justified in having a discussion about their merits – whereas others are considered too extreme or unrealistic to include them in policy discussions? The third form of ideational power –

power in ideas – concerns just this, namely the authority certain ideas enjoy in structuring thought at the expense of other ideas. Above, we have already touched upon the question of what makes some ideas more effective in influencing actors' normative and cognitive beliefs, but while *power over ideas* and *power through ideas* focus on the direct use of ideas to influence other actors, *power in ideas* is about the background ideational processes – constituted by systems of knowledge, discursive practices and institutional setups – that in important ways affect which ideas enjoy authority at the expense of others.

Although similar neither to notions of structural nor institutional power, it does connect with literatures that emphasize how fundamental and historically specific structures of meaning produce and constitute actors' self-understandings, identity and perceived interests (see also Barnett and Duvall 2005). That is, while the other forms of ideational power are focused more directly on the interaction going on between ideational agents, *power in ideas* concerns the deeper-level ideational and institutional structures that actors draw upon and relate their ideas to in order for them to gain recognition among élites and in the mass public. In this perspective, *power in ideas* concerns the ways that agents seek to depoliticize ideas to the degree where they recede into the background, meaning that they become so accepted that their very existence may be forgotten, even as they may come to structure peoples' thoughts about the economy, polity and society. This may, for example, happen as policy programmes become taken-for-granted in terms of their methods, instruments and goals such that they, too, fade into the background. But the background ideas should not therefore only be seen as hard or immovable structures dominating people's thoughts, as in Foucault's (2000) sense of the 'archaeology' of a discursive formation. Rather, they are better seen as constantly evolving malleable structures subject to continual reconstructions by sentient agents who may unconsciously change them as they are using them (Carstensen 2011b). That being said, and despite their malleability, the background ideas and public philosophies of a polity do usually develop slowly in an evolutionary manner through incremental steps via adaptation and adjustment to changing realities (Schmidt forthcoming).

One way to think about this kind of authority of ideas at the expense of others is in terms of the power exerted through agents' employment of public philosophies (Schmidt 2008) or public sentiments (Campbell 1998) that form the background of policy-making processes. These kinds of ideas work at a deeper level than policy ideas and programmes, and are often left unarticulated as background knowledge. On the one hand these deeper-level ideas act as a constraint by limiting the range of alternatives that élites are likely to perceive as acceptable, while also serving as guides to public actors for what to do and/or as sources of justification and legitimation for what such actors can or should do. Ideational power relates both to the constraints it puts on policy-makers to legitimize their policies to their constituents and to the limits they set for the range of policy options they themselves believe to be normatively acceptable (Campbell 1998).

There are a number of relevant literatures within sociology and political theory that in different ways deal with the question of how relations of power are connected to the dominance of certain traditions, philosophies and ways of thinking. One important example is Gramsci's (1971) notion of hegemony, understood as the intellectual and moral leadership of a social group exercised within society. The leadership is built not just on the use of force but also on the consent of the governed, making it necessary for leaders to establish their authority and legitimacy in society as a whole (Howarth 2000). Or, in the words of Perry Anderson (1976: 26), 'hegemony means the ideological subordination of the working class by the bourgeoisie, which enables it to rule by consent'. According to Hay (2002: 1979), Lukes (1974) used this notion of consent to argue that 'the societal consensus which pluralists and elitists would take as evidence of the absence of systematic inequalities of power is, in fact, the consequence of highly effective and insidious mechanisms of institutionalized persuasion', although he coupled this notion of ideological dominance with a more liberal argument about the possibility of freedom (Haugaard 2011)

Another approach to understanding how ideational structures have an important impact on which ideas enjoy authority at the expense of others is represented in the work of Michel Foucault (1980, 2000). His approach to power developed through the different phases of his work, and it is clearly beyond the scope of this contribution to elucidate its various intricacies. What is important for our purposes is to point to his understanding of power as intimately bound up with knowledge. In opposition to Lukes's understanding of power through the dichotomy of 'false consciousness/true consciousness', Foucault argued instead that in modern power, individuals are constituted as objects within a system of thought which, of necessity, implies a form of subjectification to a particular way of being (Haugaard 1997: 43). In other words, Foucault suggests that we best 'abandon the whole tradition that allows us to imagine that knowledge can exist only where the power relations are suspended and that knowledge can develop only outside its injunctions, demands, and interests' (Foucault 1977: 315). This is an understanding of power that emphasizes its positive effects, i.e., power 'does not only weigh on us as a force that says no', it also 'traverses and produces things, it induces pleasure, forms of knowledge, produces discourse' (Foucault 1980: 119). As an example, Foucault's (2004) study of ordoliberalism in Germany from the 1930s through the 1950s provides a deep understanding of how such *power in ideas* helps explain the way in which the Germany macroeconomic policy arena has been understood and structured ever since, with the market coming first, the state limited to establishing and administering the rules that would ensure market stability. As for neoliberalism more generally, Foucault (2004) sees its underlying approach to governing, or 'governmentality' as seeking to shape individuals as governable, self-disciplined, enterprising subjects not directly, through state intervention, but indirectly, via the creation of structures of incentives.

More recently, Howarth (2009) has suggested a poststructuralist conception of the relation between discourse and power that combines the work of Laclau and Mouffe (1985) and Foucault (1979). Howarth (2009) takes a hegemony approach to power that sees hegemony both as a practice of coalition building, where disparate demands and identities are linked together to forge 'discourse coalitions' that can contest a particular form of rule, and as a form of governance that offers points of attachment and identification that enable the reproduction of the existing order without direct challenge to the existing order. In this view, power concerns 'radical acts of institution, which involve the elaboration of political frontiers and drawing of lines of inclusion and exclusion' (Howarth 2009: 309). One particularly promising aspect of this reworking of the concept of hegemony in the context of discourse and power is its combined emphasis on the undecidability of any social order, borrowed from Laclau and Mouffe, as well as Foucault's distinction between domination and power, with the latter requiring some freedom on the part of actors. Both perspectives open up the possibility of resistance and change through agency in periods where the undecidability of a social order is revealed, potentially enabling the subject to identify with new objects and ideologies.

What is particularly interesting about the *power in ideas* is that it could be seen as even more 'powerful' in some sense than coercive or structural power. While coercive power forces agents to do what they might not want to do, and structural power imposes, in both cases agents may at least be aware of this domination, like it or not. In the case of Foucault's structuring ideas, by contrast, the ideational structure dominates not just what agents do but also what they think and say. Bourdieu (1994) takes a similar approach to the structuring power of ideas when he argues that the *doxa* or vision of the world of élites who dominate the state creates the 'habitus' that conditions people to see the world in the way they (the dominant) choose.

Another set of approaches to understanding the authority that certain ideas enjoy at the expense of others is also relevant here, namely a number of contributions originating in the 'new institutionalisms' of political science. Although these arguments are most easily placed under the rubric of institutional power, as indeed was done above, in pointing to the relevance of institutional history and culture, they remain important to understanding why some ideas are taken up, while others are not even considered. This is because while the process of institutionalization can be understood in terms of *power through ideas*, as ideas about policies and programmes may be debated, agreed and implemented, the crystallization of such ideas in established rules (for historical institutionalists) or frames (for sociological institutionalists) should be understood as *power in ideas*.

Historical institutionalists, for example, occasionally theorize *power in ideas* when they consider the institutionalization of ideas in the rules that come to regulate the polity, or in the path dependencies by which ideational continuity appears as a defining characteristic of the trajectory of post-crisis institutions (Pierson 2004: 39). A good example involves the governance of the euro, as the Maastricht Treaty and the Stability and Growth Pact consecrated a set of ordoliberal ideas about how to govern the currency that created a self-reinforcing path dependency that ensured that the easiest follow-on would be increasingly stringent stability rules, as evidenced by the subsequent Six-Pack, the Two-Pack and the Fiscal Compact. That this rules-based governance can also be explained in terms of *power through ideas* – as Chancellor Merkel, the heads of the ECB and the Commission sought to persuade all parties to the debate that this was the only way to proceed – points to the fact that historical institutionalism can complement discursive institutionalist analysis, since the pro-austerity camp gained power from the fact that these ideas had already been institutionalized.

Sociological institutionalists generally do even more to theorize *power in ideas*, since they as a matter of course consider the norms, cognitive frames and meaning systems that constitute the institutions within which agents come to understand and act in the world. Where these are treated more as static structures than dynamic constructs, the focus is more on *power in ideas* rather than *power through ideas*. Ruggie clarifies the difference when he distinguishes between constructivists who:

> cut into the problem of ideational causation at the level of 'collective representations' of ideational social facts and then trace the impact of these representations on behavior … [rather than] as Weber tried, begin with the actual social construction of meanings and significance from the ground up. (Ruggie 1998: 884–5)

6. CONCLUSION

The battle for mainstream recognition of ideational scholarship was waged on the foundational claim that an analysis of why certain actors want what they want and get what they do in policy-making processes should start from an understanding of the ideational structures through which actors understand the(ir) world. From the beginning, disparities in the capacity of actors to affect these processes – i.e., power – played a central role in the discussion, but the significant effort that went into conceptualizing what ideas are and the role they play in politics was not matched by similar theoretical interest in how ideas play into relations of power. There might be good reasons for this. One might, for example, argue that power is such an expansive, complex and inherently normative concept that we as social scientists are better off without it. On the other hand, this is true of many concepts in political science, including interests or, indeed, ideas. Another potential objection could be that it is unnecessary to develop a specific category of power that concerns the capacity to use ideational elements to affect actors' normative and cognitive beliefs, and instead understand the role of ideas in politics by connecting it to a more general concept of political power. To us – along with a number of the contributors to this collection – this stands as a wholly viable approach, but we still argue in favour of carving out ideational power as a specific category of political power.

We do so for three reasons. First, discursive institutionalists have already come some way in developing concepts that are relevant for understanding relations of power, but placing these under the more general claim that ‘ideas matter’ does little by way of clarifying this claim. That ideas matter for political processes is the foundational claim, but developing a more explicitly ideational understanding of power is helpful for analysing the battles going on between policy actors, within élites and between them and the masses, as well as to distinguish them from the relations that are not relations of power.

Second, developing a specific category of ideational power is helpful for analysing how different dimensions of ideational power may combine and intertwine in concrete empirical cases. That is, hopefully a more developed approach to ideational power will enable more fine-grained empirical analyses. Moreover, thinking of the relation between ideas and power from a more specifically ideational vantage point might also enable a clearer analysis of how different kinds of power – be it compulsory, structural, institutional or ideational – are connected.

Finally, developing the analytical category of ideational power may help identify and criticize the actors who have a central impact on which issues are considered problems and which solutions are thought viable. As argued by Hayward and Lukes (2008: 5), ‘Analyzing power relations is an inherently evaluative and critical enterprise, one to which questions of freedom, domination, and hierarchy are – and should be – central.’. Hopefully, developing a clearer and more explicit vocabulary for talking about ideational power will enhance the ability of discursive institutionalists to track the agents, whether collective or individual, who have the ideational capacities to affect the context in which interests are defended and to assign them responsibility accordingly.

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NOTE

1 A similar approach is found in Barnett and Duval (2005: 42) where power is defined as ‘the production, in and through social relations, of effects that shape the capacities of actors to determine their circumstances and fate’.

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The power of economic ideas – through, over and in – political time: the construction, conversion and crisis of the neoliberal order in the US and UK

Wesley Widmaier

ABSTRACT In recent years, scholarly concern for 'great transformations' has yielded to a stress on 'gradual transitions'. In thiscontribution, I offer a discursive institutionalist model of the shifts in ideational power which drive order construction, consolidation and crisis. First, I argue that leaders exercise rhetorical power through ideas, employing communicative appeals to shape principled beliefs. Second, I argue that élites employ epistemic power over ideas to consolidate intellectual consensus. Finally, I posit that as structural power in ideas assumes a life of its own, this breeds overconfidence and crisis. Empirically, I then track the development of the neoliberal order over Reagan's and Thatcher's use of power through ideas in constructing principled restraints on the market power of labour, Clinton- and Blair-era efforts to concentrate power over ideas in central banks, and the structural power of New Keynesian ideas that obscured concentrations of financial power, culminating in the global financial crisis.

INTRODUCTION

In recent years, scholarly debate over the development of economic policy orders – or sets of ideas and interests, embedded in institutions – has seen a focus on punctuated change yield to a greater stress on incremental shifts across 'political time'.[1] To be sure, International Political Economy (IPE) scholars have kept a 'first cut' stress on the transformative role of crises like the Great Depression and Great Stagflation, as these provided the foundations for the Keynesian and neoliberal orders (Blyth 2002). Yet, they have also placed an increasing emphasis on 'gradual transitions' – as the Keynesian principled order evolved into a 1960s neoclassical synthesis premised on causal models that were used to guide fiscal fine tuning, and as a later neoliberal principled order was refined in the New Keynesian causal models of the 1990s, which guided similar efforts at monetary fine tuning. Reinforcing this interest in slow-moving change, the incomplete and halting nature of the global financial crisis has spurred scholars to seek to identify the conditions under which gradual change either strengthens or subverts prevailing orders. From one vantage point, highlighting stabilizing possibilities, historical institutionalists like James Mahoney and Kathleen Thelen (2010) have stressed the adaptive, self-reinforcing practices which sustain policy orders. Yet, while offering important insights, such approaches obscure the tensions which can subvert orders and cause renewed crises. To redress such oversights, discursive institutionalists like Martin Carstensen and Vivien Schmidt (2016) have directed attention to tensions between types of ideas and forms of power that fuel order-subverting practices – providing new insights into endogenous sources of crisis and change.

In this contribution, building on the recent work of scholars juxtaposing analyses of punctuated and incremental change (Baker 2013; Blyth 2013; Carstensen 2011; Cox and Béland 2013; Gallagher 2015; Grabel 2015; Helleiner 2010; Henriksen 2013; Moschella and Tsingou 2013; Tsingou 2014), I integrate these historical and discursive institutionalist perspectives, offering a theory of ideational power in political time and an account of the rise and demise of the neoliberal order in the United States (US) and United Kingdom (UK). In the first section, I engage key theoretical debates, arguing that while historical institutionalists like Mahoney and Thelen emphasize mechanisms of institutional change, discursive institutionalists like Carstensen and Schmidt provide key insights into the tensions that can destabilize them. In the second section, I integrate these insights in a tripartite model of the construction, conversion and crises of economic policy orders: initially, in order *construction*, leaders employ rhetorical power to shape principled beliefs and justify regulatory or legal restraints on market power. However, in subsequent stages of order *conversion*, ensuing stability provides institutional and intellectual agents with scope to refine their epistemic power over ideas, as models like the neoclassical Phillips curve (Samuelson and Solow 1960) or New Keynesian Taylor rule (Taylor 1993) guide macroeconomic fine tuning, displacing regulatory or legal mechanisms. Finally, overconfidence in such models can acquire a structural power that obscures new sources of market power, engendering *crisis*. From this theoretical foundation, I then offer a historical analysis of the neoliberal order. In the construction stage, the Reagan and Thatcher era use of rhetorical power supported the construction of neoliberal principled ideas, which justified efforts to break the market power of labour and liberalize financial markets. In the Blair- and Clinton-era conversion stage, neoliberal principles received more refined expression as economists and central bankers acquired epistemic power over 'New Keynesian' causal ideas, which obscured the macroeconomic benefits of regulation and fuelled overconfidence in monetary policy. In the crisis stage, the structural power of New Keynesian ideas – which took on lives of their own – led Bernanke- and King-era central bankers to overrate the likelihood of wage-price inflation and accommodate the market power driving the subprime bubble. In the conclusion, I address theoretical and policy implications – emphasizing the social psychological aspects of this argument, which go beyond a stress on ideational contestation to highlight the shared precognitive biases shaped by the different forms of ideational power across time.

VARIETIES OF INSTITUTIONALISM: FROM POLITICAL TIME TO POLICY TENSIONS

In tracing the interplay of order, crisis and change, paradigmatic and institutional 'turns' in recent years have provided important insight into the construction of policy orders. However, they have also led IPE scholars to overrate the scope for self-reinforcing change. Consider that paradigmatic perspectives – in spite of differences over the material or intersubjective nature of structures – share views of order development as shaped by institutional, coalitional or norm entrepreneurs who enable self-reinforcing change, obscuring tensions that can renew instability.[2] Likewise, even as sociological, rational choice and historical institutionalists differ over the roles of normative constraints, material incentives or bureaucratic structures, each casts such arrangements as self-reinforcing, obscuring potential pathologies that may hasten order decline.[3] To offset such biases toward stability, scholars in recent years have directed attention to the means by which agents not only stabilize but also subvert prevailing orders. Perhaps most prominently, historical institutionalists interested in gradual change have posited that shifts in the coalitional distribution of power can spur incremental adjustments to prevailing orders. Yet, while offering a partial advance, these analyses remain limited where they obscure both the prior role of ideas in shaping coalitional interests and the ideational tensions which can exert order-subverting effects. To redress these oversights, discursive institutionalist analyses have emerged in recent years to stress not only the role of ideas in shaping coalitional and institutional interests, but also the ideational tensions that can disrupt the social balance between them. Over this section, I juxtapose these perspectives in ways that highlight the importance of ideational tensions across political time.

Historical institutionalism: political time absent intersubjective tensions

In recent debates, institutionalist debates over stability and change have been dominated by what Capoccia and Keleman (2007: 344) term ‘dualist’ models of order development, which contrast shifts from critical junctures marked by ‘rapid change’ to ‘longer phases of relative stability’. Perhaps most prominently, Paul Pierson (2000: 251–4) casts such junctures as marked by the emergence of ‘adaptive’ expectations which assume a self-reinforcing force as they give rise to arrangements that ‘can be virtually impossible to reverse’ as they yield increasing returns over time. Pierson elaborates that such choices are marked by strategic – albeit not absolute – efficiencies where agents’ expectations imbue their choices with a ‘self-fulfilling character’ as they ‘adapt their actions in ways that help make those expectations come true’. Yet, even as such dualist models have offered real insights, their emphases on self-reinforcing adjustment remain limiting where they obscure later developments that can exacerbate tensions and fuel order decline.

Partly to redress this overemphasis on the potential for early, self-fulfilling dynamics, historical institutionalist scholars like Mahoney and Thelen (2010) have countered that dualist analyses risk overrating the importance of critical junctures relative to later adjustments, stressing shifts in the coalitional balance of power that can combine with institutional ambiguity to enhance opportunities for incremental stabilization.[4] Characterizing the means to such gradual adjustments, Mahoney and Thelen (2010: 16–18) identify a range of mechanisms like the *conversion* of ideas as ‘interpreted and enacted in new ways’ or the *displacement* of outmoded institutions as new ones in turn take their place. Such theoretical refinements have highlighted a wider array of opportunities for agency and change, beyond the dichotomy of exogenous shocks and self-reinforcing stability.

However, even as Mahoney and Thelen have advanced debate, they have also taken two steps back where their ‘power distributional’ view that overrates the coalitional bases of institutional interests and obscures the ideational tensions that can endogenously undermine orders, if not cause crises themselves. First, Mahoney and Thelen (2010: 7–9; emphasis original) offer a power-distributional view of institutions ‘as *distributive instruments* laden with power implications’. From this perspective, institutional stability ‘rests not just on the accumulation but also on the ongoing mobilization of resources’, leaving ‘source[s] of change’ to reside in ‘shifts in the [coalitional] balance of power’. Yet, such assumptions obscure the need for agents to interpret material incentives before they react to them. More broadly, they downplay the ways in which interests reflect not merely where institutional agents ‘sit’ but also how they ‘think.’ From this perspective, neither coalitional nor institutional agents can ‘know’ their interests outside a social context – as capital may define in interests in higher wages to raise demand or lower wages to reduce labour costs as a means to profits. Likewise, market power itself may be employed with an eye to varied public or private interests – as across the contrasting Keynesian and neoclassical eras. Second, to the extent that Mahoney and Thelen treat institutional agents as restoring efficiencies through *adaptive*, order-sustaining mechanisms, this obscures scope for *maladaptive*, order-eroding adjustment. For example, they obscure the ways in which ambiguity enables not only élite rationalization of cognitively defined rules and procedures, but also ‘irrationalization’ as élites grow insulated from public debates in ways that exacerbate tensions between causal frameworks and principled beliefs. Put differently, to the extent that mechanisms like conversion can reshape ideas in ways that fuel hubris and overconfidence, it is necessary to focus on the ideational tensions which can sustain or subvert a prevailing order.

Discursive institutionalism: intersubjective tensions and mechanisms in time

To redress this neglect of tensions and pathologies, discursive institutionalist insights – most importantly found in the work of Vivien Schmidt (2008, 2010) – have emerged in recent years to stress both the structural variation in types of ideas which shape interests and the rhetorical forms and practices that stabilize or disrupt them. In this way, such approaches speak to the 'structure–agent' relationship, acknowledging the weight of enduring types of ideas that shape policy interests – but also ways in which agents can employ rhetorical practices to sustain or reshape structures. Beginning with a structural perspective, Schmidt (2008: 306–8) contrasts two types of broader ideas – in principled beliefs regarding 'what's right' and causal beliefs regarding 'what works'. In a foundational sense, principled ideas identify 'what one ought to do' as they 'attach values to political action and serve to legitimate the policies in a program through reference to their appropriateness'. In policy settings, they identify how 'policies meet the aspirations and ideals of the general public' and 'resonate with a deeper core of … principles and norms of public life'. In contrast, cognitive or causal ideas 'provide the recipes, guidelines and maps for political action and serve to justify policies and programs by speaking to their interest-based logic and necessity,' defining 'what is and what to do'.

In turn, such syntheses must also be sustained or transformed via different types of rhetorical practices, as Schmidt (2008: 310) contrasts two types of 'communicative' and 'coordinative' discourses: while communicative discourses involve 'the presentation, deliberation, and legitimation of political ideas to the general public' in ways that are marked more by efforts to inspire and transform than to educate or inform, co-ordinative forms are more narrowly comprised of agents 'at the center of policy construction who are involved in the creation, elaboration, and justification of policy and programmatic ideas'. In terms of the agent–structure relationship across these realms, the balance between types of ideas is always sustained by communicative and co-ordinative practices, until excesses in either direction fuel potential instability. Yet, even as discursive institutionalists direct crucial attention to sources of ideational tensions, they abstract to some degree away from a sense of political time and the sequential dynamics which can exacerbate or ease ideational conflicts.

To the extent that the theoretical challenge is to integrate historical and discursive concerns for 'tensions in time', I suggest that Carstensen and

Schmidt (2016) have offered an important foundation for a more sequential approach, as their formulations of ideational power can be used to track stages of political development. In a foundational sense, Carstensen and Schmidt argue that 'ideational power occurs when actors have a capacity to persuade other actors of the cognitive validity and/or normative value of their world view through the use of ideational elements'. Given this basis, where agents employ power to reshape normative or cognitive beliefs in different ways over political time – or fail to recognize the scope for such practices – this can provide a basis for distinguishing stages in the construction, conversion and crises of political orders. Put in abstract terms: first, Carstensen and Schmidt stress *rhetorical power* that interpretive leaders wield through communicative appeals that characterize order construction, when principled foundations prefigure cognitive beliefs; second, they highlight the *epistemic power* employed as 'stability causes instability' (Minsky 1986) and a loss of public attention sees interpretive leaders cede power to institutional and intellectual agents who reduce principled foundations to cognitive frameworks. Finally, they address the *structural power* in ideas which obscure the need for change and lead to crisis. Of course, none of this amounts to an issue-specific theory, and so it remains necessary to distinguish these types of power and their effects in an issue-specific analysis of economic policy orders.

IDEATIONAL POWER ACROSS TIME: CONSTRUCTION, CONVERSION, CRISIS

In this section, given a recognition of different forms of ideational power, I theorize that one can identify corresponding stages in political time – as well as issue-specific implications for economic policy orders. First, the initial *construction* of an economic policy order sees interpretive leaders employ rhetorical power in the construction of regulatory or legal restraints on market power. Second, to the extent that such restraints obscure the existence of market power, they provide opportunities for agents employing epistemic power to advance the intellectual *conversion* of ideas, refining models of macroeconomic trade-offs to enable efforts at fine tuning. Finally, as such ideas acquire a self-sustaining structural power, they obscure new concentrations of market power that can lead to renewed *crisis*. In sum, the principled economic ideas that initially reduce uncertainty (Blyth 2002) can fuel a misplaced certainty, overconfidence and renewed crisis.

Stage 1: rhetorical power through ideas: interpretive leaders and market power

First, I posit that the *construction* of orders, or sets of ideas and interests, occurs as interpretive leaders employ rhetorical power through appeals that legitimate new principled beliefs, which in turn shape the causal ideas that more directly constitute state and societal interests. Speaking to this hierarchy, Carstensen and Schmidt (2016:) argue that '[t]here are many different ways in which *power through ideas* can manifest itself, with persuasion resulting from different processes or mechanisms' that shape broader principled beliefs. In terms of the social distribution of knowledge, such principled appeals prefigure cognitive views in two ways. First, in communicating directly with the wider public and norm entrepreneurs, interpretive leaders 'ratchet together' popular values and cognitive beliefs, and so ground an intellectual consensus in principled foundations. Second, where leaders employ communicative appeals to infuse emotion into constructions of events, this can provide a reflexive basis for popular support, and so increase the available stock of 'social capital' that leads coalitional agents to co-operate or comply without expending resources.

In economic policy terms, such rhetorical appeals matter most, as they support regulatory or legal efforts to limit abuses of market power across a range of sectoral contexts, in commodity, labour or financial markets. Principled foundations for efforts to contain monopolistic or oligopolistic abuses matter first because of the need for popular legitimacy – as principled beliefs predispose agents in an affective sense toward more refined causal models. They matter secondly because the spread of such beliefs will enable market agents to reflexively exercise the 'spontaneous' restraint necessary to maintain regulatory restraints absent a sense of shared restraint. In terms of the wider policy mix, the construction of such principled foundations can have specific implications for the efficacy of macroeconomic policy, as regulatory restraints on market power ease ostensible policy trade-offs as in Phillips curve relationship between inflation and unemployment (Samuelson and Solow: 1960) or notions of a Taylor curve between the volatility of inflation and output (Taylor: 1993).

While such trade-offs justify policy efforts to ‘lean against the wind’ of inflation or unemployment, restraints on market power can limit the intensity of underlying wage- or asset-price pressures. However, to the extent that no regulatory order can exist absent principled bases of sentimental and reflexive support, this highlights a key source of instability, as the passage of time may obscure the need for ongoing, principled leadership. Indeed, as intellectual or institutional agents attribute stability to their own macroeconomic expertise, they may overrate the scope for fine tuning and underrate the potential for revived market power. In such contexts, stability of beliefs can paradoxically presage increased economic instability.

Stage 2: epistemic power over ideas: intellectual conversion and macroeconomic policy

Over time, as the principled foundations of orders enhance policy consensus and effectiveness, interpretive leaders may cede their authority to institutional agents possessing specialized knowledge and resources. In such contexts, as the scope for debate is reduced, this can lead to the *intellectual conversion* of principled understandings into causal models. This conversion can in turn lead to the displacement of institutional arrangements, as bureaucratic agents limit regulatory appeals in favour of ostensibly more apolitical fine tuning. Over time, such tendencies may fuel an overreliance on co-ordinative discourses and prompt ‘flights into reason’ as agents overrate the scope for policy control, justifying their broader insulation from leaders and publics alike. In effect, this can be seen as a variety of Minsky’s (1986) insight that stability can cause instability, as prolonged stability prompts the public and leaders to discount potential abuses of market power, expanding the scope for macroeconomic risk management. Characterizing this ability of agents in positions of epistemic authority to limit the scope for debate, Carstensen and Schmidt (2016:) suggest that ‘*power over ideas* shows itself is in the ability of actors – normally quite powerful also in terms of institutional position and authority – not to listen, i.e., a capacity to resist alternative ideas’.

Under such conditions, where policy-makers abstract away from the principled bases of regulatory orders, this can undermine regulatory consent and the stability of posited macroeconomic relations. First, where economic policy ideas are converted from principled to cognitive forms, this can undermine not only communicative efforts to sustain the legitimacy of principled restraints on market power, but also reflexive or self-reinforcing market restraint. Put more simply, to the extent that no rule can be enforced strictly through the provision of coercion or incentives, the displacement of principled beliefs can undermine the above-mentioned sentimental legitimacy and reflexive effectiveness of regulatory or legal restraints. Second, the displacement of regulatory institutions can have a self-reinforcing effect in rendering macroeconomic trade-offs more volatile. While such volatility can be managed for a time, even the most skilled macroeconomic helmsman will eventually be overwhelmed by wage-price or asset-price pressures. In such circumstances, ever-greater macroeconomic activism becomes necessary to maintain past wage-price or asset-price trends, as ongoing accommodation foreshadows renewed crisis.

Stage 3: structural power in ideas: institutional pathology and re-emergent market power

Over time, cognitive frameworks may acquire a structural power that further limits adjustment that ironically constrains macroeconomic policy-makers themselves. When ideas acquire this structural weight, as Carstensen and Schmidt (2016:) argue, they work ‘at a deeper level than [mere] policy ideas … and are often left unarticulated as background knowledge’. Past a certain point, they constrain the options of élite agents themselves, acquiring the force of self-imposed blinders, limiting the ‘policy options they themselves believe to be normatively acceptable’. In such settings, ideational power resides neither in the hands of rhetorical leaders or norm entrepreneurs, but rather comes to assume a self-reinforcing structural life of its own – at least until crisis hits.

This is particularly the case where intellectual conversion sees increasing reliance on models like the Phillips curve or Taylor rule enable misplaced policy and market confidence in macroeconomic fine tuning. For example, given the identification of a policy rule for stabilizing inflation – i.e., in Taylor rule fashion that increased inflation requires a greater increase in real interest rates – policy-makers may view the publication of such rules as stabilizing market expectations. Yet, as Jacqueline Best (2005) has noted, such unanimity may just as easily reduce variation in market expectations in ways that prove destabilizing, offsetting benefits of diversification. More formally, as Charles Goodhart (1975) noted, the public definition of rules drawn from past correlations can give rise to new expectations that undo those past correlations. Such excesses have been most famously described where the use of the Phillips curve to guide fiscal policy gave rise to 1970s wage-price behaviour that undermined the descriptive merit of the curve itself. The longer the interplay of accommodation and concentration goes on, the harder it is reverse – as crises may grow increasingly serious over time, with order reconstruction occurring over bouts of instability.

METHODS AND CASE SELECTION

Over the following sections, I apply this historical–discursive synthesis to make sense of the rise and demise of the neoliberal order in the US and UK. In structured, focused fashion, I show how interpretive leaders initially employed rhetorical power to construct the neoliberal order, institutional and intellectual élites acquired epistemic power in seeking to refine New Keynesian causal ideas, until the structural power in New Keynesian ideas obscured the rise of the subprime bubble. The US and UK comprise 'least likely' cases on grounds that their liberal characters render them less likely than other states to accommodate market power. Similarly, the economic issue-area comprises a 'least likely' arena, as near-perfect information should enable agents to identify and contain asset-price bubbles.

THE CONSTRUCTION AND CRISIS OF NEOLIBERALISM: POWER THROUGH, OVER AND IN IDEAS

In addressing the construction and ongoing crisis of the neoliberal economic policy order in the US and UK, I first highlight the importance of interpretive leadership in employing *rhetorical power through ideas* to legitimate the neoliberal order. In particular, Reagan's and Thatcher's libertarian justifications for breaking labour power worked to limit wage pressures, but also undermined key sources of demand. Second, as the neoliberal order would be stabilized, I argue that Clinton and Blair recognized the importance of new financial sources of demand and growth, and so acquiesced to the *epistemic power over ideas* of central bankers and professional economists as a means to sustain asset-price appreciation.

Finally, this set the stage for intellectual and institutional overconfidence as the *structural power in ideas* – particularly as the Taylor rule-inspired stress on the need to contain wage-price pressures obscured the asset-price instability that drove the subprime boom presaged the global financial crisis.

Stage 1: rhetorical power through ideas: constructing the neoliberal order

Over the 1970s, the post-war Keynesian order would come under increasing pressure as constructions of the 'Great Stagflation' cast fiscal fine tuning as insufficient to contain the market power of labour behind recurring wage-price spirals. Indeed, such fiscal policy was constructed as itself enabling the acceleration of wage-price pressures. Employing rhetorical power to make the case for this view, Ronald Reagan would assert in his first inaugural address that 'in this present crisis, government is not the solution to our problem; government is the problem' (Reagan 1981a). Reagan would go on to reinforce this claim by espousing an anti-government populism as he denounced 'government by an elite group'[5] Likewise, Prime Minister Margaret Thatcher would later employ a critique of egalitarian values in asserting that 'we have gone through a period when too many children and people have been given to understand "I have a problem, it is the Government's job to cope with it!"' countering that 'there is no such thing as society'. In each case, these leaders offered principled assertions that broke with a post-war egalitarianism and prefigured cognitive arguments against the Keynesian accommodation of wage-price spirals. In this light, the key difference between the Keynesian and neoliberal orders would be not any ostensible commitment to efficient markets, but rather a shift in the locus of market power – away from the use of labour power to drive wages and toward the use of financial power to reinforce asset values.

Subsequently, this value-laden appeal would support macroeconomic and antitrust policy shifts that broke the market power of labour. In a basic sense, macroeconomic restraint would play a key role in ensuring wage-price quiescence over the early 1980s. However, monetary policy on its own would have only repressed wages for a few years had it not been joined to institutional and normative shifts in labour–management relations. Of more lasting importance was Reagan's mid-1981 dismissal of illegally striking Professional Air Traffic Controllers Organization (PATCO) workers – later cast by Volcker (2000) as having had ‘a profound effect on the aggressiveness of labour’. Moreover, PATCO represented a particularly appealing target as its stand was not popular with either labour allies at the American Federation of Labor and Congress of Industrial Organizations (AFL-CIO) or the wider public. In this setting, Reagan (1981b) was able to infuse the strike with an emotional power, condemning the strikers for a stoppage that was ‘in violation of the law’. Over this period, labour’s ability to carry off large-scale strikes would accordingly dwindle: From 1960 to 1980, the number of major work stoppages involving at least 1,000 workers had averaged more than 286 annually. By the 2000s, it would fall to 20 (McCartin 2011: 348–51).

Similarly, in the UK, the most important measures to repress wages were not simply found in macroeconomic restraint, but in regulatory and legal measures. The Thatcher government would push through a series of acts which limited the autonomy of unions – across the 1982 Employment Act, which increased the legal rights of employers to sue and potential liabilities to be faced by unions; the 1984 Trade Union Act, which limited the autonomy of union leadership *vis-à-vis* the rank and file; and the 1988 Employment Act, which enhanced regulatory oversight of union finances. These measures would prompt reductions in the number of industrial stoppages and the magnitude of union membership itself, paralleling the above-noted declines in the US. In terms of work stoppages, the number of days lost to strikes fell from its peak in the critical – and eventually broken – 1984–5 National Union of Mineworkers’ strike, with more than 27 million days lost in 1984, to a post-war low of 157,000 days lost in 2005. Likewise, union membership would fall from a peak of 12.2 million in 1982 to 6.5 million by 2005 (Barlow 2009: 272–3).

To the extent that inflation is not simply a monetary phenomenon, the weakening of labour would remove a key institutional source of wage-price pressures, in a way that persisted into the twenty-first century. Ironically, however, the weakening of wage-driven demand would provide a further spur to monetary policy activism in the construction of the neoliberal order, as central bankers would employ a New Keynesian approach to ‘fine tuning’ – shifting between monetary tightening to limit wage-price pressures and monetary easing to enable ‘soft landings’ of the business cycle – as well as lender-of-last activism following recurring financial crises. Claims for efficient markets notwithstanding, this policy activism would enjoy increasing support over the 1990s amid a rising trend toward central bank autonomy.

Stage II: epistemic power over ideas: consolidating the new Keynesian neoliberal order

Over the mid-1980s, Reagan- and Thatcher-styled communicative rhetoric would be refined in a more technocratic exercise of epistemic power over ideas, to enable a New Keynesian discretionary monetary policy. The essence of the New Keynesian approach was to manage short-run tensions between growth and price stability, while also accommodating the recurring asset-price bubbles that had grown more important as a source of demand. Speaking to the intellectual climate of the day, economist Gregory Mankiw (1992: 446–9; emphasis original) would cast New Keynesians as 'keepers of the faith that policymakers face a *short-run tradeoff* between inflation and unemployment' – with monetary policy being the primary lever of control. Moreover, given the importance of private credit provision to growth in the US and UK alike, Reagan's and Thatcher's successors in Clinton and Blair would come to realize that they had limited the scope for reviving a wage-driven order, and so would refrain from challenging the core role of central banks.

From the US vantage, while Clinton had initially aspired to the status of a Roosevelt in arguing that he would close an 'investment deficit' and launch an array of new programmes, he would soon find early projections of rising deficits foreclosing his options. With key advisers arguing for deficit reduction, Clinton objected forcefully at one point to arguments that 'the success of the program and my reelection hinges on the Federal Reserve and a bunch of fucking bond traders' (Woodward 1994: 84). Yet, Clinton would ultimately retreat, offering concessions to the neoliberal agenda in a February 1993 address unveiling his economic plan, arguing that his budget would enable shifts 'from consumption to investment' (Clinton 1993). Moreover, the administration would court and receive public support from Federal Reserve Chairman Alan Greenspan in congressional testimony, who would argue that Clinton was 'to be commended for placing on the table' a plan that was 'serious' and 'plausible' (Woodward 1994: 143–4) that would engender financial confidence and lower long-term interest rates, enabling sustained investment-led growth. Moving forward, given the epistemic power of the Federal Reserve to ignore public appeals, the Clinton administration would seek to influence monetary policy by placing sympathetic New Keynesian economists on the Federal Reserve Board. This led off in mid-1994 with the nominations of Princeton's Alan Blinder and Berkeley's Janet Yellen, who would push Greenspan slowly in an easing direction, and the Federal Reserve would propose its first outright rate cut of the Clinton era in July 1995 – leading to the 1995–6 'soft landing' of the economy. Looking back, Greenspan (2007: 165–6) would term this 'one of the Fed's proudest accomplishments' as he grew increasingly confident in a 'risk management' approach. Such a stress on monetary fine tuning – to accommodate the demands of financial markets – would be sustained across the remainder of the Clinton administration. In macroeconomic terms, this was reflected in administration fealty to the pursuit of a balanced budget – finally achieved in its later years. In legislative terms, the Clinton administration's most important final acts were to support laws repealed Glass–Steagall-era restrictions on banking activities in the Financial Services Modernization Act of 1999 and to prohibit the regulation of derivatives in the Commodity Futures Modernization Act of 2000. Speaking to the market impact of such measures – and central bank accommodation – the Clinton years would see the Dow Jones Industrial Average triple in value, from 3,300 in January 1993 to nearly 11,000 in January 2001 – a rate which even the later Bush years could not match, as the Dow would peak at 14,165 in October 2007. More importantly, however, through this period wages would broadly continue decline, as growth derived from asset-price increased.

In the UK 'New Labour' under Blair would parallel Clinton in seeking to appease finance – given the absence of wage-driven demand – and refrain from any challenges to the Bank of England. Indeed, to the extent that Blair could go further than Clinton, he would immediately establish the policy independence of the Bank of England. This served to recognize the epistemic power of monetary policy élites and the need to cultivate credibility on these ensuing terms by according the central bank greater autonomy. As Watson and Hay (2003: 298) would later note, the Blair government had sought to maximize its policy credibility by constructing an institutional guarantee, 'placing the key instrument of contemporary monetary policy beyond the direct control of the Treasury' as 'Labour effectively externalised responsibility for counter-inflationary credibility' in a 'deliberate attempt to depoliticise domestic monetary policy relations', reflecting the assumption, as the Daily Telegraph put it, 'that "the City … believes that the Bank will be a lot less tolerant about inflation than any government could be"'. Affirming the merit of a more intellectualized debate – as intellectual conversion enhanced the epistemic power of expertise – Watson and Hay (2003 297) further note Blair's technocratic call in November 1997 for 'a politics no longer scarred by the irrelevant ideological battles of much of the twentieth century. … [M]ost of the left/right tags today are nothing but obstacles to good thinking.'

On each side of the Atlantic, such technocratic overconfidence would intensify over the next decade. Yet, the success of New Keynesian ideas would also imbue them with a mounting structural power, which found expression in increasingly rigid policy macroeconomic frameworks. To the extent that these macroeconomic models – most notably, the Taylor rule – can be seen as tying interest rate settings to a balanced 'nominal' concern for inflation and a 'real' concern for gross domestic product (GDP) growth, they embodied an increasingly *unbalanced* concern for wage-price over asset-price pressures. Over time, to the extent that such fears of revived inflation were structurally embedded in the macroeconomic frameworks of a new generation of intellectual and institutional leaders, they would persistently overrate the danger of inflation and underrate the danger of financial instability – a structural source of instability that would prevail through to the Global Financial Crisis itself.

Stage III: structural power in ideas: neoliberal pathology and crisis

Overconfidence in the cognitive merit of New Keynesian ideas would assume a self-reinforcing force over the next decade, as monetary policy-makers fell into the trap of 'fighting the last war' and focusing more on containing wage-price pressures than financial instability. Speaking to the structural concentration of intellectual power in the social distribution of knowledge, the Massachusetts Institute of Technology (MIT) Economics Department – which had housed key early-1960s supporters of the Phillips curve in Paul Samuelson and Robert Solow – would be populated in parallel fashion by intellectual New Keynesians in the 1980s. Subsequent Federal Reserve Chairman Ben Bernanke and Bank of England head

Mervyn King even worked in adjoining offices at MIT – and Solow himself would serve as a reader on Bernanke's dissertation committee. Paralleling the Samuelson and Solow neoclassical analysis of the Phillips curve trade-off, which obscured the role of market power in driving the wage-price spiral, Bernanke and King came to favour a similar Taylor rule approach which similarly overlooked the financial sources of asset-price bubbles. For example, speaking at Jackson Hole, King (1999: 23) would endorse a view of monetary policy-making as guided by a 'back-of-the-envelope calculation, based on the assumption that the central bank follows a "Taylor rule" under which interest rates are raised or lowered according to whether output is above or below trend and inflation is above or below its target level.' King would even cite Bernanke in characterizing this inflation targeting approach as benefiting from a 'constrained discretion' (Bernanke and Mishkin, and King quoted in King 1999: 23) of central banks. Characterizing support for the Taylor rule, Asso *et al*. (2007: 6) would later stress its merits in moving beyond the often ideological nature of new classical scholarship of the 1970s, instead offering a pragmatic heuristic 'in a language devoid of rhetorical passion'. Indeed, these ideas had such a broad acceptance among the epistemic community of leading economists that Taylor-styled arguments would likely have influenced academic debate across the 1990s–-2000s – even if Bernanke and King had each refrained from policy engagement.

Yet, while the Taylor framework has merit as a heuristic, its structural dominance would fuel two broad types of oversights: these pertained to a lack of concern for asset-price stability – reflecting a failure to recognize monetary policy's own role in accommodating asset-price bubbles – and an excess of concern for wage-price pressures – reflecting a failure to recognize the legal limits on labour power. Speaking first to the former lack of concern for bubbles, as late as March 2007, Bernanke testified that 'the problems in the subprime market were likely to be contained' (Financial Crisis Inquiry Commission 2011: 16–17). Indeed, even as financial instability threatened, monetary policy would stress the need to limit wage-price pressures and the Federal Reserve refrained from any reduction until a half-point cut in September 2007. In June 2008, Bernanke (2008, emphases added) warned of the potential for a wage-price spiral, arguing that 'the possibility that *commodity prices* will continue to rise [is] … an important risk to the inflation forecast'. Elaborating, he warned that if the 'currently high level of inflation' were sustained, that 'might lead the public to revise up its expectations for longer-term inflation' in ways that could become '*embedded in the domestic wage- and price-setting process*'. Such concerns speak to the importance of structural power in assuming a life of its own, fuelling pathological fears of wage-price pressures – when the collapse of Lehman Brothers would come within three months.

From the UK perspective, similar structural predispositions to fear labour's market power were evident at the Bank of England, where debate concerned the relative importance of inflation or unemployment, with King's concern for inflationary restraint being opposed on the rate-setting Policy Committee by Dartmouth professor David Blanchflower, who feared a larger slump. Even in the aftermath of the collapse of Bear Stearns, through mid-2008, King had resisted Blanchflower's pressure for rate cuts, keeping the policy rate at 5 per cent into early September to ward off a wage-price spiral. On 11 September 2008, Blanchflower and King together addressed the House of Commons' Treasury Committee, where Blanchflower admitted to a 'more doom-laden view', warning that 'I think we are going to see a deeper decline than others think.' In contrast, King testified, 'I do not think we really know what will happen to unemployment … At least, the Almighty has not vouchsafed to me the path of unemployment data over the next year. He may have done to Danny, but he has not done to me.' Blanchflower later recalled thinking, 'Well, I just read the data,' and considerable annoyance with his colleague (Irwin 2013: 137–9). Only a few days later, Lehman Brothers would collapse – revealing the irrelevance of wage-price spirals in an era of asset-price bubbles. Taken together, Bernanke and King had so internalized models premised on the need to contain wage-price spirals that they ignored the asset-price bubble accelerating in their midst – and so the inability to overcome the structural power of New Keynesian ideas provided a key endogenous source of the global financial crisis.

CONCLUSIONS: THEORETICAL AND POLICY IMPLICATIONS – IDEAS AND POWER IN POLITICAL TIME

In this contribution, I have integrated insights from historical and discursive institutionalism to offer a staged theory of the construction, conversion and crisis of economic policy orders. More formally, I have argued that orders evolve across stages marked by the use of rhetorical, epistemic and structural forms of ideational power. These manifest themselves as interpretive leaders establish principled restraints on market power, institutional agents refine causal ideas regarding macroeconomic fine tuning, and the structural power in such causal ideas eventually obscures the emergent concentrations of market power that fuel renewed crisis. The result is not simply a straightforward analysis of ideational contestation, but a more social psychological analysis of the ways in which different forms of ideational power exacerbate shared biases that impede informational inefficiency over time. Empirically, I then applied this approach to trace the rise and decline of the neoliberal order, as early-principled justifications for efforts to break labour yielded to the institutional shift toward central bank autonomy, and in turn to structural overconfidence in fine tuning, which obscured mounting instability.

Building on these claims, this analysis has important theoretical, historical and policy implications. In theoretical terms, it provides an endogenous theory of change, countering a limitation of the paradigmatic and institutional 'turns' of recent decades where they rely on exogenous crises to explain self-reinforcing change. To be sure, paradigmatic and institutional efforts have provided insight into the effects of exogenous crises on the reconstruction of orders –in the norm cascades that drive policy 'tipping points' (Finnemore and Sikkink 1998) or the social learning that fuels paradigm shifts (Hall 1993). However, in the process, such paradigmatic and institutional analyses have overlooked the inefficiencies that can themselves cause crises – and impede post-crisis readjustment. In contrast, this analysis highlights the ways in which agents may collectively overrate one type of (cognitive) information and underrate another type of (principled) beliefs, generating intersubjective inefficiencies that provide endogenous sources of ostensibly exogenous shocks.

In terms of historical implications, this analysis directs attention to the ways in which economic policy orders always rest on some degree of 'embedded' intervention. More specifically, it counters historical accounts which cast the shift from Keynesian to neoliberal orders as marked by shifts from interventionist to non-interventionist orders. Such views underrate the ways in which each order was based on efforts to reshape the balance of market power – as the Keynesian order was marked by initial efforts to restrain capital and the neoliberal order was marked by parallel efforts to place restrictions on labour. In turn, parallel patterns of gradual change also marked the development of each order, as the neoclassical synthesis and New Keynesian frameworks each provided justifications for attempts at fine tuning that would produce diminishing returns over time.[6] From this perspective, economic orders are distinguished less by the extent of state intervention than by its purposes.

In terms of policy debates, this analysis finally highlights the extent to which the main constraints on policy are less to be seen as residing in enduring trade-offs than as functions of evolving ideational and institutional shifts. More specifically, it suggests that ostensible trade-offs between nominal and real variables – e.g., inflation and unemployment – are exacerbated by ideational shifts across political time: in the early stages of the establishment of an economic order, principled appeals can enable policy-makers to ease macroeconomic trade-offs as regulatory or legal instruments blunt the effects of market power on wage-price or asset-price dynamics. Yet, paradoxically, the passage of political time can see the very success of regulatory or legal efforts obscure their necessity. To paraphrase Minsky (1986) – as noted above – policy stability can breed instability where policy-makers attribute success to the more visible mechanisms of fiscal or monetary policies. From this vantage point, the displacement of principled beliefs can ironically themselves bring macroeconomic trade-offs into being – as the single tool of macroeconomic demand management is charged with 'hitting' two targets. In this light, key policy constraints can be found not in enduring trade-offs between growth and monetary stability, but rather in ideas which obscure the use of market power and the scope for reforms to prevent the abuse of such power.

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NOTES

1 On punctuated and incremental change, see Mahoney and Thelen (2010); Moschella and Tsingou (2013); on political orders and political time – defined with respect to stages of order development – see Skowronek (1993). The key advantage of a stress on political time is in moving beyond a paradigmatic focus on discrete rational choices in favour of a stress on sequential inefficiencies that can cause mounting instabilities.

2 On paradigmatic debates, see Jackson and Nexon (2013).

3 For an overview of institutionalisms, see Hall and Taylor (1993); in an International Relations setting, see Fioretos (2011).

4 While Mahoney and Thelen (2010) view institutional rules as ambiguous, they do not view the underlying distribution of power in this light – and so theirs is a constrained view of ambiguity's scope. On ambiguity, see Best (2005).

5 Margaret Thatcher, interview for *Woman's Own* ('No such thing as society'), 23 September 1987, available at http://www.margaretthatcher.org/document/106689 (accessed 2 December 2015).

6 To be sure, the early neoliberal order was marked by the use of efficient markets rhetoric to justify legal moves to fragment labour's power. However, just as Paul Volcker's embrace of monetarism served an instrumental purpose in enabling the Federal Reserve to raise interest rates – as Volcker abandoned monetarism in 1982 – efficient markets rhetoric would be qualified to recognize the role for monetary policy in stabilizing market expectations. Mankiw (2008) concedes as much in noting that 'At the broadest level, new Keynesian economics suggests –in contrast to some new classical theories – that recessions are departures from the normal efficient functioning of markets.'

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Powering ideas through expertise: professionals in global tax battles

Leonard Seabrooke and Duncan Wigan

ABSTRACT This contribution discusses how ideas are powered through expertise and moral authority. Professionals compete with each other to power ideas by linking claims to expertise, how things best work, to moral claims about how things should be. To show how, we draw on a case of battles over global tax policy. Corporate reporting for tax purposes is an area where the European Union, Organization for Economic Co-operation and Development, the United Nations, large global accountancy firms and non-governmental organizations have been active. The point of contention here is what form of financial reporting multinational corporations should provide to ensure they pay their fair share of tax. Ideas powered by expertise contain shared causal beliefs, as well as principled beliefs about value systems. We demonstrate that professionals can contest the established order when demonstrations of expertise can be fused with claims to moral authority. Such a constellation is more likely when political conditions are favourable.

INTRODUCTION

Let us begin with a dog-eared yet overlooked quotation from Max Weber on ideas and interests:

> 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. (Weber 1946: 280)

This conception of ideas provides an important reminder for the treatment of ideas and power in the social sciences. Ideas are projections of collective being that do not belong to particular actors but guide interests. It is also important to recognize that ideas and interests are linked to notions of virtue and moral authority. This contribution discusses how ideas and power are linked to expertise and moral authority. Our focus is on how ideas are powered through expertise, noting that the persuasiveness of ideas has little value if not conveyed with moral force. Knowing how things work best is more compelling when fused to a notion of how things should be. We suggest that ideas can be identified in contests over how to treat certain issues and problems. Such battles are important in framing the policy space, delimiting options and channelling interests through particular ideational switchmen.

To show how ideas are powered through expertise and moral authority, we draw on a case of global policy reform. The issue is how multinational corporations (MNCs) account for their financial performance and what taxes they pay. The European Union (EU), Organisation for Economic Co-operation and Development (OECD), the United Nations (UN), large global accountancy firms and non-governmental organizations (NGOs) have been active in challenging and defending forms of corporate financial reporting in recent years. The spring beneath much of this activity has been the international financial crisis, which highlighted the significance of 'fiscal leaks' in many advanced economies. MNCs such as Apple, Amazon and Starbucks have come under scrutiny, as some layers of their intricate tax structures have been peeled away (Seabrooke and Wigan 2014). These practices have heightened perceptions that firm financial performance comes from tax trickery rather than production and sales. Many note a permanent schism between the location of value creation and the geographical allocation of profits (Morgan 2014; Picciotto 2011).

The distributional and market implications of tax-motivated corporate practices have led to calls from the NGO community for a new accounting standard for geographical reporting, called 'country-by-country reporting' (CBCR). A company's disclosure of tax and financial data in each country of operation would shed light on tax avoidance schemes and the source of many fiscal leaks. By increasing transparency CBCR promises to systematically reduce opportunities for tax-motivated corporate profit shifting. CBCR has been pushed by a group of professionals strongly associated with global tax activism, especially through the Tax Justice Network (TJN) (Seabrooke and Wigan 2013). They have been able draw attention to CBCR from the EU, the G8 and the G20.

Powering ideas through expertise includes both knowledge about the issues at hand and also the capacity to network among regulators, practitioners and activists. Figure 1 captures how professionals can network among themselves and also connect to organizations. Recent scholarship on transnational governance has focused on how organizations representing states, NGOs and firms occupy regulatory space as actors in a ‘governance triangle’ (notably from Abbott and Snidal [2009]). This is the upper surface depicted in Figure 1, with organizational units depicted as white discs. Positions within the governance triangle differ for organizations that represent state, firms and NGO forms, and mixes thereof. This organizational surface can be complemented with a professional surface to locate how professionals interact with organizations (Henriksen and Seabrooke 2015). The black discs depict professionals, with ties between them represented by solid black lines and ties between the two triangular surfaces depicted by dashed lines. Different organizations occupy the regulatory space on the upper surface, including those mixing state, firm and NGO characteristics. We can also see on the lower surface that there are many actors that are more or less connected across the policy, corporate and advocacy worlds. Professionals attempt to occupy the policy space across both surfaces. The best way of defending their territory is by demonstrating expertise. Expertise is also a source of policy innovation. We know this well from the established literature, where concerns about European institutions squeezing out expertise have been active (Radaelli 1999), especially in policy areas such as finance, taxation and accounting standards (Genschel 2007; Leblond 2011; Posner and Véron 2010). Scholars are actively questioning what kinds of professional interactions are required to foster more creative governance solutions in such areas (Campbell-Verduyn and Porter 2014; Seabrooke and Tsingou 2014).

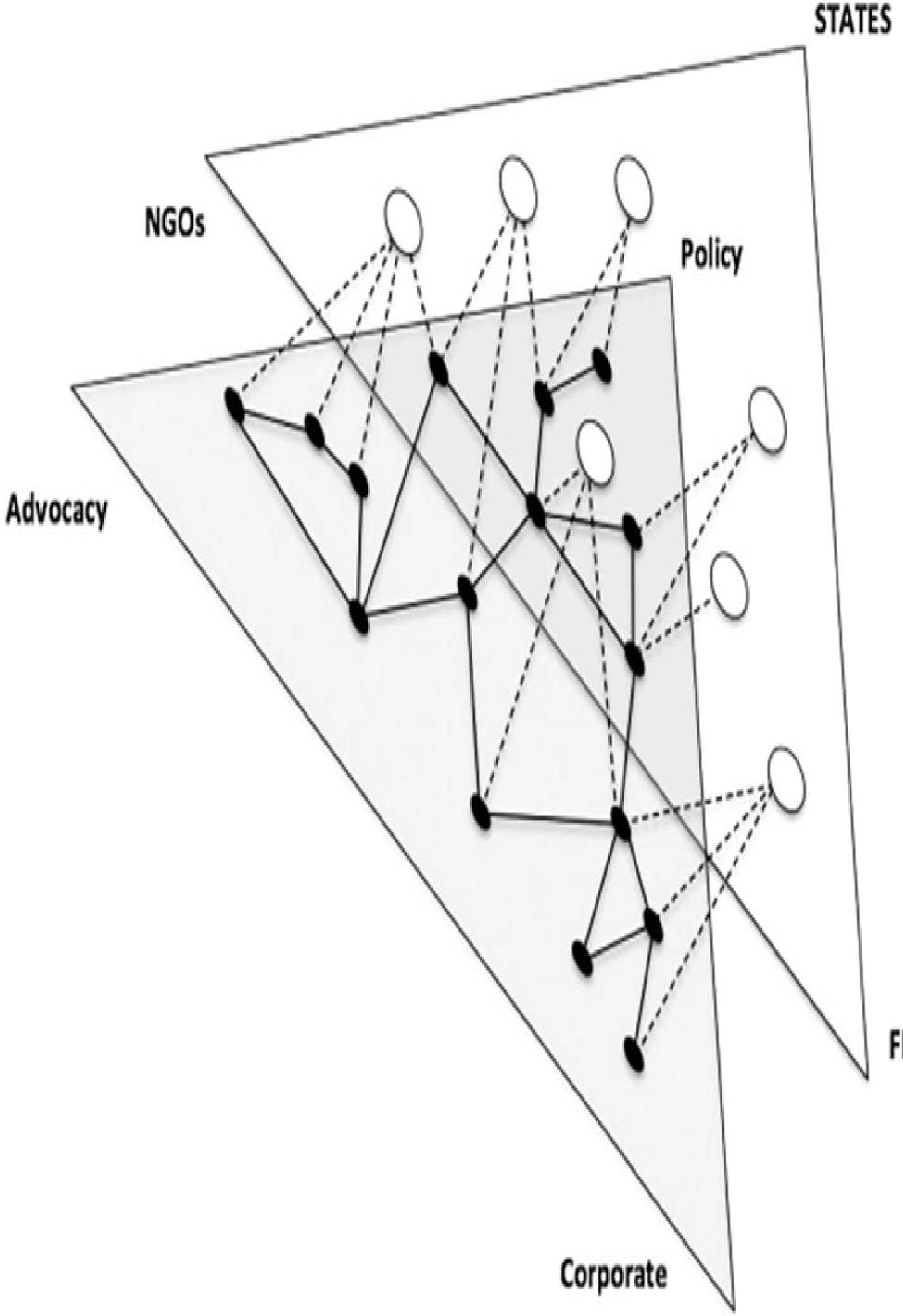
STATES
NGOs
Policy
Advocacy
FIRMS
Corporate

Figure 1 Professional and organizational networks

Our discussion of global tax policy follows the logic of interaction in Figure 1. On the issue of MNCs' financial reporting, the OECD, UN, Big Four accountancy firms and NGOs have been active, but they do not 'own' the debate. As we detail, networks of professional contestation over CBCR has changed policy discussions about corporate financial reporting. As a result, the location of the issue on the governance triangle has shifted from being firmly on the side of states and firms to a more centrist and contested position where NGOs have a say.

The contribution is organized into three main sections. The first discusses the relationship between ideas, expertise and moral authority. The second identifies our professionals and their claims to expertise and moral authority. The third section discusses professional competition over financial reporting. The conclusion reflects on whether switchmen are now in place on global tax policy and what this means for European public policy (see also Seabrooke and Wigan 2016).

POWERING IDEAS THROUGH EXPERTISE

Martin Carstensen and Vivien Schmidt (2015) usefully delineate three types of ideational power. The first is *power through ideas*, which is persuasion with ideational elements. The second is *power over ideas*, which refers to agenda setting and protection, to the exclusion of alternative ideas from the table. The third is *power in ideas*. Here, hegemonic conceptions of what ideas are appropriate and thinkable 'govern' action. Our focus is on power through ideas, where professionals attempt to fuse expertise with moral claims. Previous literature on ideas helps us to identify how they do so. For example, John L. Campbell's (1998) distinction between *cognitive* (causal means–end relationships) and *normative* (how things should be) ideas links expertise to beliefs, as well as distinguishing how they can operate in the *foreground* (in debate) or *background* (broader social change). Campbell notes how these kinds of ideas inform policy *programmes*, form *paradigms*, mark *public sentiments* and create *frames* (*cf*. Carstensen 2011). Mark Blyth (2002) hypothesizes that ideas are important for institutional change because: they reduce uncertainty; provide coalition building resources; empower agents to contest existing institutions; can attract resources to build new ones; and are important in co-ordinating agents' expectations. Those putting forward ideas need to legitimate their activity by drawing on causal and principled beliefs. Blyth's and Campbell's keystone work is important because it speaks to what structures exist in constraining ideas and the agents who can create change. From this view experts are important not only for shared causal beliefs, which can be exploited by politicians (Lindvall 2009), but also for putting forward principled beliefs that can empower agents to change the foreground debate (Béland 2009).

To our mind, experts have not been given sufficient attention in the ideational literature, especially in their capacity to act as brokers within political networks (for an exception, see Gutiérrez [2010]). While the focus has been on entrepreneurs of various types, experts differ in that they are not particularly known for their organizing and strategic capacities, but for their knowledge and experience. Often this experience comes from a mix of the cognitive and normative that permits persuasion by framing ideas in a legitimate context (Eyal 2013). Expertise is not simply a claim to superior knowledge about how things work, but also a claim about how things should be, which relies on moral authority. For example, Ole Jacob Sending (2015) documents how professionals involved with peacekeeping rely on 'bearing witness' to ground their claims to expertise, a claim to moral authority.

In the global tax reform case, the professionals pushing CBCR view it as a technical agenda and a normative goal. The idea is drawn directly from career experience in the corporate sector, noting mechanisms for tax avoidance. Such experiences can inform how persuasive ideas are and whether they can get political and public support. For example, it is common to talk of issue salience, which suggests public recognition and political traction. Crises typically augment salience. Robert Henry Cox and Daniel Béland (2013) have recently discussed how we can also talk of 'valence', the emotional quality conveyed in an idea. While the general population may be split on positional issues, such as tax, a crisis can create a window of opportunity for ideas to have both salience and valence. Cox and Béland note that post-financial crisis sustainability policies garnered valence, and skilled entrepreneurs could put that to use. During the financial crisis the notion that MNCs, such as Starbucks or Apple, were not paying their fair share in taxation and using 'offshore' to avoid taxes had high valence that grounds claims to moral authority. Those seeking to persuade others of the importance of CBCR had an opportunity to power their ideas through expertise and experience.

IDEAS FOR GLOBAL TAX JUSTICE

The fiscal and socioeconomic impact of corporate reporting has, over recent years, attracted considerable attention. Such concerns have a rich lineage. By the 1920s and 1930s, jurisdictions such as the Channel Islands, Panama and the Bahamas were used to conceal the personal wealth of rich families and register holding companies (Picciotto 2011: 238). Formal arrangements for the international co-ordination of income taxation were developed by the League of Nations during the inter-war period. Dealing with the problem of the double taxation of income in different jurisdictions led to treaty development. Bilateral treaties circumscribed the allocation of income between the investor country of residence and the source country, where income is generated. An emphasis on maximizing the freedom of each state to set tax rates was crucial to this regime, as was the separate entity principle, permitting the components of an MNC (subsidiaries, branches) to be considered separately for tax purposes and allowing the MNC to 'optimize' tax exposure (Picciotto 1992: 1–68). The most common means to optimize has been transfer pricing, where goods traded between entities within an MNC are priced according to agreed formulas. The dominant formula is based on the arm's length principle, which requires firms to price a transaction as if between unrelated parties and, where possible, based on comparable market transactions. Given that MNC formation rests on the firm providing integrated efficiencies not available on the market, the problem of arriving at arm's length prices for goods traded within an integrated MNC are acute.

While the international tax governance architecture encourages tax competition between states, it is not a level playing field for all. Most notably, the OECD's Committee on Fiscal Affairs launched it report, 'Harmful Tax Competition – An Emerging Global Issue' in 1998 (OECD 1998), which led to a blacklist of offending 'tax haven' jurisdictions (Sharman 2006). Similarly, the development of tax information exchange agreements (TIEAs) was based on providing information only on request and in circumstances where the requesting authority had considerable information beforehand (McIntyre 2009). The Bush administration's withdrawal of support for the OECD process in May 2002, on the principle of non-interference in tax jurisdictions, signalled the end of the first round in multilateral approaches to tax governance. Activity for global tax reform shifted from the organizational policy surface to the professional policy surface, as we discuss below.

This changed with the recent financial crisis. On tax evasion, the United States (US) acted unilaterally with the extraterritorial Foreign Account Tax Compliance Act requiring foreign financial intermediaries to report on US accounts to the Inland Revenue Service on pain of exclusion from US capital markets. In 2009, prompted by the G20, the OECD revamped its peer review process and bolstered tax information sharing agreements against a background of 'fiscal leaks' and austerity policies. Further reforms were made. The 2011 Directive on Administrative Cooperation in the Field of Taxation, the 2013 update to the Accounting and Transparency Directives, the 2013 revision of the Capital Requirements Directive, and current discussions on an EU Common Consolidated Corporate Tax Base (CCCTB) represent a sea change in EU policy. At the same time the OECD's base erosion and profit shifting initiative promises major reforms to the regulatory architecture circumventing corporate tax strategy. Within this host of initiatives CBCR is ubiquitous.

CBCR directly confronts the separate entity principle and, in its strongest form, eliminates extant opportunities for corporate transfer pricing and profit shifting. A key change here is not only how best to conduct corporate reporting, but what the reporting is for. Conventionally, financial reports target the requirements of the investor. As such, their form facilitates evaluation in terms of future capital market performance. Since tax positions are constructed on past activity, established international accounting standards are inadequate (Murphy and Sikka 2015). Consolidated accounts provide a performance overview that, for MNCs, amalgamates the contributions of multiple entities within a group and across jurisdictions. CBCR requires firms to provide separate reports for each jurisdiction, providing the potential to redress tax base erosion and profit shifting. As one would assume there are many professionals and organizations that have a clear interest in blocking such reforms.

CBCR was first introduced to reduce corruption in the extractives sector and redress symptoms of the resource curse. It was aggressively pursued by the advocacy community, where expertise on corporate financial reporting are thin on the ground. NGOs are well positioned to campaign on issues that have clear moral claims, such as human rights abuses, but less well positioned to deploy technical prowess in areas like accounting (Seabrooke and Wigan 2015).

A number of NGOs have engaged with issues of international taxation. Amidst the rush to promote the issue of tax fairness, one organization has emerged as the clear leader: - the Tax Justice Network (TJN). The Tax Justice Network is a small NGO founded in 2003. Established as a vehicle for research and high-level advocacy work, TJN is now a central player in both the organizational and professional networks around tax justice issues. To do so, TJN relies on a specific set of professional skills mirroring the cross-disciplinary content of international taxation. Those core to the organization possess skills spanning economics, accounting, political economy, law and government (Seabrooke and Wigan 2013). The director, John Christensen, and sole employee until 2007, served for 10 years as chief economic advisor to Jersey and worked as a trust and estate planner for a major United Kingdom (UK) financial institution on the island. He is a trained economist. A second core member, Prem Sikka, is a professor of accounting at a UK university and has previously worked for an oil major in London. James Henry is the author of five monographs, three of which focus on issues of international taxation, capital flight and money laundering. He is a member of the New York Bar, was a chief economist at McKinsey & Company, and business development manager in the chairman's office at General Electric under Jack Welch. Emeritus professor of law, Sol Picciotto, is former commonwealth fellow at the Chicago School of Law and author of key academic texts on international business taxation. Richard Murphy, the fifth core member, is a chartered accountant who trained at what was to become KPMG, has been finance director or chief executive officer (CEO) of multiple entrepreneurial ventures, and senior partner at a major London-based accountancy firm.[1] Murphy, after meeting Christensen at a 2003 meeting organized by Sikka in Jersey, originally published CBCR in the form of a template for an international accounting standard (Murphy 2003).

TJN's combined expertise is crucial for their interventions on the highly complex issue of international taxation. The professionals associated with TJN seek to persuade those in the policy, corporate and advocacy worlds of how CBCR is technically possible, politically desirable and morally just. The proposal for CBCR confronts large MNCs, global professional advisory firms and international organizations pursuing agendas aligned with the *status quo* in international taxation.

The technical and moral changes CBCR requires would change the current legitimation of the state's relationship to international capital. Professional competition and co-ordination contains not only proposals for best practice on dealing with thorny policy issues, but also interests about the political economy of taxation. Regulators, activists and practitioners are engaged in competition over the role of the state in dealing with corporate tax avoidance. There are three basic positions that can be described as maximalist, minimalist and mediatory. Activists want a redistributive and maximalist state harnessing capital for the provision of public services. CBCR would assist the renewal of the welfare state and address inequality. Practitioners seek a minimalist risk-mitigating state; that commercial sensitivity is protected, uncertainty minimized and that the state's relation to capital is primarily that of a night watchman supporting a market based conception of efficiency. European practitioners involved in corporate tax planning counter claims to CBCR on the grounds that double taxation still imposes significant burdens on MNCs, and that eliminating tax optimization strategies would be disastrous for the region's competitiveness in the world economy.[2] CBCR cannot be justified for Europe to remain strong. Between these maximalist and minimalist extremes are regulators who want a rational mediatory state following legal and intergovernmental norms that provide functional policy coherence and satisfy the political arithmetic of the day.[3]

The implementation of CBCR follows this minimalist and maximalist logic, with policy officials playing the intermediary role (see Lesage and Kaçar 2013). The minimalist logic targets a limited development and anti-corruption agenda. Minimalist CBCR promises that for each country of operation MNCs disclose all transfers to governments. This focus on payments to governments empowers civil society groups to monitor revenues received from MNCs, and to hold governments accountable for these revenues. The minimalist version is in practice targeted solely at the extractives sector. The maximalist agenda is more systemic. It requires data on corporate profit rates that includes information about liabilities, debts due and cash flows. With this known, taxes paid can be evaluated against statutory rates. Maximalist CBCR demands MNCs publicly disclose, in each operational jurisdiction, labour costs, invested capital, payroll, employment, tax payments, and sales and purchases, divided between intra-group transactions and external transactions. Such information would expose transfer pricing arrangements and identify ‘fiscal leaks’ that the EU, G8 and G20 seek to plug.

The financial crisis has increased both the salience and valence of CBCR, bringing the background features of more/less welfare state and economic competitiveness into the foreground of global tax policy debates in both organizational and professional networks.

PROFESSIONAL COMPETITION ON CORPORATE FINANCIAL REPORTING

The international financial reporting regime is conventionally explained as an extraordinary example of *power over ideas* in transnational issue management. The regime is almost exclusively controlled by the private standard-setting body, the International Accounting Standards Board (IASB) (Perry and Nölke 2006). This was not always so. In 1975, UN efforts to develop a regulatory framework for MNCs resulted in the formation of the United Nations Centre on Transnational Corporations (UNCTC). The UNCTC established a Group of Experts on International Standards of Accounting and Reporting (GEISAR), whose report in 1977 noted the restriction of annual reports to the interests of shareholders and creditors and proposed a mechanism for geographical segment reporting that incorporates elements of maximalist CBCR (Ylönen 2015). The demand was repeated in a report issued in 1980 (United Nations 1980). These far-reaching recommendations received support from most developing countries in UNCTC, but were not endorsed. Instead, an *ad hoc* working group on international standards of accounting and reporting was established with a reduced mandate to consult, review and establish ‘formulating priorities’ for MNCs’ accounting and reporting standards (Rahman 1998: 601). Power in standard setting was then passed to the International Accounting Standards Committee (the ‘Board’, IASB, since 2000), established in 1973 by an agreement among professional accounting bodies from OECD countries.

The IASB closely aligns its organizational tasks with the expertise of its professionals, who are mainly accountants, economists and other capital market actors (Leblond 2011: 449). This combination of professionals permits the IASB to have a ‘semi-open approach’ in permitting, in particular, expertise and skills that conform to the organizational agenda, while excluding others (Botzem 2012; Campbell-Verduyn and Porter 2014: 420). The IASB is known in the literature for its expert consensus and unaccountability. The IASB develops international rules for accounting in the form of International Financial Reporting Standards (IFRS). IFRS are required in 116 jurisdictions worldwide, including the EU, which transposes IFRS into EU hard law through an institutionalized endorsement process. The EU has a long history of acting as a ‘hardening agent’ for accounting standards (Newman and Bach 2014), even if they differ in practical national implementation (Thiemann 2013).

The accounting standard addressing geographical disclosures by corporations is IFRS 8 on ‘operating segments’. It allows corporations to choose between two methods of defining an operational segment. While the ‘line of business’ method allows a corporation, like Apple, to report financial information according to product lines, such as tablets, phones and laptops, the ‘geographical segment’ method deploys geographically disaggregated performance as its ordering principle. The rub here is that geographical segments are not defined at the country level but, for instance, as ‘North America’ or ‘Asia-Pacific’. Even if a company chooses financial information by geographical segment, the IFRS 8 framework does not require a breakdown by country. The formally mandated international accounting standard for geographical disclosures provides information to capital market participants in terms of segment or region, but does not permit an estimate of the impact of arbitrage between distinct national tax systems.

In 2002, UK Prime Minister Tony Blair launched the extractive industries transparency initiative (EITI). Following a concerted campaign by the NGO collective Publish What You Pay (PWYP), this was the first governance initiative to introduce a reporting framework mandating country-level disclosures by MNCs. The PWYP network includes large NGOs such as Oxfam America, Human Rights Watch, Global Witness and the George Soros-funded programme Revenue Watch. It has an obvious resource and organizational base for campaigning. The EITI reflected the 2002 Monterrey Consensus, that harnessing resources within developing countries offered a more certain path to development than international transfers. Governments signing up to the EITI standards publish a report on the revenues received from the extractive industry firms, and firms disclose all payments made to governments. Evaluation is based on the level of congruence between declared company payments and declared government receipts. The EITI does not provide information on intra-firm and external transfers, making it a minimalist form of CBCR.

Since the launch of the EITI, policy debates around CBCR have blossomed into professional competition and co-ordination over the benefits of minimalist and maximalist forms, as well as over the technical practicalities and political desirability of such corporate financial reporting. CBCR has manifested in legislative initiatives in the US and the EU. It is now an active policy debate within the OECD, World Bank, International Monetary Fund and the UN. The 2010 US Dodd Frank Act contained Section 1504, which requires MNCs in the extractives sector to report all payments made to governments in each country in which they operate. In the second half of 2013 the European Council passed into law two pieces of legislation, the Accountancy and Transparency Directives, which requires large non-listed and all EU listed firms within the extractives and logging sectors to generate financial reports on a country-by-country basis. This requirement, in maximalist form, has also been incorporated in the Capital Requirements Directives (2013/36/EU) for European banks, credit institutions and certain investment firms, with support voiced by PriceWaterhouseCoopers (Euractiv 2014). CBCR has been raised as a solution to a range of issues addressed in the OECD's Base Erosion and Profit Shifting report (BEPS; OECD 2013a; 2013b). The key sections of BEPS on transfer pricing, Action 13, provides a model for CBCR (OECD 2014). The Lough Erne G8 Leaders' Communique placed CBCR at the centre of the unfolding policy process:

> We call on the OECD to develop a common template for country by country reporting to tax authorities by major multinational enterprises taking account of concerns regarding non-cooperative jurisdictions. This will improve the flow of information between multinational enterprises and tax authorities in the countries in which the multinationals operate to enhance transparency and improve risk assessment. (G8 2013: 6).

As noted, Richard Murphy templated a standard for CBCR in 2003.[4] TJN in 2004 began providing their expertise to PWYP on practical policy solutions. The existing network understood the problem to be a developing country issue and considered the underlying cause to be corruption. These transparency issues were not connected to accounting data and international firm behaviour, and focused instead on a voluntary compliance mechanism. Following campaigning from professionals associated with TJN and other NGOs engaged with tax justice, PWYP adopted CBCR in 2005. Global Witness, a leading NGO in the network, released ‘Extracting transparency – the need for an IFRS for the extractive industries’ that was penned by Murphy.[5] PWYP reporting demands now included information on commercial performance on top of existing requirements for absolute payments and reserves (Global Witness 2005: 1).

By 2005, with support from professionals associated with TJN, PWYP were campaigning for CBCR to be introduced in IFRS 6 for the extractive sectors, and subsequently pushed for it inclusion in IFRS 8. Although establishing a working subgroup on CBCR, the IASB were resistant and proved reluctant to act on, or enact, the changes PWYP demanded.[6] This position has not changed. The reaction from the IASB has been to reject CBCR outright:

> The IASB has also been asked to consider adding ‘country-by-country’ reporting requirements to its agenda. Feedback from the 2011 Agenda Consultation strongly and consistently highlighted that this should not be a priority for the IASB. (IASB 2013: 22)

Frustrated with the EU endorsement of IFRS 8, which maintained segment reporting, the PWYP coalition and TJN pushed their agenda at the European Parliament. Sven Giegold, a member of the European Parliament (MEP) in the Greens and European Free Alliance, provided a link between TJN, PWYP and the Parliament. In 2005, Giegold invited Murphy to visit the Parliament and deliver a talk on CBCR. In 2007, these efforts and the broader campaign led to a European Parliament resolution in support of CBCR disclosures within the extractives sector. The IASB made no known orchestrated effort to counter these pressures, relying on its status as the technical authority on corporate reporting stands. This lack of organization, not uncommon in financial lobbying within Europe (see Young 2014), allowed activist groups to combine technical expertise from TJN with moral claims on the need to address transfer pricing in developing countries.

In October 2010, the European Commission launched a public consultation on imposing CBCR requirements on EU companies. The consultation marked a departure for the Commission, which on financial regulation had a long history making markets more open – yet supporting particular types of financial institutions (Mügge 2011). The CBCR consultation presented reform in two possible directions. The maximalist option would demand that all firms in all sectors provide accounting data on a country-by-country basis. A second minimalist option reflected the narrower agenda of the EITI initiative and would be restricted to the extractives sector. Murphy discussed his idea for CBCR at the Commission several times prior to the launch of the consultation which, with assistance from the Greens, led to the incorporation of maximalist CBCR on the consultation agenda.[7] Notably, the consultation process surrounding the legislation bears witness to TJN's agenda setting role. PWYP explicitly defers to TJN on conceptual authority; 'For all sectors, including extractives, we concur with the analysis of the rationale for such disclosure as proposed by the Tax Justice Network' (PWYP 2010). PriceWaterhouseCoopers also acknowledged the foundational role of TJN as the source of CBCR in a 2013 report on regulatory initiatives in taxation, using the TJN template as a benchmark to assess changes in the European, US and global policy landscapes (PWC 2013).

Professionals working with TJN pushed further in arguing for a maximalist CBCR where MNCs would provide comprehensive accounting data to governments. In public consultations, professionals associated with corporate financial reporting argued that a maximalist CBCR would expose commercially sensitive material and impose heavy costs for an unspecified and uncertain return.[8]

The European Commission's impact assessment report concluded that the target was to support the EITI and provide regulatory equivalence in relation to US initiatives on CBCR via the Dodd–Frank reforms. The Commission considered that a maximalist CBCR should have less priority than stamping out government corruption via a minimalist CBCR. As such, the instruments chosen, the amended Accounting Directive and Transparency Directive, require the disclosure of payments and not the disclosure of contextual accounting data. TJN broadened the PWYP agenda and instigated a debate within the network over the apposite data to demand. This met with opposition from firms and professional bodies, preventing an unequivocal shift in the direction of the broader tax justice agenda. Within these policy debates the presence of CBCR as an actionable idea is no longer in question. The concern is over the form of CBCR.

TJN inserted an accounting agenda into the network and promoted CBCR as a parameter in both public and policy debates. Both PWYP and the EITI standards now respectively promote and incorporate requirements for contextual data. Maximalist CBCR remains on the legislative table in the EU, with the Commission tabling a proposal in April 2013 to further amend the Accounting Directive (2013/34/EC) so that country-level reporting requirements similar to those of CRD IV are imposed on all large European firms. The recent revival of the long-dormant project of a European Common Consolidated Corporate Tax Base (CCCTB) rests on unfolding comprehensive CBCR across the EU. In May 2015, the competition commissioner, Margrethe Vestager, stated that 'we need at least the automatic exchange of information on tax rulings and a common consolidated corporate tax base'. The Commission has also established a public consultation on whether all MNCs should have to publicly disclose certain tax information, as a barometer to assess shifts in public opinion and the grounds for moral claims (European Commission [EC] 2015). Murphy participated in debates at the OECD on the role of CBCR in ameliorating profit shifting and, in July 2015, gave testimony on corporate secrecy and CBCR at the European Union's Special Committee on Tax Rulings and Other Measures Similar in Nature or Effect and Committee on Economic and Monetary Affairs.[9]

There is a new emphasis on CBCR as technology that can ease the rift between the state and international capital. As a form of corporate financial reporting, CBCR fuses technical expertise with claims to how firms should pay taxes. Prior to the emergence of CBCR, accounting standards served a constituency perceived solely in terms of investors. That has changed, with NGOs providing an active voice on accounting issues, provided they have the right professionals to power their ideas with expertise. Crucially, what was at first promoted as a limited purpose technology, combatting corruption, has been inflated to become an all-purpose technology available for policy-makers. The European commissioner for internal market and services made this clear in promoting maximalist CBCR across the European corporate sphere:

> I welcome today's vote by the European Parliament on the new Accounting and Transparency Directives. Financial reporting obligations have been modernised and costs reduced, in particular for SMEs. With the new rules on country by country reporting, we have created a framework where businesses and governments must disclose revenues from natural resources. This framework will also contribute to the fight against tax fraud and corruption. But we must go further now and take measures on more transparency on tax for all large companies and groups – the taxes they pay, how much and to whom. I think it should be possible to introduce rules for the publication of the information on a country by country basis, similar to those approved for banks in CRD IV, or in the Commission's proposal on improving the transparency of certain large companies on non-financial reporting, adopted in April. (Barnier 2013)

As matters currently stand, CBCR has gone from an idea to a new international standard with the potential to address issues of corporate transparency and tax compliance. The OECD has adopted a version of CBCR closely resembling Murphy's original maximalist proposal and invited Picciotto, a key member of TJN, to share his ideas for a unitary taxation system.[10] Unitary taxation would require MNCs to provide combined worldwide reports, to which an agreed formula for the apportionment of the tax base to fiscal authorities on a country-by-country would be applied. CBCR is a necessary component of this revolutionary proposal, since unitary taxation requires firms to provide global accounts with maximalist data from country-by-country-reports feeding into a formula for apportioning profits according to a series of real economy criteria.

CONCLUSION: SWITCHMEN IN GLOBAL TAX BATTLES

The case we presented above maps how ideas are powered through expertise. The main battle here is between professionals from the advocacy world who seek to persuade regulators and practitioners that corporate financial reporting should be fairer. On the face of it, this is a fight between Tax Justice Network and International Accounting Standards Board. The former is a tiny NGO, the latter is the policy guardian over reporting standards that represents a long-term alliance between corporations and advanced capitalist states. As Figure 1 suggests, a more complex picture is that persuasion happens through networks as professionals seek to convince others in the activist, corporate and policy worlds of the need for reform. They use these networks to lobby organizations, who have their own networks, and to change frames and then policies.

David vs Goliath struggles in international financial regulation are always assumed to be won in favour of the mighty. Conventional explanations tell us that the mighty are powerful in international financial governance because only they have the expertise and they are the first to set the standards (Lall 2014). However, we also know that often established financial groups are not well organized (Young 2014), and that coherent policy communities can fracture (Tsingou 2015). We also know that in the post-crisis period there has been a search for new ideas, even when there is not a clear policy consensus (Baker 2013). We suggest that when such opportunities arise, professionals who can power ideas through expertise and claims to moral authority can make significant advances in their David vs Goliath struggles. These professionals link claims to technical know-how, how things work best, to moral claims about how things should be.

In the CBCR case, the professionals associated with TJN were able to place this corporate financial reporting technology into policy debates with success. Whether or not CBCR is an actionable idea is no longer a point of contention in professional battles. Rather, the form of CBCR, be it minimalist or maximalist, is the concern. As an idea, CBCR has become a switchmen pushing along the dynamics of interest. While TJN may be seen superficially as a garden variety NGO, it is a loose organizational form through which particular professionals with specific skills co-ordinate to push forward an activist agenda on global tax policy (Seabrooke and Wigan 2013). In our case, this capacity rests to a large extent on professional expertise. The professionals associated with TJN were able to engage a broader NGO network, notably PWYP, and substantially push forward their idea on financial reporting to others on how this issue should be treated. They grafted their agenda into the political sphere by circumventing the traditional transnational authority, the IASB, and by instilling CBCR as an alternative and preferred form of corporate financial reporting. TJN were able to draw upon a skill set scarce among the wider NGO community and commensurate with the skills of those traditionally tasked with crafting accountancy standards. In doing so, CBCR is now part of our regulatory landscape within Europe and globally. As CBCR has both issue salience and valence, those propagating it can make linked technical and moral claims about its necessity and superiority.

Importantly, this is not an isolated case. The European Union wants such voices. The European Parliament's creation of Finance Watch in 2010 as an independent NGO to provide oversight to the European financial sector comes directly from a desire to fuse technical expertise with moral authority.[11] The MEPs behind Finance Watch asked the professionals staffing the new body to consult TJN about organizational and campaigning strategies.[12] Given the opportunity, the right professionals can confront established technical authorities and power ideas through expertise, by fusing technical knowledge with moral claims to create change in the international political economy.

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NOTES

1 This information was collected by the authors during multiple interviews with those named between 2011 and 2014, primarily in London, but also in Copenhagen, Chesham and Downham Market. This information was confirmed in a case study integrity meeting with the core of TJN and others in London in October 2013. The contribution draws on 41 interviews with practitioners, policy-makers and activists conducted between 2011 and 2015.
2 Interview with corporate tax lawyer, Brussels, May 2015.
3 Groups may share established interests, but expertise can destabilize such configurations and shift how issues are located in the governance triangle. These positions were identified in multiple interviews with tax activist and corporate tax planners conducted in New York, Copenhagen, Barbados, Madrid, Brussels and London between March 2011 and June 2015.
4 Richard Murphy's primary authorship of the CBCR template has been confirmed by multiple interviews with regulators, practitioners and activists during the interview period noted above.
5 Interview with Richard Murphy, Downham Market, January 2013.
6 Interviews with John Christensen and Richard Murphy, separately, London, March 2013.
7 Interviews with Richard Murphy, Downham Market, January 2013, and Sven Giegold, Brussels, March 2013.
8 Submissions to the consultation are available at: https://circabc.europa.eu/faces/jsp/extension/wai/navigation/container.jsp (accessed 26 November 2015).

9 The hearing can be viewed at: http://www.europarl.europa.eu/news/en/news-room/content/20150624IPR70439/html/TAXEECON-Committees (accessed 26 November 2015).
10 Sol Picciotto now leads the BEPS Monitoring Group and is actively pushing for CBCR and unitary taxation at the OECD.
11 http://www.finance-watch.org/ (accessed 26 November 2015).
12 Interview with John Christensen, Skype, May 2015.

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Powerful rules governing the euro: the perverse logic of German ideas

Matthias Matthijs

ABSTRACT Ideas are at their most powerful as an explanatory variable when they lead agents to go against any broadly reasonable interpretation of their material self-interests. They become even more intriguing when they are instrumental in actually *causing* a crisis, in which actors undercut their own stated goals and then continue to make matters worse by sticking to those same ideas, even in the light of clear evidence that the policies they inspire are not working. This contribution shows two dynamics between power and ideas to explain Germany's behavior during the euro crisis. The first dynamic examines the changing macroeconomic consensus on how to conduct monetary and fiscal policy that governed the euro from 1999 to 2012. The second dynamic shows how a strict adherence to Germany's ordoliberal ideas of budgetary rules and structural reform turned a containable Greek fiscal problem into a full-blown systemic sovereign debt crisis.

> If you try to fight the German stability culture, you are bound to lose. It's better not to start that game. (Gerhard Schröder, 2007, quoted in Marsh 2011a: 227)

> The rules must not be oriented toward the weak, but toward the strong. That is a hard message. But it is an economic necessity. (Angela Merkel, 2010, quoted in James 2011: 530)

INTRODUCTION: THE GERMAN QUESTION

The advent of the eurozone debt crisis in the spring of 2010 and the long search for a comprehensive solution have shaken the foundations of the European Union (EU). The debt crisis has reopened old debates on the euro's institutional design, including the mandate of the European Central Bank (ECB) and the effectiveness of the Stability and Growth Pact (SGP) governing the single currency. The euro crisis has also reinvigorated scholarly interest in Germany's central role in Europe's Economic and

Monetary Union (EMU). Key questions include the influence of *ordoliberal* ideas on eurozone policy implementation, as well as Germany's relative position of power as the currency union's largest economy and main creditor state.

By 2010, Germany was seen as Europe's 'indispensable nation' (Sikorski 2011). Scholars agreed that German power, interests and ideas would be crucial in determining whether EMU would fail, continue to muddle through or be put on a more sustainable path (Blyth 2013; Bulmer 2014; Jacoby 2015; Moravcsik 2012; Newman 2015; Thompson 2013). While Germany has unquestionably played a leading role during the crisis, it invariably provided either reluctant (Newman 2015: 133) or the wrong kind of leadership (Matthijs and Blyth 2011) – stuck somewhere 'between hegemony and domestic politics' (Bulmer 2014: 1244). The type of leadership Germany offered had direct consequences for the eurozone overall, given its growing structural and financial power. In particular, Germany controlled which crisis narrative would carry the day, and thus would be the central player in crafting the response during a time of great uncertainty (Hay 1996; Blyth 2002; Matthijs 2011).

Rather than focusing on systemic responses to the crisis (Matthijs and Blyth 2015; McNamara 2015a), like eurobonds or a more symmetric economic adjustment, which were widely deemed necessary across the Anglo-Saxon world to rescue the eurozone's ailing economy (Wolf 2014), the overwhelming majority of the German policy élite preferred to emphasize the flaws within individual member states, like fiscal profligacy and a lack of competitiveness, thereby painting the crisis as a morality tale of 'Northern saints' and 'Southern sinners' (Matthijs and McNamara 2015: 230; also Blyth 2013; Fourcade 2013). The German 'ordoliberal' crisis solution of fiscal austerity and structural reform, however, implied long recessions and painful asymmetric adjustments in the eurozone, which would make the crisis worse in the short and medium term (Matthijs 2014a).

I follow Stark (2015) in defining ordoliberalism as 'an approach arising from the recognition that markets need rules to be set and enforced by government' that is mainly focused on maintaining price stability, balancing budgets, promoting competition in all markets, and strongly believes individuals (and countries) should bear the risks of their own decisions. However, I agree with Jacoby (2014) that there exist multiple varieties of ordoliberal thinking within Germany, and that it is better to see ordoliberalism along a wider spectrum. While all mainstream political parties in Germany are to some extent guided by 'ordoliberalism' in setting economic policy, some parties adhere to a more flexible variant (Social Democratic Party [SPD] and Greens), while other parties uphold a much stricter version of it (Christian Democratic Union [CDU], but especially Free Democratic Party [FDP]). It is also true that while it has been widely documented that German policy-makers have followed ordoliberal principles during the euro crisis (Dullien and Guérot 2012), there have been multiple unintended consequences from that pursuit as documented by Nedergaard and Snaith (2015) and Steinberg and Vermeiren (2015).

The Berlin Puzzle

At first sight, Germany acted well within its interests during the onset of the euro crisis in 2010, if we define its 'national' interest to include both short- and long-term economic (growth and currency stability) and political (democratic legitimacy and the promotion of EU integration) goals. By pursuing an ordoliberal policy of austerity-cum-reform in the crisis-stricken countries, Germany's policy shifted the main burden of adjustment of the crisis away from Germany toward the periphery. At the same time it left German banks that were heavily exposed to those countries' sovereign debts largely off the hook, and allowed them to slowly repair their balance sheets (Blyth 2013; Thompson 2013).

Beyond longer-term considerations of the national interest, German political élites also acted to appease their electorate's opposition to bailouts and fear of moral hazard because of the country's experience with reunification in the 1990s (Newman 2015), and worked within the tight constraints placed on them by the Federal Constitutional Court (FCC) in Karlsruhe (Jacoby 2014, 2015). So, from a purely rational and material 'national interest' point of view, we can understand why Merkel did what she had to do (Howarth and Rommerskirchen 2013). But are things in fact so simple?

While we did see considerable austerity in the periphery, we also saw bailouts,[1] increased scrutiny and budgetary oversight by the EU of *all* member states (not just the ones in trouble), *de facto* backstopping of the sovereign bonds of the periphery countries by the ECB in the summer of 2012, and supervisory and resolution powers over German banks transferred to that same ECB. Furthermore, owing to the deflationary effects of austerity, the eurozone as a whole slid back into recession in 2012 and 2013 (Blyth 2013). While the German government managed to limit the size of the bailouts and maintained strict conditionality, the fact that the eurozone crisis refused to go away meant it would gradually have to give up on some of its ordoliberal principles and make way for more pragmatic and systemic solutions, even though those remain incomplete at the time of writing (Matthijs and Blyth 2015).

Furthermore, if we look a bit more closely at how the crisis unfolded over time, we can see that the budding eurozone crisis in the spring of 2010, rather than being remedied by German ideas, was actually caused by them. By March 2010, the Germans settled on the national redemption route for Greece, and dithered for months with EU-level support, causing a huge amount of panic in sovereign bond markets (Jones 2010). After the Greek bailout in May 2010, German discourse and ideas would continue to deepen the crisis over the course of two years, leading to 'panic-driven austerity', with widening sovereign bond spreads between Germany and vulnerable periphery countries justifying ever deeper cuts, rather than more austerity resulting in narrowing spreads (De Grauwe and Ji 2013). These policies would create 'sovereign' debt crises in countries where none had existed before (Blyth 2013).

Germany's ordoliberal policies would actually lead it down a road of *hurting its own national interests* by triggering contagion in the short run, while giving up further control over fiscal and financial powers in the long run, by delegating those powers to the EU level. Germany's ideas did not just lead to suboptimal outcomes from Berlin's interest point of view; they *actually caused the crisis by making it a systemic one*. As I will show in this contribution, the Berlin puzzle is striking: the most powerful state that everyone perceived as calling the shots in the eurozone took actions that went against its own interests, generating perverse outcomes that went counter to the one intended (a return to stability), thus bringing about exactly the scenario it wanted to avoid most.

To make sense of this puzzle, I will proceed in four sections. The next section will build on the existing literature on actor-centered constructivism and discursive institutionalism to flesh out the theoretical relationship between power, ideas and public policy. Section three will analyze the eurozone's changing consensus in economic policy from the perspective of national sovereignty, power and ideas. Section four will focus on the interaction between German élite discourse and sovereign bond markets during the euro crisis. Section five concludes.

BUILDING ON EXISTING THEORIES: THE POWER OF IDEAS AND THE IDEAS OF THE POWERFUL

This article's exploration of how ideas actually drive behavior responds to Béland's call for a more systematic integration of sociological and political science accounts on ideas and policy outcomes (Béland 2009: 712). To better understand under what conditions powerful actors' ideas matter for policy outcomes, I will borrow from, build on and empirically apply existing approaches in 'actor-centered constructivism' (Saurugger 2013: 896) and 'discursive institutionalism' (Schmidt 2010: 2). Both approaches place the role of ideas front and center in their analysis. The first approach contrasts the 'logic-of-position' (material interests) with the 'logic-of-interpretation' (how we perceive our interests) (Béland 2010: 149; Parsons 2007), while the latter approach makes use of the 'logic-of-communication', by considering how ideas are communicated by analyzing the interactive process of discourse in market, policy and political spheres (Schmidt 2008: 304).

Ideas over Interests

Actor-centered constructivism is one of the most promising conceptual frameworks in studying public policy outcomes in the EU, 'as it allows for the considering of both the strategic interests of actors as well as their embeddedness in cognitive structures' (Saurugger 2013: 892). Such constructivist approaches, following pioneering work by Berman (1998), McNamara (1998) and Blyth (2002), combine a utilitarian logic of consequentialism with a more ideational logic of appropriateness. While powerful actors face serious challenges, including the pressures of globalization and the constraints of supranational institutions and domestic electoral politics, there are multiple ways to solve a given problem, and it is not guaranteed that the objectively 'best' solution will be the one that eventually materializes (Matthijs 2011).[2] The final policy outcome is usually the result of the cultural context and ideological climate in which political actors function and form their ideas (Saurugger 2013; McNamara 2015b).

Therefore, in order to understand the euro crisis outcomes, we first need to carefully trace the ideas of the dominant actor, Germany, as well as the ideas of the other actors – including the EU member states, the Commission and the ECB – over whom the dominant actor exerts its power. This approach thus uses two strategies identified by Parsons in this collection on 'how to best show powerful ideas *vis-à-vis* the skepticism of non-ideationally-inclined theorists' (Parsons 2015): the 'ideas of the politically powerful' as well as the 'ideas empowering (weak) actors'. Tracing the ideas of the powerful will help us understand how key agents define their interests – both in the short and the long term – and why they undertake particular actions.

Carstensen and Schmidt (2015) in this collection dissected the literature on discursive institutionalism and find three relevant ways in which ideational power influences policy outcomes, all of which can be directly applied to our Berlin puzzle. First, what they call 'power through ideas', or the ability of the most powerful actors to persuade others of the general validity of their arguments by appealing to 'common sense' – like Angela Merkel's powerful appeal to the image of the *Schwäbische Hausfrau* who lives a frugal and moral life. Second, what they term 'power over ideas' or is the capacity of powerful actors to exclude alternative ideas from the overall acceptable discourse, like the rejection of eurobonds. By insisting that the risk of moral hazard of any premature common debt instrument undermined any potential benefits, the German political and business class managed to close the debate on any systemic solution to the crisis, and steered it back towards national responsibility (Matthijs and McNamara 2015). Finally, Carstensten and Schmidt also see 'power in ideas', referring to the more subtle authority certain ideas enjoy over others, by focusing on the deeper discursive practices and institutional setups. This makes one set of ideas superior to another, almost from an intrinsically normative point of view, usually by emphasizing the logic of no alternative. By invoking the 'no bailout clause' of Maastricht, the ECB's sole mandate of price stability, as well as the sacredness of the SGP's fiscal rules, the German political élite managed to frame any solution to the euro crisis from their preferred ordoliberal point of view.

Perverse Outcomes: Self-fulfilling and Self-denying 'Reality Effects'

To understand how German ideas and discourse could have worsened the crisis, thereby forcing Germany to partially abandon its own ideas, we need to understand how ideas can generate perverse and self-fulfilling 'reality effects' in the financial markets, followed by their self-denying effects on policy outcomes, as I will explain further below. Studying discourse through a close analysis of official German statements during the euro crisis, and how financial markets responded to them, allows us to do so.

Building on the previous work of Hay and Rosamond (2002), who studied the discursive construction of economic imperatives in the face of globalization, and on earlier insights of Merton (1968) and MacKenzie (2006), I posit that the concept of ‘self-fulfilling prophecy’ and ‘reality effect’ remains under-used by scholars interested in proving the causality of certain economic ideas on economic outcomes.

In section four of this contribution, I will illustrate the ‘reality effect’ of German economic ideas, which had both ‘self-fulfilling’ and ‘self-denying’ prophecies. The self-fulfilling aspect of ordoliberalism was manifested by Germany’s insistence on austerity and reform as solutions to the crisis. This made the crisis worse in the short-term, by increasing the ratio of debt-to-gross domestic product (GDP) in the periphery, which made it seem like it actually *was* high sovereign debt that caused the crisis all along. Just like the self-fulfilling prophecy of globalization and lower corporate tax rates in Hay and Rosamond (2002),[3] so does austerity increase states’ debt-to-GDP ratios, which then in turn justify further austerity measures to tackle what has now in reality become a crisis of ‘sovereign debt’ (see also Blyth 2013). The self-denying aspect comes from the fact that the crisis would only start to go away once a narrow conception of ordoliberal ideas was gradually abandoned in favor of more flexibility, as Merkel would give her tacit support to the ECB’s reinterpretation of its own mandate in the summer of 2012, and Mario Draghi’s pledge to do whatever it takes to safeguard the euro (Spiegel 2014).

The next two empirical sections will apply the methodological insights of both actor-centered constructivism and discursive institutionalism in illustrating the power of German ideas in (1) changing the macroeconomic consensus in the eurozone and thereby gradually advancing a stricter interpretation of ordoliberal ideas over German national interests, and (2) the reality effects of Germany’s insistence on applying ordoliberal rules in Europe’s collective effort to solve the euro crisis. The crisis initially got worse as a result of too close an adherence to ordoliberalism, and it only started to go away as those same ideas were partially deserted.

IDEAS VERSUS INTERESTS: EXPLAINING GERMANY'S ROLE IN THE EURO'S CHANGING ECONOMIC POLICY CONSENSUS

The signing of the Maastricht Treaty in 1992 meant a radical change in economic policy consensus from national discretion over fiscal and monetary policy to EU imposed rules. The institutional design of EMU has been exhaustively analyzed from three main angles, i.e., interests, institutions and ideas. While Frieden (1991) and Moravcsik (1998) explained the decision to launch EMU by looking at the rational and objective interests of EU member states' main pressure groups, Pierson (1996) and Heisenberg (1999) looked at the shift through a historical institutionalist lens, rationalizing EMU through the ubiquity of both intended and unintended consequences of member-state policy preferences, as well as path dependent mechanisms with the monetary institutions of its most powerful member state, Germany. McNamara (1998, 2006) saw EMU as the eventual result of élites colluding around neoliberal ideas in the late 1980s, following the breakdown of Keynesian ideas as well as the exemplary success of Germany in fighting inflation during the 1970s. Jabko (2006) stressed the role of the European Commission in using the *idea* of 'the market' as a polyvalent strategic tool that had different meanings for different audiences, but was nonetheless instrumental in driving Europe towards the single market and EMU.

The ideational explanation remains the most convincing to this day, as Germany was only willing to give up its national sovereignty over monetary policy if the rest of Europe agreed to create the euro after the Deutschmark's image (Heipertz and Verdun 2004: 771; Marsh 2011a: 99–137). But the new consensus would not last very long. In 2003, both France and Germany – the EU's two most powerful member states – violated the rules of the SGP by running fiscal deficits in excess of 3 per cent for consecutive years. At the time, Germany was governed by a coalition of social democrats (SPD) and Greens, two parties with a less stringent interpretation of ordoliberalism. Then Chancellor Gerhard Schröder saw the need for greater budgetary flexibility and discretion, especially at a time of low growth and with his government in the midst of enacting long-term structural reforms to the economy, known as the *Hartz* reforms (Newman 2015). However, it needs to be emphasized that the main reason the SPD-led government could justify large fiscal deficits is exactly because the *Hartz* reforms were injecting a serious ordoliberal dose of market-enhancing competition into the German economy. So, while seemingly moving away from ordoliberalism on the budgetary front, Schröder's government was doubling down on it through structural reform (Jacoby 2015).

In response to the violations by France and Germany, the 'excessive deficit procedure' was substantially weakened in 2005 to allow the European Council – where the larger member states have a stronger voice – more discretion in interpreting the reasons for any violations of the 3 per cent rule. Before the 2005 reform, 'exceptional circumstances' had been defined as cases in which a country experiences an annual fall in real GDP of at least 2 per cent. After the 2005 reform, a severe downturn was understood as a negative annual real GDP growth rate or an accumulated loss of output during a longer period of very slow GDP growth (TEU 104: 3–6). The ECB, on the other hand, having been in charge of monetary policy since 1999, kept to its sole mandate of price stability, having defined its inflation target as lower than but close to 2 per cent. In other words, the new consensus meant that fiscal policy, once again, would be the legitimate domain for nationally elected politicians, allowing for much more flexibility during hard times.

Though Angela Merkel's CDU won the general election in September 2005, her narrow victory forced her to govern with the SPD in a 'grand coalition' with social democrat Peer Steinbrück as her finance minister. Faced with a weak economic recovery and continuing high unemployment in Germany, this also meant that the newly established norm of relatively more fiscal discretion would not immediately be questioned. In fact, the new consensus seemed to become consolidated three years later during Europe's response to the global financial crisis. Initially, in the immediate wake of Lehman Brothers' collapse in September 2008, most European governments announced their own fiscal stimulus plans, heeding the calls of both the G20 and the International Monetary Fund (IMF) for a global stimulus of 2 per cent of GDP (Ban 2015).

The dominant narrative of the crisis had been driven by the United States (US) government and the IMF, which both emphasized the need to spur demand as a response to the crisis. There was, however, very little co-ordination at the European level, and the fact that 24 of 27 EU member states were in breach of the 3 per cent deficit rule of the SGP in 2009 underlined that they no longer saw 'the corrective arm of the SGP to be a sanction-equipped threat to their fiscal sovereignty' (Heipertz and Verdun

2010: 189). By the summer of 2009, it was understood in the EU that fiscal policy was the central domain of national governments, as long as monetary policy – including liquidity provision to eurozone banks (not governments) – remained the exclusive realm of the ECB. But the outcome of the German general elections of September 2009 would change that. With 23 per cent of the overall vote, the SPD recorded its worst post-war electoral result, and Merkel's CDU/CSU was able to form a coalition with the liberals of the FDP, who recorded their best result ever with 14.6 per cent. The FDP in general takes a much stricter view of ordoliberalism, and felt emboldened by its stellar electoral performance to advocate a much tougher line on fiscal policy, both at home and in the context of the European Union, and gnaw away at the new EMU consensus (Zimmermann 2014).

Hence, by late 2009 and early 2010, the economic policy consensus in EMU would change again, as a direct consequence of the new German political situation. Since the German government of Christian Democrats and Free Market Liberals had quickly framed the crisis as a twin crisis of fiscal profligacy and lack of competitiveness in the southern periphery, fiscal policy would revert back to the original and rules-based consensus at Maastricht, but with substantially stronger guarantees of actual implementation of those rules (Matthijs 2014b).

Exactly 20 years after Maastricht, European heads of government met in Brussels in December 2011 to sign a new 'Fiscal Pact'. Inspired by a stricter version of German ordoliberal thinking, and Germany's own *Schuldenbremse* that had been introduced in 2009, the Treaty on Stability, Co-ordination and Governance (TSCG), was signed in March 2012. It called for a national balanced budget rule to (ideally) be enshrined in all member states' constitutions. The Treaty also included quasi-automatic sanctions in case a member state was found in violation of the deficit or debt rules. Commission decisions could only be overturned by a two-thirds majority of all member states in the European Council, and the Commission gained additional powers in national budget monitoring through the European Semester, which gave Brussels veto power over a member state's budget.

In other words, Berlin managed to get its austere ordoliberal views implemented, but by doing so it significantly constrained not only the other member states' discretion over fiscal policy (which it wanted), but also its own. In future crises, it would be a lot harder for Germany itself to make use of its own national budgetary powers as a potential economic shock absorber. One could make the case that, in the short term, this earns market credibility and thereby boosts confidence, thereby enhancing the national interest. In the long term, however, it is not clear that giving up all budgetary discretion is as wise and rational a decision.

On the monetary side, initially, the ECB stuck to its limited mandate of price stability. When the crisis broke in early 2010, German policy-makers, including Chancellor Merkel and her finance minister, Wolfgang Schäuble, as well as German members of the ECB governing board, Axel Weber and Jürgen Stark, referred to the 'no bailout clause' in the Maastricht Treaty to stop the ECB from directly buying the bonds of countries in distress. As we shall see in the next section, this kept making the crisis worse and is therefore another case of ideas going against interests. The ECB's modest bond buying programs triggered the resignations of both Weber and Stark in April and September 2011 respectively. Only in November 2011, when Draghi replaced Trichet at the helm, did the ECB start to move decisively away from a narrow reading of its mandate.

First, the ECB launched two rounds of long term refinancing operations (LTROs) in December 2011 and March 2012, followed by a pledge to do 'whatever it takes' to save the euro in July 2012, and the rollout of outright monetary transactions (OMTs), in which the ECB committed itself to outright buy the bonds of periphery countries if they were willing to sign up to strict conditions. Furthermore, after the June 2012 European Council summit, the principle of banking union was agreed, and the ECB was set to significantly increase its powers in banking supervision and resolution, including, of course, over German banks, something Germany initially opposed, but by June 2012 – the most acute phase of the euro crisis – felt compelled to give into.

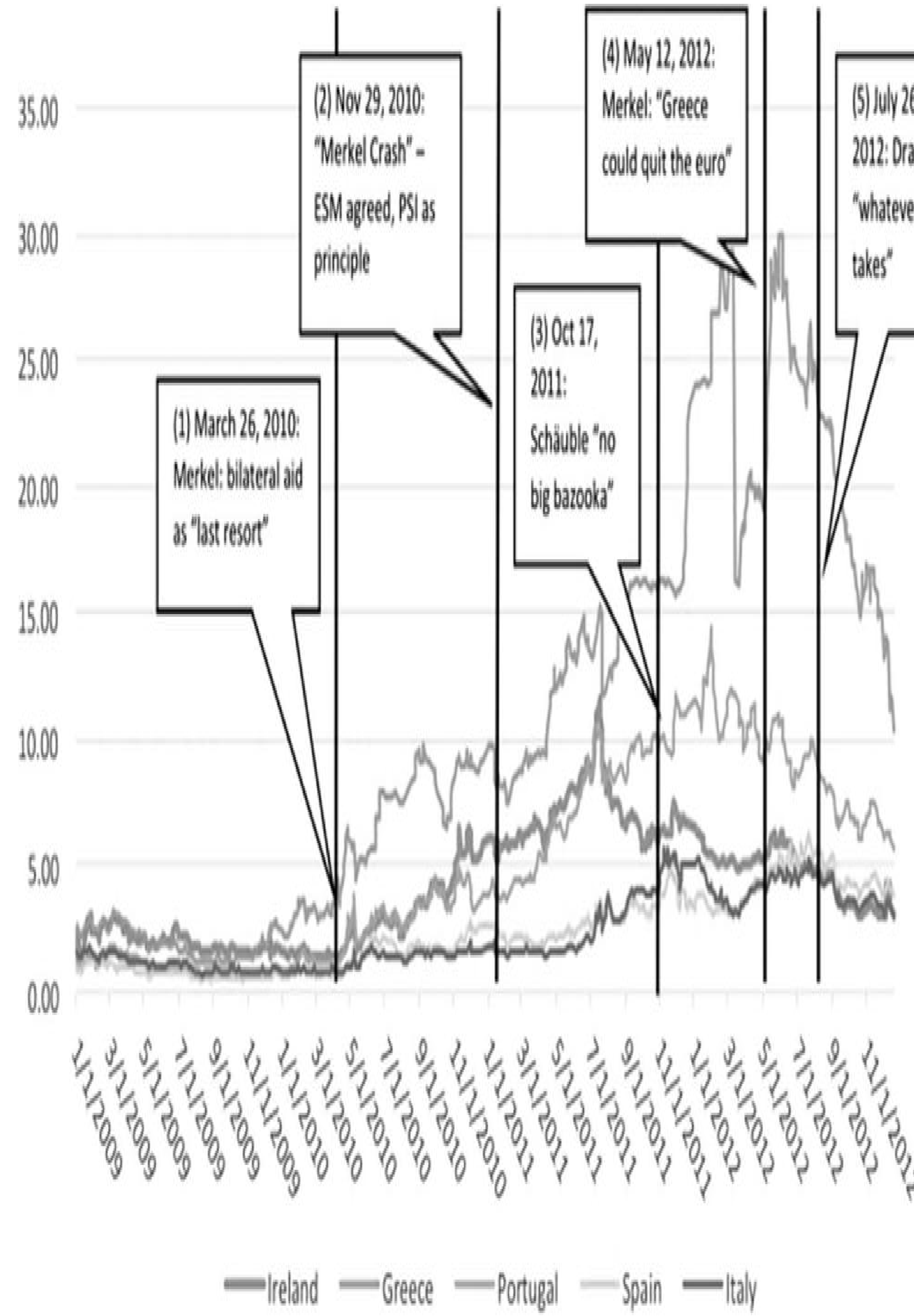
The stricter interpretation of ordoliberal rules by the second Merkel coalition government of CDU/CSU and FDP made them frame the euro crisis as a fiscal crisis with a fiscal solution, resulting in a recession, and give up future discretion over fiscal policy. Ordoliberal ideas informed monetary policy only during 2010 and 2011, after which the ECB gradually moved away from its rules-based mandate of price stability towards much more discretion to directly intervene in European markets, well beyond German control and against how Germany interpreted its own interests. An IR realist or a rational choice theorist would be able to explain the shift in 2003 from supranational fiscal rules back to more discretion, as a simple power game of two dominant states – Germany and France – wanting to maximize their national interests. But they would have a much harder time understanding the shift in 2010. After all, why would powerful states (a) further limit their national powers over fiscal policy, after already having introduced a structural balanced budget rule at home, and (b) give even more powers to supranational institutions, such as the European Commission and the European Central Bank, which they do not directly control, unlike the European Council, which they do? The most compelling answer lies with the explanatory power of ordoliberal ideas, which forced Germany not only to act against its own long-term material interest, but would transform the Greek crisis into a systemic one, as we will see next.

TRACING THE REALITY EFFECTS OF GERMANY'S ORDOLIBERAL INTRANSIGENCE (2010–12)

While ideas may occasionally go against a powerful state's material interest, either short or long term, they are seldom the trigger for an actual crisis, or at least usually do not result in a reality where the way in which actors behave largely undercuts or even contradicts their goals as they understand them. Demonstrable examples are rare in public policy. There are lots of unintended consequences and failures, of course, but it can be hard to argue that the policies powerful actors chose were fairly clearly dysfunctional and non-instrumental to their overall goals, even though they thought it to be quite the opposite at the time. The euro crisis presents us with such a case.

Broadly speaking, we have a set of interactions during the euro crisis that are dominated by German power, and yet the Germans actually caused a crisis that then forced them to do what they most wanted to avoid, i.e., bailouts, quantitative easing and giving up further discretionary powers to the Commission and supervisory powers over their own banks to the ECB. The fact that Germany had a chance through successive iterations of crisis and response underlines that it was not a learning curve situation. Until the summer of 2012, Germany would stick to a narrow version of its ordoliberal ideas, despite evidence that the resulting policies were systematically doing damage in material terms.

Figure 1 shows the 10-year sovereign bond spreads between Germany and the five periphery member states in the eye of the euro storm between 2009 and 2012. Tracing German élite discourse over those four years helps us understand an important part of the interaction between German ideas on how to respond to the crisis and which policies to implement, as well as the reaction of financial market participants. As one can see from Figure 1, spreads between Germany and Greece initially started edging upwards in November 2009, after the initial admission by Greek Prime Minister Papandreou that his country's fiscal deficit was a lot higher than expected. Jones observed that while Merkel's early 2010 statements could be understood from a domestic electoral policy lens, 'her policy toward Greece was folly in many senses of the term'. As Jones put it, '[Merkel] failed to anticipate the speed with which, and the extent to which, the Greek crisis would spread' (Jones 2010: 22).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(1) March 26, 2010: Merkel: bilateral aid as "last resort"
(2) Nov 29, 2010: "Merkel Crash" – ESM agreed, PSI as principle
(3) Oct 17, 2011: Schäuble "no big bazooka"
(4) May 12, 2012: Merkel: "Greece could quit the euro"
(5) July 26, 2012: Draghi "whatever it takes"
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Greece
Portugal
Spain
Italy

Figure 1 Ten-year sovereign bond spreads with Germany (2009–12)

I have identified four episodes where German policy statements on how to deal with the crisis, directly informed by ordoliberal thinking – mainly by crucial players like Merkel, Schäuble, and Weidmann – can be shown to have a direct impact on the markets, which would then feed back into further austerity policies. All four moments in time happen at the beginning of a rapid worsening of the crisis as measured by widening bond spreads. Only the fifth episode, between July and September 2012, when Mario Draghi intervened in a theatrical way by moving the ECB away from its previous orthodoxy, can we see bond spreads starting to narrow and the crisis beginning to recede.

The main point of this section is not to show that German crisis statements were the sole causal factor in explaining rising bond spreads, but rather to illustrate that they interacted with material factors to make the situation worse, and therefore acted as a key explanatory variable. The counterfactual would be to show that the opposite statement could have made the situation significantly better, as illustrated below with Peer Steinbrück's market intervention in February 2009.

The *first episode*, from February to March 2010, is marked by a sequence of German statements that first confused the markets and then sent them into an outright panic. On 11 February 2010, Merkel stated that 'Greece would have to focus on meeting its fiscal consolidation targets because "the rules must be followed"' (Jones 2010: 21). Two weeks later, on the question of whether there was a possibility of a Greek bailout, Merkel responded on German public television channel ARD:

> There is absolutely no question of it … We have a (European) treaty under which there is no possibility of paying to bail out states in difficulty … Right now we can help Greece by stating clearly that it has to fulfill its duties. (Weisenthal 2010)

Less than a month later, on 26 March, Greek spreads topped five percentage points after Merkel announced that Germany would only extend bilateral aid to Greece 'as a last resort … when market financing is no longer possible' (Jones 2010: 21). By now, spreads on Irish and Portuguese bonds had also started to go up at alarming rates, and the Greek crisis quickly reached systemic proportions. It is instructive here to contrast Merkel's response to the Greek crisis in the spring of 2010 with the statements made by SPD Finance Minister Peer Steinbrück a year earlier. In February 2009, after Greece's first upward revision of its public deficit figures, Steinbrück told the assembled press at a meeting in Düsseldorf that 'the [other member states of the eurozone] would have to rescue those running into difficulty' (Jones 2010: 26). Market fears immediately receded after Steinbrück's intervention, as one can also see in Figure 1. Key German policy-makers who hold different interpretations of ordoliberalism thereby can have a very different impact on the markets, underscoring the reality effects of ideas.

The *second episode* where German discourse played its part in worsening the euro crisis was in the autumn of 2010, referred to by financial market participants as the 'Merkel crash'. On 18 October 2010, Merkel met with French President Sarkozy in Deauville and the two leaders agreed on a limited revision of the Lisbon Treaty in order to allow for the European Stability Mechanism (ESM) to go into effect. Merkel emphasized that the crisis mechanism would only be valid in the event of the euro as a whole being in danger. The ordoliberal *quid pro quo* Merkel negotiated with Sarkozy was the principle of 'private sector involvement' (PSI), a euphemism for saying that private investors would have to bear a portion of the costs of the losses if they had made risky loans (Spiegel Online 2010). By late November 2010, after a huge spike in Spanish and Portuguese government bond yields (Figure 1), 'the market [was] finally being forced to price in the default risk for eurozone countries' (Hume 2010). The crisis had spread to Spain and Italy, directly threatening 40 per cent of the eurozone economy.

While the crisis would slowly intensify over the course of 2011, the *third episode* where German ideas again directly intervened with markets to worsen the situation was during the months of October and November 2011, when two democratically elected leaders – in Greece and Italy – were forced to step down and were replaced by former EU technocrats (Matthijs and Blyth 2011). On 17 October, right after Moody's announced that France could lose its triple-A rating, Schäuble added to the market uncertainty by saying that there was no 'big bazooka' solution to the euro crisis (Inman 2011). Then, on 1 November, Jens Weidmann, the new president of the Bundesbank, repeated that the peripheral states had seen 'many years of wrong developments' that were caused by 'home-made' errors, squandering their 'post-EMU dividend on disproportionate investment in private home-building, high government spending or private consumption' (Marsh 2011b).

While a period of relative calm returned to the eurozone after Mario Draghi took charge of the ECB in November 2011 and added fresh liquidity into the eurozone's banking system by launching two rounds of LTROs, the crisis would return in April 2012, with renewed fears of contagion to Italy and Spain (see Figure 1). The *fourth episode* where German discourse again made a fragile situation worse was in May 2012, right after fresh Greek elections led to political stalemate in Athens, and France ejected Nicolas Sarkozy after one term in office, replacing him with the socialist François Hollande. On 14 May 2012, Merkel suggested that European support for Greece would end unless Athens held to the bailout terms agreed with Brussels and Berlin. She also admitted to the press for the first time that Greece 'could be forced to quit' the euro, sending the markets into another tailspin (Faiola and Birnbaum 2012).

Two interventions during the summer of 2012 would finally put financial markets' fears to rest, and both were a movement *away* from ordoliberal ideas towards more 'systemic' solutions. In late June 2012, European leaders agreed on the principle of a European banking union with a single supervisory mechanism and common resolution powers in the case of bank failures. One month later, on 26 July, ECB President Draghi gave a speech in front of a London investment conference where he pledged to do 'whatever it takes to preserve the euro', emphatically adding 'and believe me, it will be enough' (Jones 2013: 10). In September, with the tacit support of Merkel but against loud opposition of Weidmann, Draghi rolled out the ECB's OMT plan, which committed the bank, under certain conditions, to buy up unlimited amounts of peripheral bonds (Spiegel 2014). As one can see in *Episode 5* on Figure 1, bond spreads between Germany and the periphery countries rapidly fell, ending the acute phase of the crisis.

As long as German policy-makers stuck to their strict ordoliberal crisis narrative of 'national' sin and the need for redemption – follow the rules, implement austerity measures and enact structural reforms – the eurozone debt crisis kept getting worse, and went from a containable Greek problem to a systemic crisis. Only when the crisis narrative shifted towards a more 'systemic' one – with the introduction of a eurozone banking union and single supervisory mechanism, as well as the need for the ECB to start acting like a real lender of last resort through OMT – did the crisis gradually start to wane, though only to morph into a more long-term crisis of deflation and economic stagnation.

THE RULES OF THE POWERFUL AND THE POWER OF THEIR RULES

Ideas are at their most powerful as an explanatory variable when they lead agents to go against any broadly reasonable construction of objective and material self-interests. They become even more intriguing when they actually cause a crisis in which actors behave in ways that largely undercut or contradict their own stated goals as they objectively understand them. This will be even more apparent when a large majority of other actors involved are simply puzzled by such behavior. Those instances, by definition, are rare, but show the power of ideas next to other plausible explanatory variables.

This contribution showed two dynamics between power and ideas to explain the German euro crisis puzzle. The first looked at a situation of 'ideas against interests' by analyzing the changing macroeconomic consensus governing the euro. While the reform of the SGP in 2005 was a case of German power and ideas reinforcing German interests, the many policy innovations instituted during the euro crisis between 2010 and 2012 were much more a case of ideas going directly against interests, by making the euro crisis worse, and diminishing its discretionary powers through the empowerment of the ECB and the European Commission, two institutions Germany does not directly control.

The second dynamic showed how a strict adherence to ordoliberal rules turned a containable fiscal problem into a full-blown systemic crisis, and kept making it worse until those ideas gradually made room for a more flexible variant of ordoliberalism, ironically by reducing the legitimacy of the original ideas themselves. This particular aspect of German ideas showed the reality effects, and the self-fulfilling as well as self-denying prophecies of ideas. Germany's position of power in the eurozone enabled it to push for more rules, while at the same time underestimating how powerful those rules actually were by changing the reality on the ground.

Throughout the euro crisis, there were plenty of alternatives to the German solutions to the crisis, many of them constantly launched and re-launched in Anglo-Saxon circles. But the German narrative stuck and won out against those perfectly viable alternatives.

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NOTES

1 For Greece and Ireland in 2010, Portugal (and Greece again) in 2011, Spain's banking sector in 2012, and Cyprus in 2013.
2 Most constructivists would argue that what is 'objectively' the best solution is itself very much subject to debate, and will depend on the ideas held by the person who judges the objectivity of the solution.
3 The 'idea' of globalization drives down corporate tax rates in competitor countries, and the lower corporate tax rates then become evidence of the existence and structural power of globalization.

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The Bocconi boys go to Brussels: Italian economic ideas, professional networks and European austerity

Oddný Helgadóttir

ABSTRACT This article shows how a specific set of Italian economic ideas, which were first formulated in the first half of the twentieth century and later espoused by a network of economists from Bocconi University, Milan, came to play an important role in shaping European policy responses to the Great Recession and establishing the doctrine of 'expansionary austerity.' It argues that two factors – the formalization of these ideas in the language of mainstream economics and the establishment of professional networks that operated across a host of linked ecologies – contributed to their influence. The result was a 'boomerang effect', or a transfer of economic ideas from the European periphery to centers of policy-making power and back again. This phenomenon is understudied in the existing political economy literature, which tends to assume that ideational traffic is one-way, with ideas originating in centers of power and travelling from there to the periphery.

INTRODUCTION

From the outset the idea of European unification has served as a blank canvas on which thinkers of divergent political and economic stripes have projected their visions, ranging from labor parties' hopes for a 'social Europe' to Friedrich Hayek's free-market 'interstate federalism'. Accordingly, this article treats European co-operation as an active site of ideational contestation (Mudge and Vauchez 2012; Parsons 2006; van Apeldoorn 2002). It departs from the finding that a set of Italian liberal economic ideas which framed European co-operation as a means to constrain statist policies and fiscal expansion, formulated by Italian economist Luigi Einaudi (Einaudi *et al.* 2014) in the first half of the twentieth century, became influential in European Union (EU) policy-making in the aftermath of the Lehman crisis, though they were not very prominent when they were originally formulated (Blyth 2013).

While a general shift away from embedded liberalism in the last 40 years (Blyth 2002) almost certainly made politicians and policy-makers more open to market liberal ideas, it does not explain how this particular set of ideas could become significant. Indeed, most of the literature on economic ideas stresses the dominance of Anglo-Saxon and German ideas, with little allowance for comparatively peripheral countries like Italy as centers of epistemic innovation (McNamara 1998; Schmidt and Thatcher 2013). This case is therefore an unusual case of a ‘boomerang effect’, in which ideas originate in the periphery, gain legitimacy in the core and are diffused back to the periphery from there.

In trying to understand the ascendance of these particular ideas, this article makes three related claims. The first is that even abstract economic theories understood to have global purchase have roots in a particular time and place. The most prominent contemporary proponent of the economic ideas in question, Harvard political economist Alberto Alesina, has been referred to as Einaudi’s ‘full heir’ (Santagostino 2012: 380). His policy vision is most clearly articulated in the principle of ‘expansionary austerity’, the notion that cutting public spending can lead to growth. This principle is embedded in a very specific view of European co-operation as a means to constrain government spending and ensure monetary co-operation. Though deceptively simple on the surface of it, this political vision has been decades in the making and is composed of several interlocking parts, which hearken back to Einaudi’s thoughts (Einaudi *et al*. 2014). His ideas, in turn, were heavily influenced by political and economic realities that were particular to Italy. In this sense the genesis of the economic theory of expansionary austerity cannot be disentangled from the traumas of Italian history.

Second, the article argues that the contemporary influence of these ideas was facilitated by the fact that their proponents, many of whom were centered in Bocconi University in Milan, Italy, were adept in the formalized language of neoclassical economics. They could thus formulate their ideas in a way that was compatible with the mainstream of the discipline. By contrast, this shared mathematical language was not yet fully formulated in Einaudi’s time (Fourcade 2006).

Third, formalization gave advocates of these ideas access to international centers of epistemic power, including élite United States (US) universities, EU institutions and international organizations (IOs). This was at least in part the result of a conscious effort by Bocconi University, which developed a clear strategy of promoting its graduates in élite institutions, while also allowing them to maintain ties to Bocconi. Under the leadership of Francesco Giavazzi, Bocconi teamed up with the American National Bureau of Economic Research (NBER) and the European Commission and made a successful effort to recruit internationally renowned economists and to disseminate their work in top-tier journals.

The article proceeds in three parts. First, it posits its theoretical underpinnings, with a focus on the formalization of economic knowledge and the role of transnational networks in diffusing it. Second, it discusses Einaudi's (Einaudi *et al*. 2014) economic ideas and puts them in the context of Italian economic history. Finally, it provides a systematic overview of the component parts of expansionary austerity through the prism of Alesina's research and traces the professional trajectory of several of his co-authors from Bocconi University across different sites of power, furthering the argument that strong networks and access to revolving doors enabled these policy-minded economists to influence European crisis politics.

THEORETICAL FRAMEWORK

The role of economists as agents of globalization is often understood as mostly unidirectional: intellectual models are generated in American or North-West European centers of power and then exported to the periphery. Thus, a number of studies have noted that graduate training in American economics departments shapes the professional identities and preferences of policy players and academic economists worldwide (Colander 2005; Fourcade 2006). Similarly, foreign economists trained in prestigious US academic institutions often become economic policy leaders in their own countries. This dynamic was at work in the story of the Chicago Boys (Babb 2001; Markoff and Montecinos 1993), with more recent scholarship arguing that the same happened in other parts of the world as well (Chwieroth 2010).

Others have noted that things are not always this simple. Dezalay and Garth (2002), for example, argue that the transmission of economic ideas from core to periphery also represented the extension of Western intellectual 'palace wars' to the Global South. Similarly, Marion Fourcade's account of the internationalization of the economics profession takes the dynamic nature of diffusion into account. Fourcade argues that the ongoing reconstruction of economies worldwide is 'symbiotically related to the ongoing transformation of the intellectual and professional jurisdictions of economists' (Fourcade 2006: 183–4) – a claim that also serves as the departure point of this account, albeit with certain modifications as argued below.

Fourcade posits that three factors have been critical to the deep institutionalization of the economics profession on a global scale. The first was the establishment of a broadly universalistic rhetoric, under which 'economics knowledge appeared inherently transferable and "transformative," both politically and institutionally, thereby authorizing easy replication and diffusion independently from the national context' (Fourcade 2006: 156). More concretely, this universalization of economic knowledge rested on mathematical formalism, methodological universalism and theorizing that treated social units as comparable.

Second, and closely connected to the process of rhetorical universalization, was the transformation of economic knowledge into a technology of political and bureaucratic power. Originally the nation state was the locus of this transformation: in the first half of the twentieth century, economics was incorporated into the toolkit of governments so that economic outcomes might be engineered to suit statist political goals. Ironically, with the resurgence of market-centric neoclassical economics in the 1970s, the nation state was to an extent pushed out of this equation. As a result, the economics profession not only superseded its national loci, but also played a role in circumscribing the economic tools available to nation states. This coincided and dovetailed with the emergence of a transnational capitalist class with considerable lobbying power (see also van Appeldoorn 2002; Van der Pijl 1998).

Third, Fourcade argues that the existence of transnational linkages, or networks, centered in the United States, played an important role in the internationalization of the economics profession. Here, she stresses the importance of education in mediating the relationship between core and peripheral states. For example, the fact that in the year 2000 more than half of all students pursuing a PhD in economics in American universities were foreign, and that the impact of this was highly asymmetrical for periphery and core, is crucial to her argument. She argues that for peripheral states transnational linkages have been important sources of legitimation, 'both virtually through the uniformizing culture of the neoclassical paradigm, and materially through the countless formal and informal linkages with international organization and foreign scholarly and professional communities' (Fourcade 2006: 157). Conversely, the economics profession in élite institutions in core states derived symbolic and material rewards from influencing other parts of the world (Fourcade 2006).

Though compelling, Fourcade's analysis, like that of a number of other scholars (Babb 2001; Markoff and Montecinos 1993), runs the dual risk of overestimating the coherence of American graduate education and portraying foreign students as blank slates that simply absorb what they are taught upon arrival.[1] By contrast, this article argues that American expert networks, and academia in particular, are somewhat porous and open to foreign participation and influence. What seems like influential 'Anglo-Saxon' economic thought can therefore have originated in other parts of the world. Graduate students and professors that come to the United States can carry with them their own national traditions and translate them into the universalizing rhetoric of economics, In this way the prestige of élite American institutions can be used to legitimize and diffuse economic logic that stems from other national traditions through what can be termed a 'boomerang effect' (Keck and Sikkink 1998). In this sense the relationship between ideas and centers of power is less linear and straightforward than it appears. The theoretical goal of the article, then, is to extend Fourcade's reasoning by arguing that peripheral states can generate mainstream economic knowledge, as well as absorb it.

Methodologically, the article makes use of process tracing. Tracing the lineage of expansionary austerity – both its deeper historical roots in Einaudi's (Einaudi *et al*. 2014) work and its contemporary refinement through Alesina's corpus – serves the purpose of showing that these ideas were at least in part exogenous to the policies they later informed and therefore not just *post hoc* justifications. However, as Jacobs notes '[d]emonstrations of antecedent origins do not, by themselves, establish exogeneity', as decision-makers can simply cherry pick the sets of ideas that best suit their interests. It is therefore also important to demonstrate both that the 'carriers' of new ideas are prominent enough to shape the broader intellectual environment and to identify plausible pathways, or 'transmission belts', for disseminating their ideas (Jacobs 2011). This article finds that Alesina was a high-status innovator and carrier of the expansionary austerity thesis and that his network of co-authors, with connections to transnational centers of epistemic and political power, acted as a transmission belt for that thesis. The benefits of studying carriers and transmission belts are obvious in that they are observable in a way that ideas themselves are not.

While this case does not provide a 'smoking gun' to show that universalizing language which distances national economics from their local roots, strong networks and access to transnational sites of power contribute to the ascendency of certain sets of economic ideas, it can act as a 'hoop test'. While a hoop test isn't enough to affirm a hypothesis, but it can be used to establish necessary, if not sufficient conditions (Mahoney 2012; Van Evera 1997). The fact that Alesina had access to these while Einaudi did not also acts as a kind of counterfactual 'hoop test' of this proposition.

EINAUDI'S VISION: EUROPE AS A BUTTRESS AGAINST FASCISM

Gualmini and Schmidt (2013) argue that Italy's post-war economic liberalism (or *liberismo*) was different from other forms of liberalism in that it emphasized skepticism of mass politics and the state and preferred markets instead. This echoed German Ordoliberalism and foreshadowed the swing to neoliberalism in the 1970s (Ban 2012). Einaudi's *liberismo* was derived not only from the classics of liberal thought, but also from personal experiences that were particular to Italian history (Forte and Marchionatti 2012). After the end of the First World War, parts of Northern Italy experienced the so-called Two Red Years (1919–1920), a period when socialist, social-Catholic and communist movements occupied land and factories and pushed for progressive wage and labor legislation. Moreover, in many municipalities unions were powerful enough to dictate political outcomes. In reaction, the Italian industrial and agrarian élite threw its weight behind the fascist movement. Soon enough, however, it became apparent that fascism was a force in its own right that could not be controlled by the old élites. Instead, it channeled its energies into constructing a state-led economic model and gutting Italy's liberal institutions (Battente 2000).

Einaudi, who had critiqued the old liberal order in Italy for falling short of the liberal ideal, was a vocal opponent of statist experiments in general and Italian fascism in particular. By 1943, his anti-fascist stance had become a liability and, fearing for his life, he fled Italy, crossing the Alps into Switzerland on foot at the age of 69. It was in this historical context that Einaudi formulated his view of European integration as a liberal vehicle for constraining state intervention and buttress against fascism (Forte and Marchionatti 2012; Gualmini and Schmidt 2013).

Though his vision for a liberal Europe was sharpened by the threat of fascism, Einaudi had begun arguing for a federal system of European institutions based around a strong independent central bank, a federal system of finance and a unified customs system that could curtail ‘feelings of nationality’ as early as 1916 (Masini 2012: 43). He had a deep aversion to inflation, which he believed undermined the propensity to save and innovate and could act as a gateway to fascism. It was this fear that led him to advocate for an independent central bank at a time when this idea was barely known outside of Germany. Accordingly, he supported constitutional rules banning fiscal deficits (Forte and Marchionatti 2012).

Einaudi did not subscribe to the post-war Keynesian consensus that the Gold Standard was a recipe for disaster. To the contrary, he believed that European integration should be based on monetary arrangements that closely approximated the gold standard (Einaudi *et al*. 2014). Writing on the economic institutions of the future ‘European Federation’, as he called it, he argued that they should have a constraining effect, similar to the Gold Standard, and that the right to issue currency should be moved from the national to the federal level. This would make fiscal activism impossible and forge an austere political order in which the central bank would be spared the role of lender of last resort for the state. The larger goal was the abolition of monetary sovereignty (Santagostino 2012).

The fascist years aside, Einaudi’s career was successful in settings as diverse as academia, media and politics. As a professor of economics both at the University of Turin and at Bocconi University, he taught many of Italy’s best-known twentieth-century economists. It bears mentioning that though Einaudi had a clear vision for Europe, he was by no means a dogmatic mentor and his students’ views sometimes diverged greatly from his.[2] After the Second World War he was one of the founders of the Italian Republic, boosted by anti-fascist credentials. He held a number of public offices, serving as minister of finance, governor of the central bank and finally as president of the new Republic. Einaudi also had an international presence as *The Economist*’s Italian correspondent. Moreover, he was an active member of the transnational liberal networks that established Colloque Lippman (1938) and the Mont Pelerin Society (1947), both of which played a crucial role in the formation of modern neoliberalism. As such, he was Italy’s only internationally recognized liberal economist at the time (Mirowski and Plehwe 2009; Peck 2010).

However, professionally successful though he was, Einaudi's vision did not carry the day when it came to creating the post-war international monetary and financial institutions or in Italian politics. The former were constructed along Keynesian lines, while the latter were characterized by a mixture of 'public neo-capitalism', party patronage and clientalism (Schmidt and Thatcher 2013). In this context it is important to note that the international networks that Einaudi was part of, like the Colloque Lippman and the Mont Pelerin Society, were originally relatively diverse and marginal umbrella organizations that were not embedded in transnational sites of power. Indeed, they were founded because their early members saw liberalism as threatened by both Keynesian planning and Marxism (Mirowski and Plehwe 2009; Schmidt and Thatcher 2013). Moreover, Keynesians replaced liberals in key sites of institutional power such as universities and IOs (Chwieroth 2010; Pauly 1997).

Nor did Einaudi and his peer liberals present a united front in terms of methodology. Though Einaudi was interested in methodology and argued for 'working at the same time both with a deductive and inductive manner of proceeding, abstract reasoning and its empirical verification" (cited in Forte and Marchionatti 2012: 365), a great deal of his work took the less formalized shape of moral and political essays and economic history (Einaudi *et al*. 2014). At a time when the Chicago School and its followers were preparing anti-Keynesian attacks using the language of econometrics, Einaudi's methodology seemed outdated and unscientific. In short, lacking both an embedded transnational network and a transferable language to diffuse his ideas, Einaudi's work did not have an international resonance during the early post-war decades.

Liberal economic thinking remained mostly dormant in Italy from the 1950s to the 1970s, and resurfaced only in the 1980s and 1990s in the work of a new cohort of economists at Bocconi, many of which did their graduate work in the United States and Britain. Steeped both in the Italian tradition and in the methodologies of Anglo-American academia, they borrowed many of Einaudi's ideas. Yet, unlike him, they formalized their work, published it in internationally recognized journals and acceded to positions of influence in the 'linked ecologies' (Seabrooke and Tsingou 2015) of transnational sites of power (Blyth 2013; Gualmini and Schmidt 2013;

Radaelli 2002). The most influential of these ideas was the thesis of expansionary austerity, to which I turn next.

ALESINA'S VISION: EUROPEAN INTEGRATION AS A CONSTRAINT FOR PROFLIGATE WELFARE STATES

Alesina as an influential 'carrier' of expansionary austerity

Alberto Alesina is the most prominent and successful proponent of expansionary austerity. Over the course of the last 30 years he has published over 90 articles, most of them pertaining to macroeconomic questions. Of these, many have been published in top journals such as *American Economic Review*, *European Economic Review*, *Journal of Public Economics* and *Quarterly Journal of Economics*, to name but a few. He earned his PhD from Harvard University in 1986 and is currently the university's Nathaniel Ropes Professor of Political Economy.

A graduate of Bocconi, Alesina has also remained closely affiliated with that university, doing research stints there and working with faculty. He has been referred to as Einaudi's 'full heir' and has made his admiration for Einaudi's work clear, notably in an introduction to a recent collection of Einaudi's essays (Einaudi *et al*. 2014). Indeed, many of Einaudi's ideas percolate in Alesina's research, and the two share a core vision of a liberal Europe as a means to constrain state economic activism and support free markets. Unlike Einaudi, however, Alesina and his larger network have had a profound influence on economic policy-making, as demonstrated most clearly by Blyth (2013). To date, the policy of austerity has been maintained in Europe, even as economic and social outcomes have continued to disappoint and frustrate (Matthijs and McNamara 2015).

Though Alesina's core argument – Europe has been profligate and must now curtail spending to grow again – appears both simple and intuitive, the economic theory underpinning it was decades in the making. Seemingly disparate threads of research, animated by themes that Einaudi also grappled with, had to be joined together for the formula for expansionary austerity on a European level to add up. Specifically, five logical steps were required to get there, each of which is discussed in more detail below:

1. Democratic political systems have an inherent tendency to build up excessive debt.

2. Much of the debt is used for welfare transfers and austerity should therefore be geared towards reining in welfare spending rather than raising levels of taxation.
3. Such spending cuts are both economically and politically viable.
4. Governments benefit from a degree of discipline and insulation from political pressures, allowing them to enforce austerity.
5. European institutions are ideally placed to provide such discipline and insulation.

A great deal of Alesina's early research focused on the potentially detrimental impact of democratic politics for macroeconomic outcomes, particularly for levels of public debt (Alesina 1987; Alesina 1988b; Alesina and Carliner 1991; Alesina, Cohen and Roubini 1991; Alesina and Roubini 1992; Alesina and Sachs 1988). He argued that disagreement between current and future governments can lead to debt accumulation, even when the majority of voters oppose it (Alesina and Tabellini 1989, 1990; Tabellini and Alesina 1990). Moreover, this research shows that high debt and an unstable political situation with frequent shifts between parties with divergent agendas results in fiscal deadlock and increases the potential for capital flight, exchange rate instability and inflationary pressures. The dominance of one political group, by contrast, results in a more stable situation (Alesina 1988a; Alesina, Mirrlees and Neumann 1989; Alesina and Rosenthal 1989; Alesina and Tabellini 1989, 1992). This, however, is unlikely to happen in an electoral system that allows different groups to engage in a 'war of attrition' over who will shoulder the burden of adjustment, thereby postponing the moment of reckoning, making it worse in the process (Alesina 1994; Alesina, Ardagna and Trebbi 2006; Alesina and Drazen 1991). High debt can then become self-perpetuating, since citizens in indebted countries lose confidence in the financial system and choose to invest in foreign rather than domestic debt (Alesina, Prati and Tabellini 1990).

But why do states take on so much debt to begin with? A number of Alesina's research papers depart from the observation that over the course of the last 30 years growth in government spending has resulted not from the purchase of goods and services, as was formerly the case, but rather from welfare transfer programs. Moreover, he argues that welfare systems are rapidly becoming unsustainable (Alesina and Perotti 1995a, 1996a, 1996c, 1999), that they undermine European competitiveness (Alesina and Perotti

1997b) and that high government spending is strongly correlated with corruption (Alesina and Angeletos 2005). These observations led Alesina and Bocconi professor Roberto Perotti to conclude that fiscal adjustment should consist not of higher levels of taxation, but of significant cuts in the welfare state that could reverse this dangerous historical trend (Alesina and Perotti 1995a).

Moreover, Alesina and Perotti and Ardagna suggest that such fiscal adjustment could actually have expansionary outcomes (Alesina and Perotti 1995a; Alesina and Ardagna 1998). This ran counter to an earlier consensus that austerity was inherently contractionary. Looking at OECD countries over three decades, Alesina and Perotti found that even 'harsh' fiscal adjustments were not systematically followed by recessions. On the contrary, sometimes adjustment were followed by growth. However, outcomes depended on the 'type' of fiscal adjustment pursued. Adjustments that relied on spending cuts as opposed to tax increases were not just a historical corrective but also more likely to improve the fiscal situation, more likely to last (Alesina and Ardagna 1998, 2010, 2013; Alesina and Perotti 1996c, 1997a; Alesina and de Rugy 2013), and less costly in terms of output (Alesina, Favero, and Giavazzi 2015). These findings were bolstered by arguments that public spending on wages in particular has a very negative impact on profits and business investment, even more so than taxes (Alesina, Ardagna, Perotti and Schiantarelli 2002). Importantly, Alesina and his co-authors also argued that governments that pursue austerity are no more likely to be voted out of office than those that pursue activist fiscal policies (Alesina, Carloni and Lecce 2013; Alesina, Perotti and Tavares 1998).[3]

Since Alesina saw the problem of debt as stemming from politico–institutional variables, his solution lay in altering these, preferably by insulating government institutions from political interference. While he argued that balanced budget legislation was probably too inflexible (at least at the national level, though he did find it very successful in managing state finances in the United States [Alesina and Bayoumi 1996; Alesina, Perotti and Spolaore 1995]), he advocated a reduction of veto points that could delay fiscal adjustment and the centralization of power over budgetary matters in the executive (Alesina and Perotti 1996a, 1999). He was also an avid advocate of independent central banks (ICBs) that would restrain government access to *seigniorage* (Alesina and Perotti 1995b). In 1985, Kenneth Rogoff had argued that ICBs reduce inflation, but at a cost in output variability. Alesina, along with fellow Harvard economist Lawrence Summers, took the argument further. They found that ICBs bring about low inflation at no apparent real costs. Rather, the variability was caused by exogenous shocks and political shifts that heighten uncertainty (Alesina and Gatti 1995; Alesina and Summers 1993).

In turn, this institutional vision was part and parcel of a very specific view of European co-operation as the ideal venue to provide market discipline and a degree of insulation from factional national politics (Alesina and Grilli 1992). Europe's role should be to guarantee free trade and monetary unification, centered on independent and clearly delineated institutions, while leaving national governments room for maneuver in other matters (Alesina *et al.* 1992; Alesina and Grilli 1993). Monetary unification, in particular, should provide external fiscal discipline, when it could not be mustered domestically.

This embrace of monetary union did not, however, extend to fiscal union. Discussing redistribution within the European Union, Alesina and Perotti stressed the attendant political risks, stemming from uncertainty regarding tax rates and the difficulty of aggregating diverse preferences. They concluded that fiscal redistribution within Europe would take integration too far (Alesina and Perotti 1998). Elsewhere Alesina made a similar case that:

> Europe is going too far on many issues that would be better dealt with in a decentralized fashion, while it is not going far enough on policies that guarantee the free operation of markets both across and within the countries of the Union. (Alesina and Wacziarg 1999; see also Alesina, Angeloni and Etro 2005; Alesina, Angeloni and Shuknecht 2005)

Arguments along these lines are also the subject of Alesina's 2006 book with Bocconi economist Francesco Giavazzi, *The Future of Europe*, in which they compare European welfare states to a 'frog in slowly warming waters', boiling alive without the wherewithal to save itself (Alesina and Giavazzi 2006: 10).

Alesina and Giavazzi's fears hearken back to Einaudi's worries that the Schuman Plan for the European Steel and Coal Community would become a French *dirigiste* project that marginalized liberal policies. In fact, Alesina's views mirror Einaudi's in several respects. Most of his major themes are present in Einaudi's earlier work: electoral politics as potentially detrimental for economic outcomes, the dangers of welfare spending, focus on fiscal retrenchment, the need for ICBs and constitutional rules to impose monetary and fiscal discipline, and the hope that European institutions can curtail national excesses. In sum, then, Alesina's vision is composed of several interlocking and interdependent parts that echo Einaudi's earlier preoccupations, and which have been articulated in articles and studies published in internationally recognized economics journals. Thus, when the European crisis came to a head, Alesina's *oeuvre* offered a comprehensive and intuitive interpretation of the crisis, as well as a concrete set of policy reactions that European policymakers could grab 'off the shelf'.

The Bocconi network as a 'transmission belt' of expansionary austerity

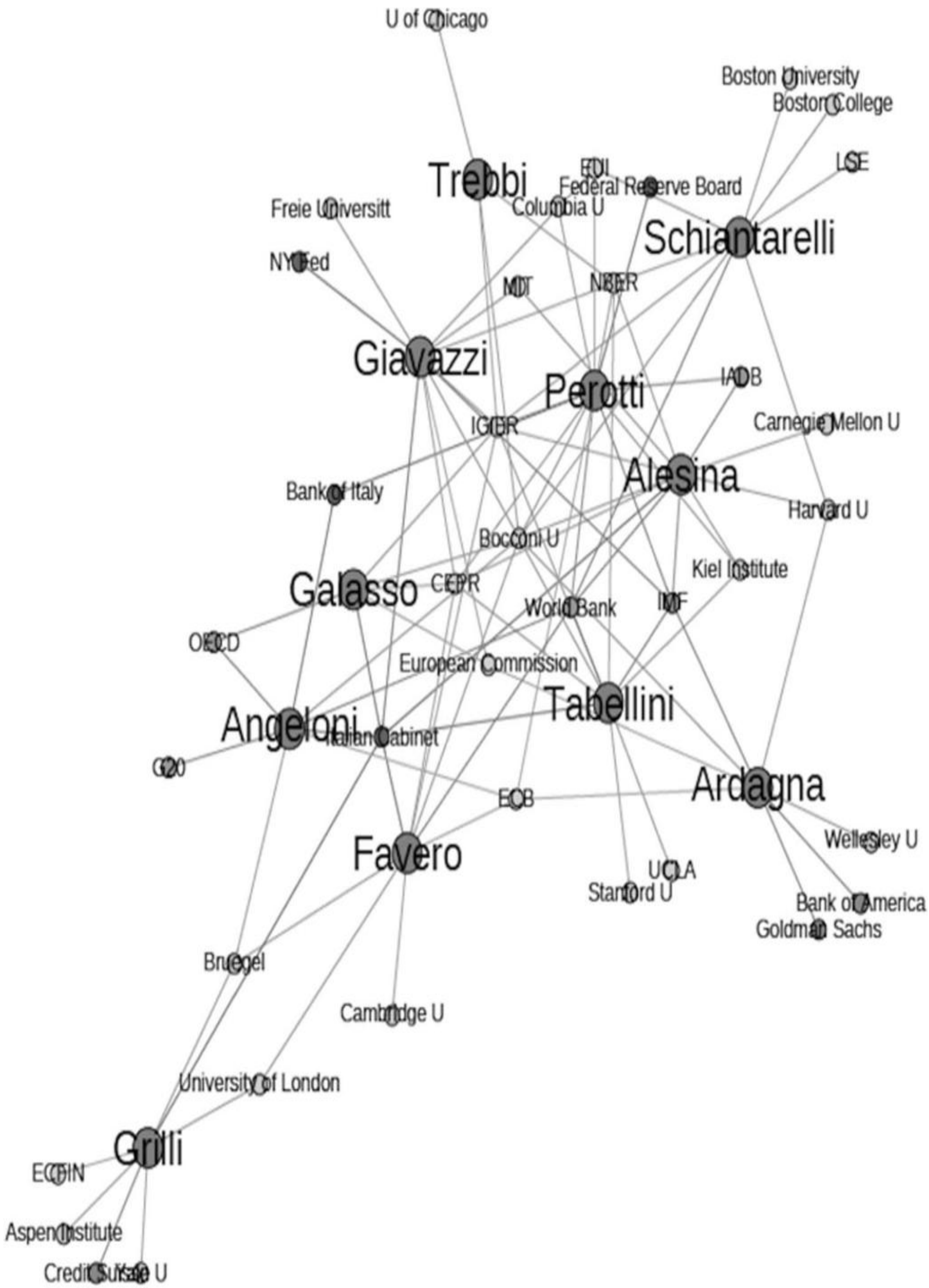
Importantly, however, Alesina has not been alone in promulgating the policy of expansionary austerity and the ideas of *liberismo* more generally. Most of the articles cited above are co-authored, often with fellow Bocconi graduates. Many of Alesina's Bocconi co-authors are established in transnational sites of epistemic and political power in academia, policy-making, think tanks and the global financial sector. Publicly available *curriculum vitae* information shows that their positions include tenured posts and affiliations at the economics departments of élite universities such as Harvard, Yale, Columbia, Stanford, University of Chicago, Massachusetts Institute of Technology, University of California, Carnegie Mellon University, European University Institute, Boston University, Boston College, Cambridge, Wellesley, London School of Economics and London University.

The Bocconis have also sat on the boards of prestigious academic journals, authored and edited books published at top academic presses and obtained a number of large American and European grants. Many have also held prominent positions in respected transatlantic institutions for the dissemination of policy-relevant economic research such as NBER, the American Finance Association (AFA) and the Center for Economic Policy Research (CEPR), Bruegel and the Aspen Institute.

Moreover, their success has not been isolated to academic positions. As their academic star has risen, many members of the Bocconi network have gained access to the revolving door between academia and the economic policy-making sphere. Some of them cut their teeth on emerging markets' financial crises and their macroeconomic implications as consultants or fellows for the Bretton Woods institutions: Giavazzi served as an external evaluator for the IMF's research; Silvia Ardagna was a visiting fellow at the International Monetary Fund's (IMF's) Fiscal Affairs Department; Alesina was a visiting researcher and Perotti and Tabellini were consultants for the Fiscal Affairs Department. Alesina was a visiting scholar at the Macroeconomic and Growth Division and the Public Economics Division of the World Bank (WB); Perotti, Tabellini and Favero were economic consultants for the WB; and Angeloni worked with the Bank as a representative of the Italian government.

The group was even more prominent in EU institutions. Alesina was a regular at the ECB and a frequent guest and speaker at high level European Commission and European Council events. Ardagna and Perotti consulted for the ECB and the former also consulted for the Directorate General for Economic and Financial Affairs (DG ECFIN). Before becoming finance minister for the Mario Monti government, Grilli was first vice-president and then chair of the EU's Economic and Financial Committee (EFC), an influential body established by the Maastricht Treaty 'to keep under review the economic and financial situation of the Member States and of the Community and to report regularly to the Council and the Commission on this subject'. In practice, this means that the EFC prepares the agenda of the European Council with regard to monetary and fiscal policy issues and serves as a framework for ECB–European Council dialogue. It is interesting to note that the idea of expansionary austerity has had much more resonance and impact in the EU, where this network was dense, than in the IMF where it was sparser.

However, even as they become members of these transnational sites of power, many also stayed focused on the realities of domestic economic policy. Almost all worked as consultants or had short stints as advisers for powerful government agencies such as the French Treasury, the New York Federal Reserve, the Italian Treasury and the Italian central bank. Even more prestigiously, Tabellini worked as economic advisor to the Italian prime minister Romano Prodi, and during the sovereign debt crisis Giavazzi served as the economic advisor of Mario Monti (another Bocconi graduate) while sitting on his Government Spending Review. Most famously, Grilli left the top job at the EFC to manage Italian austerity as minister of economics and finance in the Monti government from 2012 to 2013.


U of Chicago
Boston University
Boston College
LSE
EUI
Federal Reserve Board
Trebbi
Columbia U
Freie Universitt
Schiantarelli
NY Fed
MIT
NBER
Giavazzi
Perotti
IADB
IGIER
Carnegie Mellon U
Alesina
Bank of Italy
Harvard U
Bocconi U
Kiel Institute
Galasso
CEPR
World Bank
IMF
OECD
European Commission
Tabellini
Angeloni
Italian Cabinet
G20
Ardagna
ECB
Favero
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UCLA
Stanford U
Bank of America
Goldman Sachs
Bruegel
Cambridge U
University of London
Grilli
ECFIN
Aspen Institute
Credit Suisse
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Figure 1 Network illustrating the interconnected career trajectories of Alesina and his austerity co-authors across an array of transnational sites of power
Note: Red nodes, slightly larger than the rest, represent Alesina and his Bocconi co-authors on expansionary austerity. The smaller nodes represent their various affiliations, distinguished by color: Academic affiliations show as turquoise nodes, think tanks are green, IOs blue, European institutions yellow, national government agencies purple and financial entities pink. Each of these smaller nodes is also labeled by the name of the institution in question.

These densely interconnected career trajectories across an array of transnational sites of power are illustrated in the network map in Figure 1. Red nodes, slightly larger than the rest, represent Alesina and his Bocconi co-authors on expansionary austerity. The smaller nodes represent their various affiliations, distinguished by color: Academic affiliations show as turquoise nodes, think tanks are green, IOs blue, European institutions yellow, national government agencies purple and financial entities pink. Each of these smaller nodes is also labeled by the name of the institution in question.

Thus, in addition to being prominent enough an academic to shape the broader intellectual environment and act as a ‘carrier’ of a clearly articulated economic and political vision, Alesina was part of a network that had access to the revolving doors of several transnational sites of power. It seems reasonable to assume that this tightly knit network served as a ‘transmission mechanism’ to further the policy vision of expansionary austerity.

CONCLUSION

This article has sought to further our understanding of how a set of Italian economic ideas, which were originally formulated in the first half of the twentieth century and then advanced and diffused through a network of academics affiliated with Bocconi University, could become prominent in shaping European policy responses to the Great Recession. The article has stressed the fact that the economic view of the Bocconis, most clearly articulated in the policy of expansionary austerity, is part and parcel of a vision of Europe as a means to constrain the economic sovereignty of European states and curtail government spending.

In its earlier iteration this stance was meant to check the power of fascism, but in its contemporary form it has been reinterpreted as a means to deal with democratic inefficiencies and corruption. In this way the article has underscored the fact that international economic policies sometimes have distinctively national roots and that not all influential economic policies are Anglo-Saxon or German in origin, as much of the literature suggests. In this case, a set of economic ideas that have been felt keenly in Europe's southern and eastern periphery actually originated in Southern Europe.

This insight complements earlier work on the importance of the *vincolo esterno* (foreign constraint) in Italian politics, which focused on the ways in which weak domestic political actors could leverage European pressures to push through otherwise difficult reforms and strengthen their own mandates (Dyson and Featherstone 1996; Featherstone 2001; Ferrera and Gualmini 2004). This literature, however, tends to treat European policies as 'unstoppable and largely uncontrollable by Italy' (Featherstone 2001: 4). This article contributes to this debate by shedding light on the origins of the *vincolo*, while also demonstrating that it is not always as *esterno* as it might seem. It suggests that this journey of ideas from periphery to core and back again can be understood as an ideational 'boomerang effect'.

The case of the Bocconis suggests that such an effect can only take place given certain conditions: in order for these 'peripheral ideas' to gain legitimacy and influence, they had to be translated into the abstract and universalizing logic of mainstream economics and espoused by an influential network of scholars with access to established sites of power.

This insight stands to further our understanding of the ideational room for maneuver in contemporary European crisis economics. It suggests that more heterodox approaches to economics are likely to have limited resonance, even when their proponents hold positions of power. Similarly, even intellectuals that are part of the mainstream tradition are unlikely to have a significant impact on policy-making if they lack a strong high-status international network. If this is correct and those already embedded in the dominant intellectual tradition and influential networks are most likely to impact policy, the upshot is that ideational room for maneuver is rather restricted. This, in turn, may go some way towards explaining the resilience of austerity politics, even in the face of popular dissent and disconfirming evidence.

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NOTES

1 It should be noted, however, that Fourcade argues that French thinkers, steeped in the French tradition, had an impact on American economic thought, in a pattern similar to that discussed in this article. I thank an anonymous reviewer for pointing this out.
2 I thank Thomas Ferguson for this insight.
3 It should be noted, however, that Perotti went on to break with this view and became a critic of expansionary austerity (Perotti 2011).

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Studying macroeconomic indicators as powerful ideas

Daniel Mügge

ABSTRACT Macroeconomic indicators – especially inflation, gross domestic product growth, public deficits and unemployment – stand central in economic governance. Policy-makers use them to assess their economies' health. Citizens evaluate politicians' performance using them as yardsticks. But these indicators defy simple definition, and the formulae underlying them have varied across countries and over time. Particular choices have fundamental distributive consequences. This research agenda outlines how we might study macroeconomic indicators as powerful ideas and ask: why do we measure the economy the way we do? It illustrates the myriad ways in which macroeconomic indicators are embedded in contemporary social and political life, and it outlines how we can uncover both what power rests in these indicators and who has power over them. After path-breaking scholarship has demonstrated how consequential these indicators are, it is imperative to understand better which forces determine our choice for one indicator formula over its alternatives.

INTRODUCTION

We live in an age of numbers. Performance indicators and rankings pervade domestic politics. Not only economic policy, but also education, health care, public safety and environmental protection are governed through indicators and quantitative assessments. Policy-makers and politicians use indicators to design and assess policies, not least in comparison to other countries (Davis *et al*. 2012a; Fougner 2008; Krause Hansen and Mühlen-Schulte 2012; Krause Hansen and Porter 2012). Media outlets report growth or unemployment figures widely, stock markets jump or fall on their publication, and citizens use indicators to gauge whether policies – and the politicians they hold responsible for them – are serving them well. Even in the putative dog-eat-dog world of inter-state politics, country rankings without formal bite can induce government reforms (Cooley and Snyder 2015; Kelley and Simmons 2015).

Of the indicators that surround us, macroeconomic ones are the most prominent. They are anything but objective arbiters of economic performance, however. There are no self-evident formulae for economic growth, inflation, unemployment or public deficits.[1] How they should be calculated is deeply contested (Coyle 2014; Fioramonti 2013; Karabell 2014; Stiglitz *et al*. 2010), and the choice for any particular formula benefits some citizens and hurts others. How we measure our economy also shapes policy choices (Gil and Levy 2013; Hirschman and Popp Berman 2014), and it buttresses or damages politicians' legitimacy in the eyes of citizens (*cf*. Soroka *et al.* 2015). Macroeconomic indicators are political both in their origins – the choices for or against particular formulas to calculate them – and in their consequences – their use in public policy and the debates surrounding it.

Considering these indicators' centrality in contemporary politics, political science in particular has paid too little attention to them. Neighbouring disciplines such as sociology (Hirschman and Popp Berman 2014), economic history (Desrosières 2000; Jerven 2012) and anthropology (Merry 2011) offer impressive insights about the origins of such indicators and their societal consequences. At the same time, important questions – including those frequently asked by students of politics – remain largely unanswered. Who wins and who loses from specific definitions of macroeconomic indicators? How do such definitions become institutionalized in government apparatuses? What explains variation in indicator composition and use between countries and over time? And what roles do actors such as central banks, finance ministries, international organizations, political parties, unions or employers' associations play in their design?

This article lays out an agenda for research in fruitful but hitherto underexplored terrain: the political economy of macroeconomic indicators. Drawing on other contributions to this collection, it conceptualizes macroeconomic indicators as powerful ideas. The open typology developed by Carstensen and Schmidt (2016) is particularly helpful, because it abandons obsolete distinctions between ideas and interests and encourages us to study ideas much more pragmatically (*cf*. Parsons 2016). It distinguishes between power *through*, *over* and *in* ideas, pointing to the different angles from which macroeconomic indicators should be analysed.

Macroeconomic indicators share important characteristics that set them apart from other indicators, such as those covering human rights or government transparency (e.g., Cooley and Snyder 2015). They are often directly linked to one another, for example when inflation statistics are used to derive real growth from nominal changes in the gross domestic product (GDP). Macroeconomic indicators are also jointly tied to economic theories and ideologies, for example in debates linking inflation to unemployment. And they often have direct distributive implications, as when public debt/GDP ratios are used to justify austerity. Notwithstanding intriguing questions about other indicators, these properties make it useful to study macroeconomic indicators as a cluster.

This contribution proceeds in four steps. The following section places macroeconomic indicators in contemporary scholarship about the power of ideas. It then illustrates what, from a political economy perspective, there is to be studied, drawing on four examples – GDP, the consumer price index (CPI), unemployment rates and public deficits. The subsequent section reviews extant literature, mostly from outside political science, that bears on these questions. The penultimate section outlines more specifically what political science has to offer to the study of macroeconomic indicators, and the conclusion lays out how political economy scholarship more generally can benefit from this enterprise.

MACROECONOMIC INDICATORS AS POWERFUL IDEAS

Ideas are neither epiphenomenal to material conditions nor wholly detached from them (Beland 2009; Beland and Cox 2010; Blyth 2002; Broome and Seabrooke 2012; Carstensen 2011; Parsons 2007; Schmidt 2008). In line with the ambition of this collection, analysis therefore has to move beyond the simple claim that ideas behind macroeconomic indicators ‘matter’. Tying ideas more directly to political science concerns, Carstensen and Schmidt (2016) link them to power. Their framework suggests that we should understand both how macroeconomic indicators are political in their consequences (focusing on power *in* ideas) and how the indicators themselves have been the object of ideational struggles (power *over* ideas and power *through* ideas).

As power *in* ideas, indicators specify what counts as, for example, growth. When policy-makers and citizens accept these particular constructions of macroeconomic concepts, the ideas that inform them solidify power relations by legitimizing some courses of action and delegitimizing others. For example, many people might disagree that somebody who has given up looking for work after years of joblessness should no longer be considered unemployed. At least, they would recognize the political baggage of this categorization. In contrast, when newspapers publish unemployment figures based on that same definition, criticism remains muted. Unemployment becomes an objective property of people, not a politically loaded ascription (Baxandall 2002).

Power *in* macroeconomic indicators goes further, however, because distributional consequences of policy choices are then recast as purely technical. For example, GDP measures that hide environmental degradation benefit extractive industries and obstruct sustainability advocates. Institutionalizing a particular definition of a macroeconomic concept in an indicator gives that definition power, both because it becomes more consequential and because it elevates this definition to the universal one, obscuring that definitional choices had ever been made. Even if we remain agnostic about what citizens' 'real' interests are, the information they receive, combined with the lack of alternative yardsticks, shapes their perception of their personal situation, how it compares to that of others and who deserves credit or blame for it (*cf*. Hay 2010). The naturalization of ideas through their institutionalization in policy devices is mirrored in modelling in public policy: Henriksen (2013) shows how neoliberal ideas had to be translated into actual policy models to alter the ideological orientation of Danish policies. Before then, the general 'attractiveness' of neoliberal thought may have found major resonance in newspaper columns, but exerted little influence on actual policy output.

Meaningful debate about macroeconomic indicators requires not only critical reflection on the *status quo*. We also have to unearth the genealogy of the powerful ideas that inform present-day calculations and ask who has power *over* ideas. If pressed, most practitioners and academics concede that macroeconomic indicators are contested constructs, not objective snapshots of economic reality. But in both academic and political practice, the figures thus produced are widely used nevertheless, normally without any disclaimers (Woods 2014). Understanding the politics underlying these indicators may thus help detect potential biases in research that uses them.

It is not clear *ex ante* how directly power *over* ideas and power *in* ideas are linked and whether those who define macroeconomic indicators are aware of the downstream consequences their choices have. The study of macroeconomic indicators as powerful ideas therefore requires a pragmatic approach (Johnson *et al*. 2013). In political practice, ideas are never monolithic and homogenous entities that are either embraced or institutionalized or not, just as power is not a homogeneous force that can be reduced to buttressing a simple ensemble of social relations, for example class relations (*cf*. Barnett and Duvall 2005). Ideas have different levels of abstraction, and they are repurposed and reinterpreted in different contexts (*cf*. Carstensen 2011). Inflation can serve as an example: as an abstract concept, it refers to a general increase in price levels in an economy. 'The economy' obviously is an arbitrary abstraction itself (Karabell 2014: 73ff; Mitchell 2002). So is the notion that there is a 'general', all-encompassing change in prices that has meaning beyond being an arbitrarily calculated average of observed price changes. Inflation is a central concept in economic theory and policy, even though its status – how 'real' the property is that it measures – remains contested.

The appreciation of inflation as a contestable concept does not exhaust the scope for analysis, however. We have to ask who determines how it is measured, and why. How are these particular measures used in society? To what degree are they contested? The answers to each of these questions will point to different power dynamics: in some instances, actors may be cognizant of the distributive implications of how inflation is calculated; in others, they may be ignorant of them. In short, inflation is not a singular force in society that could be described through by single theory. Its roles in politics and power relations only become tangible in concrete contexts, for example in wage bargaining, tax bracket determination or stock market analysis.

Comparing inflation to a tool such as a hammer illustrates this point. A hammer can be described through some rough properties (made of a handle and a heavy head), and these properties delimit its uses. But those uses still range from house-building to heinous murder. The actual use of a hammer thus depends on which kinds of hammers are available, what alternative tools there are, the aims and skills of the person wielding it, etc. There may also be restrictions on the production or design of hammers, or indeed on their use – think of carpenter guilds. 'A theory of hammers' in isolation could not tell us what actual work or damage is done with them. In contrast, a theory of human dwelling construction would be fruitful, and it would surely feature hammers as an invention.

The same is true for the study of inflation and other macroeconomic indicators as powerful ideas. They matter because of their roles in real-world political processes, for example in monetary policy or investment behaviour. These roles vary, and their political effects may well be contradictory, for example by favouring different actors at different times. A pragmatic approach to the study of macroeconomic indicators thus opens up a wide field of study.

THE REAL-WORLD VARIATION AND CONSEQUENCES OF MACROECONOMIC INDICATORS

Students of politics are well-placed to reveal the political processes behind the codification of specific measurement formulae and their institutionalization in policy. Before I lay out alternative hunches about the forces at work, however, it is worthwhile to illustrate real-world variation for four prominent indicators, measuring economic growth, inflation, unemployment and public debts. Differences in calculation concern not only arcane mathematical procedures – for example, how to average out price changes – but also seemingly straightforward questions about what should be included or excluded in a particular measure.

Gross domestic product evolved out of the national income measure devised by Simon Kuznets in the early 1930s (US Department of Commerce 2001: M-1f; *cf*. Coyle 2014). Initially, this measure was only to include material production to gauge the American capacity to churn out material goods – a pressing issue after the 1929 depression and during the Second World War. In the post-war years, it was redefined to include services, too, to capture the whole economy.

Even with that expansive definition, many activities have stayed in a grey area. Domestic work – for example, child rearing or cooking – remains excluded, even if these activities add to GDP when traded for money. This approach has systematically demeaned labour by women, who perform most domestic tasks (Waring 1999). Recent estimates see ‘non-market household services’ worth roughly 18 per cent of United States (US) GDP in 2009, down from about 30 per cent in 1965 (Bridgman *et al*. 2012: 28).[2]

Include these services in GDP figures, and economic growth rates look less impressive because marketed services have partially *replaced* production that had previously taken place inside the household.

Problems of GDP measurement do not end there. Christophers (2012) has detailed the treatment of financial services in GDP measures. Their contribution is often inferred from profits – a contestable approach, considering the economic damage the financial sector has wrought through the credit crisis. Government spending on public services such as health care or education – amounting to 12.6 per cent of GDP among in the EU-27 in 2012 – has traditionally been included by equating their costs with their economic value. But education has many indirect effects, muddying its contribution to GDP. Standing practice is arbitrary, and so are the resulting overall GDP figures, which make it hard to compare them across countries (Hartwig 2006). Other items that confound GDP measurement include natural resources (clean air, biodiversity, etc., see Cobb and Cobb [1994]), illegal activities such as drugs and prostitution, the shadow economy more generally (Schneider and Enste 2002), and military production. More recent criticisms have questioned GDP as a measure of societal welfare (Fioramonti 2013; Fleurbaey and Blanchet 2013; Méda 2009; Stiglitz *et al*. 2010).

Similar problems surface with other indicators. Official inflation figures commonly refer to countries' CPI. How that is calculated has changed over the years, however, and been hotly contested as well (Moati and Rochefort 2008; Stapleford 2009). The goods and services in the index have been adapted as consumption habits have changed. But whose consumption counts? Until the late 1970s, the US CPI only considered the consumption patterns of roughly half of American households – those in which the breadwinner was a wage labourer or a clerical worker. In 1978, coverage was extended to all 'urban' households, but more than 10 per cent of the US population are still too 'rural' to have their consumption patterns sampled. Inflation measures differ not only in who they cover, but also in which expenses they include. Following European Union (EU) guidelines, the United Kingdom (UK) CPI, for example, excludes housing costs, even though these expenses constitute roughly 10 per cent of living costs, and much more for new entrants into the volatile real estate market.

Inflation calculation matters because many countries use it to determine annual increases in transfer payments. In 1995, a US Senate Advisory

Committee estimated that the US CPI systematically overestimated inflation by 1 per cent, meaning that inflation-indexed transfers had risen by 1 per cent annually in real terms for decades – an enormous but invisible cost to the US budget and taxpayers (Boskin *et al*. 1998). More recently, the US government suggested tying benefits to a ‘chained’ inflation indicator, which presupposes that consumers adapt their consumption patterns to avoid goods whose prices rise disproportionately. If apples become more expensive but pears to do not, such an indicator might assume that consumers switch to pears, so that their cost of living actually stays stable in spite of the price rise for apples. A ‘chained’ inflation indicators thus shows a lower rise in actual living costs (and hence benefit payments) than in average price levels for a fixed basket of goods. Unsurprisingly, the American Association of Retired Persons was outraged about this ‘technical fix’, which was ultimately defeated.

The unemployment rate is a different kind of indicator but no less salient. It puts individuals in clearly demarcated categories: inside vs outside the labour force, and if inside, employed or not (Baxandall 2002). The definition of who counts as unemployed matters for multiple reasons: citizens pay close attention to trends in the unemployment rate, seeing it as a proxy for the job-loss risk they themselves face. The *perception* of unemployment trends is more important politically than actual joblessness. It therefore matters enormously which figures are reported in the media (*cf*. Soroka *et al*. 2015). Also, unemployment is frequently tied to unemployment benefits, so that some people without jobs are eligible while others are not. And there is a normative dimension: the definition of unemployment codifies who can be *expected* to work, and hence who counts as unemployed if she does not (Baxandall 2002).

In 1982 the International Conference of Labour Statisticians penned a definition of unemployment that is still in use today. But the devil is in the detail. To count as unemployed, a person has to be actively looking for work. But what counts as ‘actively looking for work’? In Canada, scanning job advertisements in newspapers traditionally fulfilled that criterion; US authorities considered that too passive. In consequence, Canadian statistics included many people who would have been excluded in the US. Had Canada had used the American methodology, its unemployment figures would have been a whole percentage point lower (Sorrentino 2000).

Considering the political salience of labour market performance, such differences carry substantial significance.

As a final example, measures of public deficits are also less straightforward than published figures suggest. There is no global agreement about measurement formulae. Does national debt include state or municipal debts, or only those of the national or federal governments? How do measures value government liabilities, which may trade at a discount? How are pension liabilities treated? Depending on the method used, net-present value estimates of, for example, state pension liabilities in the US vary between $3.2 trillion and $4.43 trillion (Novy-Marx and Rauh 2011) – implying uncertainty over liabilities of more than $1.000 billion, largely invisible to citizens. How do these feature in debt statistics? And what about implicit guarantees, for example to public banks or state-owned enterprises? As governments answer these questions very differently, the resulting figures are often impossible to compare.

In the EU, the measurement of public deficits and debt has taken on particular urgency. The Copenhagen criteria for entering Economic and Monetary Union, and later the single currency, specified admissible debt-to-GDP ratios. Given the diversity of potential measures of public debt, it remains unclear why the EU has settled on a particular formula to calculate public debt instead of plausible alternatives. The Stability and Growth Pact has thus been political not only in the contestable levels of admissible debt that it specified, but also in which debt counted in the first place (*cf.* Matthijs 2016).

For all these examples, we have a poor understanding of the political origins of the formulae underlying the indicators, even if we appreciate how consequential they are. As this section has shown, the contexts in which macroeconomic indicators matter vary greatly, just as ideas more generally are not consistently powerful in the same way and the same degree. At the same time, this diversity of how and when ideas can be powerful makes past historiographic and social scientific research of great use when we embark on tackling such questions.

THE POLITICAL ECONOMY OF MACROECONOMIC MEASUREMENT: WHAT WE KNOW ALREADY

Statistics as government instruments have their roots in the 17th century (Desrosières 1993). Two centuries later, they blossomed first in France and the United Kingdom, and a little later in Germany and the United States. A probabilistic understanding of social phenomena won out over a deterministic one around 1900 (Hacking 1981), and the ground was prepared for statistics as tools to tackle the social problems arising from industrialization and urbanization. Statistics initially concentrated on tangible issues like infant mortality, but they soon buttressed a broader trend towards 'governance by numbers' and the proliferation of indicators more generally (*cf*. Scott 1998). The boost for indicators in macroeconomic policy in the 1930s and 1940s reflected practical exigencies. Disillusion with *laissez-faire* policy, Keynesian ideas about macroeconomic steering, and wartime planning spawned new policy instruments for economic management (Perlman and Marietta 2005; Suzuki 2003). Statistics were indispensable to make 'the economy' intelligible and legible. By the 1950s, macroeconomic indicators had become a central pillar of economic policy.

Criticism of indicators and statistics arose alongside their inception (Porter 1995). Sceptics argued that the categorization and homogenization of infinitely diverse units failed to do them justice and produced misleading insights (Desrosières [1993]; *cf*. Alonso and Starr [1987] about the US Census, Mitchell [2002]). Rather than enhancing transparency in governance, indicators could be used strategically to mislead publics and construct 'objective facts' where none existed (Irvine *et al*. 1979).

Much contemporary scholarship goes beyond broad claims about quantification of governance as a facet of (usually suspect) modernity. Who benefits from quantification, and how societies as a whole are affected, varies from case to case (Davis *et al.* 2012b). Ranking countries along their performance, for example, can produce contradictory effects: it can increase accountability of governments to a wider public and empower for example human rights non-governmental organizations (NGOs) (Kelley and Simmons 2015; Merry 2011), or it can increase the autonomy of international organizations (Clegg 2014). Even if an indicator is developed for a particular end, it may end up serving rival political projects (Block and Burns 1986).

Such variable effects, combined with varying measurement practices, lead us to search for the sources of cross-country variation. Large organizations dealing with statistics, for example the Organization for

Economic Development and Co-operation (OECD) or the UK Office of National Statistics, often document such differences. They can be substantial: the US has historically included military spending in GDP calculation as an investment; most other countries have treated it as a government expenditure. In consequence, US GDP had been ‘overstated’ by 0.6 per cent (Lequiller and Blades 2006: 75). The Atkinson Report, commissioned by the UK government, revealed the problems around measuring public services such as education and health care, which contribute significantly to GDP figures in the OECD (Atkinson 2004). When the UK switched to an alternative measurement, its annual growth rate sunk by roughly 0.25 per cent – about half the difference between the British and US growth performances at the time.

To capture evolution over time, historians and social scientists have zoomed in on particular indicators in particular countries, mostly in the OECD (Herrera’s [2010] monograph on Russia is a rare exception). Studies include work on unemployment (Moon and Richardson 1985; Salais *et al*. 1986; Topalov 1994; Zimmermann 2006), inflation (Hayes 2011; Stapleford 2009), economic growth and GDP (Christophers 2012; Coyle 2014; Mitra-Kahn 2011), and public debt and deficits (Eisner and Pieper 1986). While rich in detail and inductive explanations, this work rarely takes a systematic comparative perspective.

As argued above, the on-the-ground politics of macroeconomic indicators as powerful ideas depend on the specific context. It would be preposterous to aim for a single, integrated ‘theory of macroeconomic indicators’. That said, systematic comparison of indicators and their politics can show which drivers matter more and which ones less – under which circumstances, for example, the interests of opportunistic politicians trump expert deliberations in the redesign of indicators, and why top–down harmonization is successful in some cases but not in others. Systematic study of macroeconomic indicators can indicate to which degree dynamics that matter elsewhere in politics also matter here. Past research in other fields offers a wide range of leads.

POTENTIAL DRIVERS BEHIND THE EVOLUTION OF MACROECONOMIC INDICATORS

As is true for institutionalized ideas more generally (*cf*. Parsons 2016), the baseline assumption is that measurement models are path dependent and historically sticky. First mover countries such as the UK and France could be expected to stick to home-grown indicators (Desrosières 1993) under the influence of nationally idiosyncratic economic governance (e.g., Zysman 1983). GDP's ability to withstand long-standing criticism highlights such sticking power. Formula change may then simply reflect structural economic transformation, for example the rise of economic planning since the 1930s (Perlman and Marietta 2005) or the growing prominence of financial services (Christophers 2012).

At the same time, the technical nature of macroeconomic measurement suggests the importance of intellectual dynamics and embrace of new theories among isolated experts, for example in the Federal Statistical System (Bradburn and Fuqua 2010) or in the OECD, the International Labour Organization (ILO) or the United Nations Statistical Division (UNSD; Ward 2004). Inflation, for example, is both an abstract concept and a shorthand for the reading on a particular indicator, normally the consumer price index. It is not a free-floating concept but tied to our theories about it; for example, how it influences employment, or which kind of inflation matters most for monetary policy. As economic theories evolve, we should expect formulae to measure inflation – whether, for example, real estate prices matter or not – to change with them.[3] Macroeconomic indicators, and the ideas that inform them, should then be understood in conjunction with other powerful ideas. Political economy accounts of the evolution of economic theory (e.g., Blyth 2002) and policy practice (Hall 2008; Henriksen 2013) could and should be extended to macroeconomic indicators as policy tools.

The evolution of measures may also mirror the interests of powerful societal actors. Politicians may opportunistically rejig growth or public deficit calculations to boost their re-election chances. Unions or employers may also matter. In countries with a corporatist tradition, the unemployment regime – and hence unemployment measures – may be skewed to benefit employees in formalized, highly unionized sectors and exclude informal and precarious employment (Baxandall 2002). And countries with strong military, financial or resource extraction sectors may employ GDP measures that show these sectors' economic contribution in a favourable light, even if that contribution is contestable from a theoretical perspective.

Shifting from the country-level to international comparison, we find at least a partial alignment of formulae between countries. They may simply have converged owing to globalization, spawning correlation in measurement reforms without a direct causal link. Alternatively, countries may have copied formulae employed elsewhere, leading to the diffusion of measurement models (*cf*. Simmons and Elkins 2004). There is a role here for national statistical agencies, but also for central banks or finance ministries where inflation or public deficits are concerned. At the same time, international organizations have tried – with varying success – to harmonize national measurement models top–down (Ward 2004). Inside the European Union, the single market, and even more so the single currency, have created strong pressures for uniform measurement models, in particular of budget deficits (Astin [1999] for inflation measures, Desrosières [2000]).

Considering the political salience of macroeconomic measurements, surprisingly little scholarship has analysed these harmonization efforts. OECD-focused work has emphasized the harmonization of policies, not measurements (Clifton and Dias-Fuentes 2011). Harmonization scholarship more generally suggests two routes of explanation. A functionalist perspective expects governments to support harmonization when it promotes or is necessary for growing cross-border economic exchange (Abbott and Snidal 2001; Mattli and Büthe 2003). A constructivist perspective highlights the intellectual dynamics in technocratic international organizations, in which the common socialization of staff translates into national-level convergence (Broome and Seabrooke 2012; Stone 2001). Here, harmonization initiatives are not consciously set-up negotiations about common standards but measurement practices that trickle down from international organizations such as the International Conference of Labour Statisticians. The competing hypotheses regarding the source of specific formulae as focal points follow directly: they may stem from conscious bargaining among stakeholders, in particular national governments, or emerge from technocratic expert deliberation – 'soft' harmonization (Stone 2001) – without overt government steering to secure specific outcomes.

The EU is a special case. Since 1953 Eurostat, its statistical agency, has collected statistical information about member states and promoted harmonization of statistical measures. At the same time, macroeconomic performance is integral to agreements between member states and especially eurozone members. The Stability and Growth Pact mandated year-on-year budget deficits below 3 per cent of GDP and government debt levels below 60 per cent of GDP; in 2011 it has been augmented by wide-ranging macroeconomic imbalances procedures. Such agreements have necessitated comparable national statistics to verify substantive compliance (Astin 1999). But we do not know how such harmonization has been achieved politically and why particular formulas have been chosen as focal points. The political history of macroeconomic measurement harmonization in European integration remains to be written.

BEYOND THE OECD

If systematic knowledge about the politics of macroeconomic measurement is thin concerning OECD member countries, it is even thinner for the rest of the world. Herrera's (2010) work on Russia and a recent issue of the *Canadian Journal of Development Studies* (volume 35, issue 1) are notable exceptions that buttress the case for more research in this area (*cf*. Jerven 2014). Many former 'developing countries' now eclipse more 'advanced' ones. Studying the global politics of macroeconomic indicators would fall short without venturing beyond the OECD, the traditional focus of much comparative political economy scholarship.

Colonial powers and governments of newly independent states have frequently institutionalized macroeconomic measurement systems that were ill-suited to local circumstances (Jerven 2012; Mitchell 2002). In consequence, they generated unreliable and misleading data (Jerven 2013), which development economists and international organizations have nevertheless used in research and policy design (Woods 2014). Such research often has immediate implications: the need for financial aid to highly indebted poor countries has traditionally been calculated through formulae that off-set public debt against GDP and other macroeconomic variables. How the latter have been calculated has therefore directly influenced the debt relief that creditors have granted (Hjertholm 2003).

Given the growing global prominence of non-OECD countries, their measurement politics can be expected to play larger roles in future harmonization efforts – for example, concerning the treatment of the informal sector or natural resource extraction in GDP. But their measurement politics may also differ from those in the traditional core of the global political economy. Brazil, for example, has been part of structural adjustment programmes (SAPs) by the International Monetary Fund (IMF); the World Bank (WB) has been heavily involved in India. How about colonial legacies, for example across Africa (*cf*. Bonnecase 2014; Mitchell 2002)? The Chinese government intervenes heavily in the economy, but we do not know how and to what degree this is reflected in Chinese measurement formulae.

The literature concerning non-OECD countries is sparse – certainly in English. In the Chinese case, debate has concentrated on the plausibility of Chinese growth statistics, pinning sceptics (Holz 2004; Rawski 2001) against scholars who find reported figures convincing (Klein and Özmucur 2002). Similar questions have been asked about unemployment data (Solinger 2001). India has a long tradition of eminent statisticians, including Prasanta Chandra Mahalanobis, one of the two ‘developing country’ representatives at the Nuclear Statistical Commission (the forerunner of the UNSD [Ward 2004: 37ff]). Indian statistics long precede colonial times and, as a branch of applied mathematics, are well documented (e.g., Gosh *et al*. 1999), but Indian economic measurement practices are not. Scholarship on countries such as South Africa and Brazil is even thinner, although unemployment and inequality have triggered enormous discontent, with the question of how each of these is measured lurking just beneath the surface.

On the global level, the UNSD, the ILO, the IMF and the WB have attempted top–down harmonization of macroeconomic statistics (Ward 2004; *cf*. Fioramonti 2014). Their efforts matter greatly, not least because these indicators are central to how these organizations ‘see’ the world (Broome and Seabrooke 2012; Clegg 2014). Countries without indigenous measurement formulae may find templates imposed on them that are at odds with socioeconomic realities on the ground, whether they concern the nature of work, the informal sector or the functioning of the financial system. Still, the figures thus produced shape how international institutions and donors, as well as foreign and domestic investors, assess these countries.

Comparable to the OECD, we would expect the UNSD to have been a source of ‘soft’ harmonization driven by expert consensus (*cf*. Ward 2004: 36ff). The IMF and the WB, in contrast, have been directly involved in on-the-ground economic policy; the loans and grants they provide give them leverage to demand policy change. As Broome (2012: 180) shows for Uzbekistan, the IMF does not always get its way, also concerning ‘reliable’ statistics. Even then, it remains unclear with how much urgency and with what agenda the Bretton Woods institutions promoted particular formulae. Macroeconomic data have been integral to designing SAPs and assessing progress and to WB efforts to identify ‘development obstacles’, which several decades ago were primarily analysed through the prism of macroeconomic problems and imbalances. While existing work on the IMF (e.g., Barnett and Finnemore 2004: 45ff; Broome 2012; Chwieroth 2009) suggests that ideas figure prominently in motivating its policies, it remains unclear whether this also holds for its practices of macroeconomic measurement. Beyond problems of data collection and measurement practices (*cf*. Jerven [2013] for sub-Saharan Africa), the (attempts at) top–down harmonization of macroeconomic measurement formulas are therefore central to understanding political economies also, and in some ways especially, beyond the OECD.

CONCLUSION

A wave of innovative recent scholarship has highlighted how feeble the foundations are on which apparently hard economic numbers rest. Once we accept that macroeconomic indicators deserve social-scientific attention because of their consequences, we have to understand the political origins of the formulae in use today. This article has outlined how we might take the questions raised by this work further, and how students of politics have an important role in that endeavour.

It will be useful to study these indicators as powerful, institutionalized ideas. This collection suggests a holistic view on ideas and power: it is interested both in how ideas become powerful (their origins and the political struggle over them) and how they exert their power once they are institutionalized. It overcomes a cleavage between those who study ideas as weapons, wielded by rational actors, and those who see them as so deeply embedded in human thought that they structure all our actions. In practice, most instances of powerful ideas will fall between these two extremes, defying scholarly desires for neat categorizations.

This argues for a pragmatic approach, one that draws on empirics as much as conceptual discussions. We do not know, for example, to what degree policy-makers are aware of the biases in the numbers they use. Do central bankers really ignore asset bubbles just because they do not figure in CPIs? And it is not clear whether those with power over indicators design them with an eye to their distributional consequences, or whether they are oblivious of them.

The research agenda outlined here can contribute to our bigger understanding of ideas in political economy. Macroeconomic indicators have two advantages as objects of study: they are pervasive; and the ample variation between indicators and countries can be exploited to further our understanding of how ideas in general evolve and become consequential. In addition, indicators are codified. In contrast to ideas such as austerity, which are hard to pin down in spite of their omnipresence, indicators are actually defined, and they have a history that we can trace in the archives of national statistical offices. They give us a useful anchor as we uncover the politics underlying them.

Much is at stake in that endeavour. When indicators stand so central in economic governance, societal deliberation can only be effective if we know what the numbers we use actually mean. Research along the lines outlined in this article therefore has a social as much as a scholarly mission. It can and should promote reflection on the production and use of statistics among academics, policy-makers and citizens (Camargo 2009). Because macroeconomic indicators stand central in contemporary governance, a better understanding of them is more than just an additional set of interesting case studies in political economy. After all, they feature everywhere in public and academic debate, too. Countless studies across the social sciences (including economics) use macroeconomic statistics as evidence. Understanding the political origins of macroeconomic indicators will help detect political bias in the published figures and the insights based on them.

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NOTES

1 The word ‘formula’ is a shorthand for the procedure to calculate a specific macroeconomic indicator, for example the consumer price index.

2 Stiglitz *et al*. (2010: 52) report much higher figures for the recent period, ranging from 30 per cent of GDP for the US to 40 per cent for Finland. These variations highlight how differences in the marketization of economic activities, widely conceived, distort cross-country comparisons of GDP levels and economic performance.

3 I owe this particular idea to Wes Widmaier.

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Ideas as coalition magnets: coalition building, policy entrepreneurs, and power relations

Daniel Béland and Robert Henry Cox

ABSTRACT One of the most common ways by which ideas influence policy outcomes is by facilitating the construction of a political coalition. The ideas that have this capacity we call coalition magnets, and this contribution explains how coalition magnets open a path for policy reform. The key components of a coalition magnet are the ambiguous or polysemic character of the idea that makes it attractive to groups that might otherwise have different interests, and the power of policy entrepreneurs who employ the idea in their coalition-building efforts. We illustrate the utility of the concept with an examination of three ideas that were creatively employed to construct new policy coalitions: sustainability; social inclusion; and solidarity.

INTRODUCTION

The role of ideas in politics is well established. We know that ideas matter, and we know that how they matter is a function of contingent circumstances (Béland and Cox 2011; Jacobs 2009; Mehta 2011; Schmidt 2008). Ideas need to be promoted by policy entrepreneurs (Kingdon 1995); the institutional environment and normative frames must be conducive to their broad acceptance (Campbell 2004); and they must address a critical issue in a seemingly useful way (Hall 1993). What we know about ideas suggests that power is a crucial dimension for understanding their political effect (Béland 2010; Carstensen and Schmidt, 2015). Ever present in the literature, the phrase 'power of ideas' is overly vague and is typically used to express something we already know: that ideas matter (Jacobs 2009; Mehta 2011). In fact, much of the scholarship on the importance of ideas shows that ideas matter because they influence policy outcomes. In other words, existing scholarship suggests that ideas matter when they enhance the power of decision-makers. We must ask, therefore, if we are really studying the impact of ideas, or if we are observing the effect of power on policy choice.

A better ideational approach comes from showing when ideas influence outcomes, and when they do not (Campbell 2004; Daigneault 2014; Hattam 1993; Lieberman 2002; Orenstein 2008; Padamsee 2009; Parsons 2007). In this exploratory contribution, we argue that one of the major ways in which ideas shape political power relations is through their role as 'coalition magnet', which we define as the capacity of an idea to appeal to a diversity of individuals and groups, and to be used strategically by policy entrepreneurs (i.e., individual or collective actors who promote certain policy solutions) to frame interests, mobilize supporters and build coalitions.[1] These coalitions may be of several types. They may vary in the degree to which they are tightly or loosely organized, and by whether they establish formal relations or informal networks. Coalitions may also take a national or a transnational form.

By focusing on the way ideas serve as coalition magnets, we see this as a contribution to the broader analysis of ideational processes, which can take many different forms (Campbell 2004; Mehta 2011; Parsons 2007). As such, coalition magnets are not the only way in which ideas matter, but we show they are an important one that should be highlighted. Ideas that perform as coalition magnets do not have power *per se*, as ideas and power are two distinct realities (Béland 2010). The types of ideas we call coalition magnets often are novel constructions, unfamiliar to the actors in a policy debate; or they are being used in a new or unfamiliar way. To become coalition magnets, three things need to happen to these ideas that allow them to impact power relations and policy decisions. First, the ideas are effectively manipulated by policy entrepreneurs as those entrepreneurs seek a new language to define a policy problem. Second, the ideas are embraced or promoted by key actors in the policy process. These are individuals with decision-making authority, and the recognition by key actors grants the ideas legitimacy as the authoritative ideas in the policy debates. Sometimes the key actors are also the policy entrepreneurs who devised the ideas. Third, the ideas bring together actors whose perceived interests or policy preferences had previously placed them at odds with one another; or the ideas might awaken a policy preference in the minds of actors who were not previously engaged with the particular issue. When these three circumstances occur simultaneously, the idea becomes a coalition magnet empowering policy entrepreneurs involved in coalition building.

We illustrate this argument with three examples where ideas served as coalition magnets. In each of the examples, a prominent idea helped actors reformulate their preferences, which facilitated the creation of new policy coalitions. The three ideas are: sustainability; social inclusion; and solidarity. Sustainability is an idea that resulted from an effort by environmentalists to reconcile environmental concerns with economic growth. Social inclusion is a concept devised by welfare reformers to enhance programmes that involve active rather than passive forms of social support. Finally, solidarity is a much less recent idea used in France as the social foundation of the Third Republic.

Focusing on these three ideas allows us to illustrate three situations where ideas became coalition magnets. These three examples vary across different policy fields as well as across time. Sustainability and social inclusions are recent ideas, while solidarity has been influencing policy decisions for more than a century. Their diversity allows us to show that coalition magnets are not unique to a particular policy field or period of time. Each idea could easily be – indeed has been – subject to more extensive treatment than we provide here. As illustrations, these three examples do not provide a formal test of the argument. Rather, these three examples serve to demonstrate that some ideas can accurately be called coalition magnets. Moreover, they effectively illustrate the variety of circumstances in which the concept of a coalition magnet can be useful to policy scholars.

IDEAS

We begin by explaining the two basic concepts: ideas and power. We define ideas as causal beliefs about economic, social and political phenomena (Béland and Cox 2011).[2] As beliefs, they are interpretations of the material world, shaped as much by the material world as by our emotions and values. As causal beliefs, ideas posit relationships between things and events. These causal relationships might be formal, or they might be informal expectations (e.g., government spending will stimulate economic growth). It is the informal causal relationships that identify ideas as emergent phenomena (Blyth 2003), meaning that the causal relations the ideas posit arise from complex mental processes and are not direct descriptions of fact. Like consciousness itself, ideas cannot be reduced to material conditions, moods or biological processes, though all of these influence the ideas our minds create.

This is all ideas are. To understand ideas in this way, we do not need to ascribe to them any other qualities. Ideas do not need to be good or bad, they do not need to be effective or frivolous. Ideas are simply products of thought, mental responses to uncertainty (i.e., lacking reliable information about current or future situations). The other qualities, such as goodness or badness, are important to our evaluation of an idea, but they become relevant only when we consider the idea in conjunction with the power given it by political actors. For example, ideational scholars often talk about ‘successful ideas’, by which they mean ideas that generate enough critical support to be adopted into policy, or that otherwise lead to some form of political change.[3] At this stage, however, the quality taken on by the idea is a quality of power.

As suggested below, the success of the idea in coalition building partly depends on its intrinsic qualities, especially its valence and its potential for ambiguity or polysemy. Yet, such success is also related to the direct role of the individual and collective actors who must mobilize politically to impose particular ideas (Hansen and King 2001). This remark, however, does not mean that ideas are epiphenomena, in part because such ideas help shape how these actors perceive their preferences and interests, which drive their coalition-building efforts (Campbell 2004). Simply put, ideas do matter for power relations, but they are not the only factors that affect power relations (Parsons 2007).

Another important point about ideas is that they can be ambiguous or polysemic. For example, neoliberalism is a polysemic cluster consisting of ideas about a minimalist state, individual responsibility, deregulated economies and productive efficiencies (e.g., Schmidt and Thatcher 2013). As clusters, the ideas all fit together to comprise neoliberalism, though they are not always consistent. Clustered ideas can be inconsistent, even contradictory. More importantly, the inconsistencies and contradictions among ideas can give rise to conflict over their application. Efforts to resolve such conflicts involve power wielding by actors who wish to push the accepted definitions of an idea in a direction that helps them build support.

POWER

Like the literature on ideas, the literature on power is extensive.[4] Arguably the most influential examination of power in sociology and political science is a short book by Steven Lukes (2005). For Lukes, power has three dimensions. First is the overt control of outcomes. Second is the power of inaction, or the ability to have one's way without taking action. These are conventional understandings of power that were first articulated by Bachrach and Baratz (1962) in an influential paper. To this Lukes adds a third dimension: manipulation of the systems of collective beliefs and values that cause some courses of action, or in our case ideas, to be seen as acceptable, appropriate or legitimate. Unfortunately, Lukes reduces this type of ideational influence to the capacity of those in positions of power to mislead others about their supposedly objective material interests in order to reinforce their domination. This vision of power as domination, which contrasts with our understanding of power as a capacity, and the understanding of ideas as pure ideological obfuscation of objectively defined class interests are major flaws of Lukes's model (Béland 2010). Because power as 'power to' is analytically distinct from domination as 'power over' (Morriss 2006), and because interests are not purely objective but largely the product of cognition and perception (actors must make sense of their interests, which are not objective in nature), Lukes's vision is not compatible with a constructivist, ideational perspective on power and politics (Hay 2011). In this contribution, we simply define power as the ability to shape outcomes and reach particular goals (Morriss 2006: 126). This general definition of power, we believe, is compatible with our ideational perspective on politics and public policy.

At the broadest level, both ideas and power are informed by subjective and intersubjective interpretations of the world and, more specifically, of the interests of actors. We have argued that they are both crucial to explaining outcomes, especially when they help to bring about political coalitions around shared interpretations and perceived interests. At the most general level, ideas and power have interactive effects. As noted by Vivien Schmidt (2008, 2011), one way ideas and power interact is through discourse, which constitutes a coalition-building device. Ideas can serve as an individual motivation to action, but to function as a vehicle for collective action and coalition-building, they must be communicated among people, through concrete and typically strategic framing processes (see also Béland

2009; Campbell 2004). Framing is the process by which actors use their ideas and their power to influence discourse. Through framing processes, actors present their ideas, attempt to connect their ideas to important values, and strive to persuade others of the validity of their particular interpretation of ideas. They employ their power to be successful, and when they are successful they have built the foundation for broader acceptance of their ideas. This is how ideas and power interact to help bring about or sustain political coalitions.

COALITION BUILDING AND COALITION MAGNETS

As Jane Jenson (2010) and Bruno Palier (2005) suggest, highly ambiguous and polysemic ideas that mean different things to different people are likely to have broader appeal for coalition builders than better-defined, narrower ideas. Consequently, polysemic ideas are more likely to bring many people and constituencies together, thus acting as what we call a coalition magnet (i.e., an idea serving as a focal point for coalition building). This positive role of ambiguity is related to the fact that ideas help actors define their interests, and that broader – and vaguer – ideas are more likely to appeal to a greater number of constituencies that have heterogeneous preferences. Such ideas are attractive to policy entrepreneurs who will seek to use these polysemic ideas to create broad coalitions that transcend traditional political divisions, such as electoral cleavages. In other words, these ideas can serve as coalition magnets. Importantly for our discussion about coalition magnets, polysemic ideas have the potential to create social consensus rather than just a minimum – and typically shaky – winning coalition. Another example of an ambiguous policy idea that has recently been used as a coalition magnet to bring about social consensus is 'social investment', which attracts constituencies as diverse as pro-market economists and left-leaning social policy advocates (Jenson 2010).

In addition, not all broad, ambiguous ideas are born equal, and those that have a higher level of valence are more likely to be used effectively as coalition magnets by policy entrepreneurs involved in coalition building. In the context of our analysis, valence simply refers to the attractiveness of an idea (Cox and Béland 2013). As the emotional quality of an idea, valence can be either positive or negative in nature, or high or low in intensity. Ideas with a high, positive valence engender a strong attractiveness, which means they are likely to have greater coalition-building potential. From this perspective, ideas especially prone to be understood in different ways by different constituencies (ambiguity) that have a strongly positive, emotional meaning (valence) are especially helpful to policy entrepreneurs looking to bring about large coalitions capable of altering power relations and tipping the balance in favour of their chosen electoral and policy preferences. Importantly, regarding both ambiguity and valence, policy entrepreneurs are active participants in the framing and reframing of ideas as coalition magnets. This is why the term 'coalition magnets' should not mean that ideas automatically bring about political coalitions based solely on their intrinsic attractiveness. What we are saying is that certain ideas are more attractive than others as coalition-building tools but that, ultimately, the actions and framing activities of policy entrepreneurs matter at least as much when the time comes to build coalitions.

THREE IDEAS AS COALITION MAGNETS

The three following examples illustrate our basic claim that ideas can serve as coalition magnets. These examples point to the basic mechanisms outlined in the above discussion. First, policy entrepreneurs appropriate broad ideas that have a high, positive valence, or by reframing existing ideas that might have narrow meanings into ideas with broader, polysemic meanings. Legitimacy is gained if the idea is advanced by an authority in the policy discussion, such as a major decision-maker, or a group of experts. The appropriation or redefinition of the idea enables the policy entrepreneur(s) to attract more groups and individuals to their specific policy prescriptions. The support provided by the coalition then makes it easier for the policy entrepreneur(s) to gain adoption for specific policy goals and instruments. Finally, our three examples of ideas as coalition magnets did not emerge on the policy agenda as empty rhetoric, as they were articulated in books (social exclusion and solidarity) and an international report (sustainability). Table 1 offers an overview of our three examples, which are briefly discussed below.

Sustainability

In contemporary societies, sustainability is an idea used across the world, in many disparate policy arenas. Most commonly, it is associated with environmental issues, but increasingly the term is also frequently used in the fields of public pensions, public finances and many other fields. Sustainability is almost always invoked as a favourable term. It often has a positive association, as something desirable to pursue. As we describe in this section, sustainability is a polysemic idea that has a strong, positive valence. And the findings show that policy entrepreneurs use sustainability as a coalition magnet, bringing together many disparate interests.

Table 1 Three ideas

Idea	Sustainability	Solidarity	Social inclusion
Articulation of the idea	World Commission on Environment and Development (1987)	Durkheim (1987 [1893]); Bourgeois (1998 [1896])	Lenoir (1974); Rosanvallon (1995)
Policy proposals	Environmental, then policy reporting and assessment	Mutualism, then social insurance	Targeted programmes and activation policies
Coalition scale	Primarily transnational	National (France)	National (UK, France); transnational (EU)

The broad essence of sustainability is that it refers to policy options that take into consideration the long-term consequences of human actions. Thus, the causal belief embedded in the idea of sustainability is the notion that a particular course of action will consider the impact of an action on future generations, or at least take into account the long-term impact rather than the short-term gain. The term arose as an effort to create a positive association between environmental considerations and economic development. As defined by the World Commission on Environment and Development (1987), better known as the Brundtland Commission, which proved instrumental in popularizing the idea of sustainability around the world, sustainable development is ‘development that meets the needs of the present without compromising the ability of future generations to meet their own needs’. Indeed, the original purpose for defining the term in this way was to create a broader coalition. The original architects of the term were concerned about the oppositional stance between early environmentalists and the advocates of economic growth. They sought to bridge concerns for the environment with support for economic growth, and they wanted a way to argue that the two objectives were compatible. Sustainability was the result (Edwards 2005; see also Adger and Jordan 2009)

Beyond the original usage, sustainability is now commonly used in many public discussions, not only in relation to public policy. For example, corporate sustainability is one example of an area where the usage of the term falls furthest from its original meaning. Though it appears precise, the notion of corporate sustainability has a polysemic meaning. On one hand, sustainability refers to the ways in which a firm conforms to environmentally sensitive business practices. On the other hand, firms are often selective in the green practices they choose to follow, favouring those that make positive contributions to corporate profits. Thus, the polysemic character of sustainability encompasses things that contribute to the long-term profitability of the firm, as well as those that allow the firm to gain positive publicity for pursing environmental goals (Hahn and Figge 2011; Hahn *et al*. 2014).

This discussion shows that the polysemic character of sustainability was a direct result of manipulation by policy entrepreneurs. Sustainability is used in many different ways, and this allows actors to use the term to defend many different courses of action. For example, corporations committed to sustainability might well pursue environmentally responsible practices, but the notion of corporate sustainability has also been applied to business practices that ensure the long-term profitability of the firm. Actions that promote profitability, however, might conflict with environmental goals, although both can be called sustainable. Thus, the polysemic character of sustainability can be seen in a number of policy goals and instruments that are not always consonant with one another.

The reason sustainability has become a polysemic idea is because it has a positive valence. A valence idea is one that generates the same reaction in people regardless of their political preferences. Numerous published opinion surveys demonstrate that sustainability has this highly positive valence (Leiserowitz *et al*. 2006). The positive association the idea invokes leads people to use it in a number of policy areas where it is applied to a diverse set of policy solutions.

Power relations surrounding the idea of sustainability are autonomous from the idea itself, but have helped to establish it as a core idea across policy areas and sectoral paradigms. Though we might identify climate scientists as the original advocates of the idea of sustainability, the idea has been taken on by any number of policy entrepreneurs who seek to focus on the long-term consequences of policy decisions. For example, many advocates of pension reform have long struggled to draw attention to the consequences of demographic trends for the solvency of pension schemes. Today, the idea of pension sustainability allows them to cast their concerns in a favourable light and gain more attention while gathering support from both the left and the right (Cox and Béland 2013).

These new voices for sustainability cut across policy areas and traditional lines of political cleavage. In many ways, they resemble the left–libertarian coalition (Kitschelt 1988) of the post-material generation. Because they do not look like traditional political coalitions, the coalitions that form around sustainability as a coalition magnet look unusual. These coalitions allow groups that once held little sway in policy discussions to have the support of major insiders, offering them a channel of access that they had not enjoyed previously. A good example of such an unlikely coalition is McDonald's and the Environmental Defense Fund, who teamed up in the 1990s to reduce packaging and waste from food production at McDonald's restaurants. Among the campaign's successes was a 30 per cent reduction in the amount of waste generated, and $6 million savings for the restaurant chain. So successful was this campaign that the two teamed up again in 2003 to reduce the level of antibiotics in poultry production (Environmental Defense Fund 2014). Moreover, there is evidence that the ideas that gave rise to the collaboration are indeed transformative. In a study of changing business discourse, Paul Rutherford (2006) found that, between 1992 and 2002, business discourse on environmental issues has become less reactionary and defensive and has instead taken on a more proactive role to shape environmental regulations, thereby making them sustainable.

Overall, sustainability is an idea that helps frame and gives a broader meaning to policy recommendations across distinct policy areas. This new policy idea provides power opportunities to advocates of long-term perspectives in policy design. As a prominent policy idea, sustainability cuts across a wide variety of policy fields, and it is reshaping the way we think about public problems, thus creating new opportunities for coalition building. The rise of sustainability shows how ideas and power combine, through the process of coalition building and shared problem definition associated with the mobilization of concrete policy entrepreneurs. In such a context, the idea of sustainability has become a coalition magnet in key areas of contemporary public policy.

Thus, the idea of sustainability illustrates the three mechanisms by which ideas work as coalition magnets, in the context of power struggles over public policy. Initially, the idea was developed by environmental activists, and its adoption by major policy actors. They specifically and intentionally sought to define the idea in a way that would create a broader coalition, which largely took a transnational form. Later, other actors in the business community sought to appropriate the idea for other objectives. Because of the wide appeal of the term sustainability, policy entrepreneurs invoke it to lend legitimacy to their own policy prescriptions and foster coalitions around them, in the hope of altering power relations to their advantage.

Solidarity

In contrast to sustainability, solidarity is an old idea that has been used in policy debates since the mid- to late nineteenth century.[5] Generally, solidarity refers to policies that have the effect of enhancing the connections between people in society. Social democrats have used the term to refer to actions that create cohesion within or across classes, while liberals occasionally use the idea to legitimate actions that connect individuals as equal citizens. Considering this, studying the rise of solidarity as a coalition magnet during that period in one country (France) provides an opportunity to assess whether the political and policy mechanisms discussed throughout this contribution can help us not only to grasp recent trends but to improve our understanding of key historical episodes. In the case of solidarity, such historical understanding is particularly relevant because this idea has remained influential in a number of contemporary policy debates, in France and beyond. By understanding how solidarity became a coalition magnet more than a century ago, we are in a better position to provide background to contemporary debates about solidarity, and to further illustrate how ideas and power interact through the mobilization of policy entrepreneurs involved in coalition building.

In France, the idea of solidarity moved to the centre of policy and political debates during the first decades of the Third Republic (1870–1940), which witnessed an explicit power struggle between the supporters of market liberalism and the advocates of state socialism. At the core of this power struggle was the 'social question', which referred to the emergence of social and economic problems associated with urbanization and industrialization. Although the French ‘social question’ first crystalized in the aftermath of the 1848 revolution, it became especially pressing during the first decades of the Third Republic as a major source of public anxiety and political debate, as class conflict as well as both pure market liberalism and state socialism appeared as possible threats to the newly established democratic polity (Béland 2009; Donzelot 1984).

It is in this particular context that solidarity rapidly became an influential idea and a coalition magnet for French social reformers. Sociologists like Émile Durkheim and public intellectuals and politicians such as Léon Bourgeois raised solidarity to the centre of policy debates as a broad, ambiguous and polysemic policy idea. Bourgeois outlined the main characteristics of solidarity as a policy idea in the widely read solidarity manifesto he published in 1896. In it, Bourgeois (1998 [1896]) draws on the biological science of his day to explain how, in contrast to what free market advocates claim, society is about co-operation rather than competition. Simultaneously, this interdependency, which he refers to as solidarity, does not stand in opposition to personal freedom. Seeking to bring about his own type of ideologically ambiguous ‘third way’, Bourgeois claims that the diffusion of concrete mechanisms of solidarity such as mutual-aid societies could tackle the ‘social question’ while preserving the existing social and political order. In other words, Bourgeois made solidarity an ambiguous rallying cry that appealed to opponents of both state socialism and free market deregulation, all of whom were seeking to create a social coalition in support of the Republic, which came under attack from both the far left and the far right.

Beyond the work of Bourgeois (1998 [1896]), the meaning of the idea of solidarity over time became increasingly stretched and polysemic (Hayward 1959). Moreover, today solidarity has a positive valence, in the sense that it has positive connotations that can appeal broadly to people with different political and policy agendas. From a political standpoint, this high positive valence of solidarity means that it is hard to oppose this idea altogether, which makes it a potentially effective political weapon in the hands of skilful policy entrepreneurs like Bourgeois.

Known as *solidarisme*, the creed associated with Bourgeois became widely popular around 1900, as the idea of solidarity became the explicit foundation of what Jack Hayward (1961) labelled ‘the official social Philosophy of the French Third Republic’. The idea of solidarity embedded in *solidarisme* helped Bourgeois and reformers from different ideological background forge a coalition in support of mutualism. This broad coalition led to the creation in 1902 of the Fédération nationale de la mutualité française. Like the popularization of solidarity as an idea that legitimized it, the French mutualist movement 'created an opportunity for conservative republicans, Radicals, and reformist socialists to meet on common ground' (Horne 2002: 201). From this perspective, the idea of solidarity played a direct role in fostering a new social policy coalition in France. This means that, in France at the time, the idea of solidarity interacted directly with power relations through coalition-building processes.

Overall, the rise of solidarity in France around 1900 as a prominent policy idea illustrates our claims about how ideas can become coalition magnets in the hands of skilful policy entrepreneurs. When Bourgeois published his book *Solidarité* in 1896, his goal was to create a broad reform coalition around the idea of solidarity that would help solidify the social foundation of the recently established Republic through the adoption of third-way measures such as mutualism, which transcended both market liberalism and state socialism. Although mutualism did not prove as successful as anticipated by Bourgeois and his allies, during the first decades of the twentieth century solidarity became a key feature of France's political and social policy discourse. Ultimately, this idea even helped create a rationale for the enactment of new social programmes that sought to consolidate the Republic and maintain social order (Béland 2009). In terms of our basic argument, we see that solidarity was articulated by public intellectuals such as Bourgeois (1998 [1896]) and Durkheim (1987 [1893]), who disseminated the idea and allowed French Republicans to foster a cross-class coalition in support of modern social policy. In this sense, as an idea, solidarity served as a coalition magnet in the context of ongoing ideological and power struggles over the fate of the Third Republic.

Social inclusion

A broad term that can legitimize a large number of different policy alternatives, social inclusion first emerged as a policy idea in France as a response to social exclusion, an issue that became increasingly debated in that country during the 1980s, in a context of high rates of long-term unemployment (Béland and Hansen 2000; Goguel d'Allondans 2003;

Paugam1996; Silver 1994). Importantly, like sustainability and solidarity, social inclusion and the related concept of social exclusion are substantial ideas discussed in extensive, widely read, book-length publications, which appeared both before and after they emerged on the policy agenda (Lenoir 1974; Rosanvallon 1995).

Social inclusion is about helping disadvantaged citizens gain full economic, social and political participation. The broad meaning of social inclusion is well conveyed by this definition from the World Bank (2013):

> Social inclusion aims to empower poor and marginalised people to take advantage of burgeoning global opportunities. It ensures that people have a voice in decisions which affect their lives and that they enjoy equal access to markets, services and political, social and physical spaces.

From this perspective, social inclusion is a dynamic and multifaceted process that aims to tackle various forms of social exclusion. Yet, social inclusion is not a purely progressive idea, as it can take a more conservative meaning, when citizens who do not take full part in economic and social life are blamed for their situation and are forcefully pushed into the labour market in the name of a moralistic creed that has nothing to do with traditional understandings of social justice and redistribution (Levitas 2005 [1999]). In that context, social inclusion can justify a shift from the traditional safety net to what is known as a 'safety trampoline', in which social rights become conditional, as the goal of social programmes is simply to push people back into the labour market as soon as possible, sometimes even by forcing them to take any available low-paying job (Cox 1998). In other words, although its origin lies in progressive thinking, social inclusion is a politically ambiguous idea that can appeal to different constituencies. In part because it can stress either the responsibility of society or the responsibility of those excluded from it, social inclusion, from a policy standpoint, is a polysemic idea.

Adding to this polysemic dimension, social inclusion can take a moral meaning or remain exclusively within the realm of economic policy and labour market regulation (Nilssen 2009). Considering this, social inclusion is a malleable policy idea that can be used both in political rhetoric and in technical policy discussions, which adds to its potentially broad appeal.

Like sustainability today and solidarity in France more than a century ago, what we have here is an idea central to academic and expert debates that also has a clear normative dimension, which makes it especially appealing in terms of coalition building. Another factor that makes the idea of social inclusion a potential coalition magnet is its high positive valence. Because it is typically framed as the solution to a broad new social evil known as social exclusion, and because it evokes the image of an integrated social order, the idea of social inclusion has a positive meaning. Just like sustainability and solidarity, social inclusion is something that can mean different things to different people, but it sounds so positive that few politicians could explicitly stand again it. In particular, social inclusion generally evokes images of consensus and citizenship participation that point to the idea of a fairer and more harmonious society in the making. Simultaneously, because it emphasizes labour market participation, the social inclusion discourse is compatible with market liberalism, especially when it draws attention away from broader forms of economic inequality that transcend social exclusion in the strict sense of the term (Béland 2007).

The malleable nature of social inclusion as a policy idea helps explain why this idea became popular among policy entrepreneurs operating in political and institutional contexts as different as France during the second half of the Mitterrand years (1981–95), the United Kingdom during the early Blair years (1997–2007) and the European Union level starting around the year 2000. In all these contexts, social inclusion appeared as a potential coalition magnet in the hands of policy entrepreneurs who explicitly sought to reconcile economic liberalism with a market-friendly social policy agenda.

In France, social inclusion helped restore part of the traditional social policy credentials of the Socialist Party, which had dissatisfied its electoral base when it suddenly embraced austerity in 1983, under the third government of Socialist Prime Minister Pierre Maurois. Five years later, in 1988, new Socialist Prime Minister Michel Rocard successfully promoted the enactment of the Revenu Minimum d’Insertion (RMI), a social assistance and activation measure approved unanimously in parliament in the name of the fight against social exclusion and long-term unemployment. In a book published in 1995, historian, public intellectual and former Rocard advisor Pierre Rosanvallon explained how the RMI and the push for social inclusion it embodied appeared as an attempt to rethink both citizenship and the welfare state in the sense of a logic of activation and inclusion capable of bringing a large political coalition together. Ironically, a few months after Rosanvallon published his widely debated book, right-wing candidate Jacques Chirac won the presidency during a campaign in which he strongly emphasized the need to foster social inclusion, in a successful attempt to attract support from moderate left-leaning voters (Béland 2007). A few years later, in the United Kingdom, the first Blair government (1997–2001) made a different use of the idea of social inclusion, as it sought to create a ‘third way’, New Labour social policy distinct from the traditional ‘passive’ welfare state associated with Old Labour. This is why, as early as in December 1997, the first Blair government created a prominent Social Exclusion Unit explicitly tasked to bring about a more inclusive society. Compatible with market liberalism and a discourse about personal and social responsibility, this push for social inclusion allowed Prime Minister Blair to graft a broad, novel social policy agenda upon his ‘third way’ coalition-building and governance project, which remained most controversial among marginalized advocates of traditional, statist left-wing social policy (Levitas 2005 [1999]).

Since 2000, the idea of social inclusion has also become a prominent aspect of social policy discourse within the European Union (EU). Once again perceived as compatible with market liberalism, the idea of social inclusion within the EU is framed primarily in economic terms (Nilssen 2009). Because this narrower understanding of social inclusion focuses almost exclusively on employment and economic issues, it allows the EU to reduce social policy to labour market issues. This means that, although EU officials and documents depict social inclusion as a way for the EU to tackle serious social problems, the narrow understanding of social exclusion they typically promote reinforces the domination of economic policy at the EU level. Yet, from a coalition-building standpoint, the idea of social inclusion acts as a magnet in the hands of these EU officials, because it helps bring social policy experts and constituencies on board at a time when the legitimacy of the EU is questioned by advocates of a post-liberal Social Europe. In 2010, for instance, social inclusion became a prominent social policy aspect of Europe 2020, a 10-year plan centred primarily on economic growth, and its prominence in this plan gives the advocates of a more expansive social policy at the EU level an opportunity to push for policies that fit a more expansive definition of social inclusion (Daly 2012). Overall, like sustainability and solidarity, as a coalition magnet social inclusion is directly related to power struggles over policy development, in this case at both the national and transnational levels.

CONCLUSION

This contribution has argued that the concept of coalition magnet is a useful one for understanding the relationship between ideas and power. We have defined coalition magnets as ideas that appeal to a diversity of individuals and groups, and that can be used strategically by policy entrepreneurs to garner the support of those individuals and groups. Our argument is that coalition magnets are created when ideas are combined with power. This combination gives the coalition magnet a privileged position over other ideas in policy debates and discussions. Skilful actors use this type of idea, the coalition magnet, to advance their own policy preferences by using it to frame their discourse and the 'need to reform' (Cox 2001).

We have argued that ideas are more suitable to be coalition magnets when they are high in valence and/or polysemic. Valence increases the political standing of an idea and its potential impact on power relations because its broad acceptance helps to ensure strong support for actors who invoke it during policy discussions. Polysemic ideas make good coalition magnets because their broad definitions allow creative actors to stretch them in order to legitimize new policy proposals.

To illustrate our claims, in this contribution we focused on three ideas that have played a direct role as coalition magnets, in a specific context: sustainability; solidarity; and social inclusion. The examination of these three ideas allows us to draw some general conclusions about the importance of ideas as coalition magnets. First, the ideas do not themselves have the power to create coalitions; rather, they need to be effectively deployed by skilled policy entrepreneurs who define, disseminate and establish the relevance of the idea for the policy prescriptions they advocate. In the case of sustainability, experts in the field of environmental affairs sought a new conceptual framework that would break down the opposition between environmental goals and economic growth. The focus on long-term consequences provided the linkage they sought, and this made the concept of sustainability appealing. As for solidarity, the idea was appropriated by Leon Bourgeois to provide a solution to a major social concern, class conflict. Solidarity was defined as the goal to be achieved through co-operation rather than conflict between classes. The idea was then invoked to defend social policies designed to benefit large segments of the French population. Finally, social inclusion began as a way to revitalize the French left's vision of the welfare state, before spreading to other countries and the transnational level, within the EU and beyond. High valence and polysemy help make social inclusion a crucial organizing principle for both welfare and labour market reforms.

The second major conclusion we draw from our analysis is that policy entrepreneurs use both their political power and their rhetorical skills in creating coalition magnets. Entrepreneurs can be of many types. They are leaders of grassroots organizations or of expert networks (in the case of sustainability), active or former politicians (Léon Bourgeois in the case of solidarity), and academics and public intellectuals (Pierre Rosanvallon in the case of social inclusion). In general, what they do is use their position to advocate not only for specific proposals, but for conceptual understandings of policy issues and problems that legitimate and build support for their proposals. Coalition magnets are the products of these conceptual exercises and, when successful, they help the policy entrepreneur to create new policy coalitions that may cut across traditional lines of political cleavage.

These three examples illustrate the analytical value of the concept of coalition magnet, but more work is needed to go beyond a few suggestive examples to empirically document how broad, high valence and typically ambiguous and polysemic ideas can impact power relations in the hands of policy entrepreneurs. Detailed process tracing (Jacobs 2015) would be an especially fruitful approach for more detailed inquiry.

Though it was not a focus of this contribution, another issue that scholars might consider is the lifecycle of a coalition magnet. In each of our three examples, the basic idea went through a process of being redefined in a more abstract, general way. Their high valence and polysemic character, therefore, was created through discursive practice and was not part of the original idea. As ideas develop to become coalition magnets, one might wonder if their meanings can stretch to the point of uselessness. One could make the argument that the concept of sustainability, for example, has become so general that it now is devoid of precise meaning. Thus, in addition to process tracing, scholars might also develop the concept of coalition magnet by examining the life cycle of these types of ideas and explore whether and how some of these ideas might cease to be effective as coalition magnets over time.

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NOTES

1 The term ‘coalition magnet’ has only been used a few times in the literature (e.g., Layne 2006). On the role of ideas in coalition building see Blyth (2002) and Parsons (2015). From a different perspective, Paul Sabatier (1988) stresses how ‘belief systems’ hold ’advocacy coalitions’ together.
2 For an early take on causal beliefs see Goldstein and Keohane (1993).
3 Some scholars also study unsuccessful ideas (e.g., Hacker 1997).
4 For example: Foucault (1982); Hay (1997); Lukes (2005); Morriss (2006).
5 Solidarity is a key aspect of modern social policy language (Béland 2014).

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Ideas and power: four intersections and how to show them

Craig Parsons

ABSTRACT The notion that ideas powerfully shape policies seems highly intuitive. How actors think about policy matters, and their thinking is not just a mechanistic function of uninterpreted conditions around them. Yet turning this intuition into clear claims about the influence of ideas is challenging. This contribution extracts guidelines from the growing literature on ideas to suggest how to best display four common kinds of intersections between ideas and context that make the ideas powerful. We can show that certain ideas gain influence because 'believers' obtain power for unrelated reasons; because the ideas somehow empower actors to achieve power; because they make possible new coalitions of actors; or because they inform the crafting or retooling of institutions that matter. The essay highlights what some of the strongest literature on ideas does well and how it can become still more persuasive.

INTRODUCTION

This collection pushes the study of ideas in public policy beyond the literature's initial focus on the notion that 'ideas matter', to explorations of *how* they matter – and, in particular, how they intersect with power relations. Most of the contributions explore this terrain in substantive ways, theorizing how 'ideas' and 'power' relate to each other. This contribution stresses that this second-generation agenda also faces methodological challenges. The ways in which we can best *see* ideas interacting with power in policy are a special subset of ways in which we might theorize ideas to interact with power in policy. By considering notably successful efforts to show the interaction of ideas and power, the essay highlights promising methods to move this agenda forward.

This focus gives the essay a yeomanlike tone. Rather than offering new insights into how ideas work, it unpacks the literature's sharpest responses to skepticism that ideas do certain kinds of work in explanations of policy. Its sole substantive move is to observe four salient ways in which scholars have argued that ideas intersect with other conditions to become powerful. Certain ideas may shape policy because ‘believers’ obtain power for unrelated reasons; because the ideas help new actors to achieve power; because they unite new coalitions of actors; or because they inform the crafting of institutions. These examples do not form a complete typology of ideas–power dynamics (others surely exist) nor does their treatment here delve much into theoretical logics. As Rawi Abdelal, Mark Blyth, and I have observed (Abdelal *et al*. 2010), behind each of these dynamics scholars might posit multiple theoretical rationales for ideas’ importance, rooted variously in uncertainty, cognition, meaning or epistemological subjectivity. We might theorize the nature of ideas within these dynamics as affective or cognitive, focused more on ends or means, tightly or loosely related to specific actions, and coherent or incoherent in relating to other social constructs (Parsons 2007: 121–4). Ideas can operate at various levels of generality, from overarching ‘paradigms’ or ‘worldviews’ to the fragmented tinkering tools of the *bricoleur* (Berman 2013; Campbell 2002; Carstensen 2011; Daigneault 2014; Hall 1993; Mehta 2011). Whichever of these substantive–theoretical conceptualizations inform an ideational argument, however, it must then wrestle with how to best demonstrate its claims. This essay dissects several ways in which scholars have persuasively done so.

Given a focus on demonstration in the face of skepticism, the ‘intersections’ to which the title refers are ways in which ideas interact visibly with the conditions prioritized by the staunchest skeptics: material or institutional conditions that are theorized as non-ideational. This orientation does not signal a substantive concession that the key conditions that empower ideas are non-ideational. Intersections between certain ideas and other ideas, norms, practices or discourse could well be more important. Writing about how certain ideas relate to other ideational conditions is relatively comfortable for most ideationally inclined scholars, however. Our thorniest challenges arise when we take our theory and methods further afield to seek their boundaries.

That said, the essay does not stray too far afield. It takes for granted that we can speak legitimately of both ideational and non-ideational conditions of action. This amounts to side-stepping issues such combinations raise in philosophy of social science. Many scholars of ideas reject that it is legitimate to entertain arguments about non-ideational conditions of action, since human beings never access a context without ideational filters (Bevir and Kedar 2008; Flyvbjerg 2001; Taylor 1971; Yanow 2006). Avoiding this question, this essay just makes the simple point that we can only unpack and document the influence of ideas if we allow that something other than ideas could matter. These scholars might retort that 'documenting the influence of ideas' is a wrong-headed goal, but *given* that goal, the observations here may be useful.

HOW NOT TO SHOW POWERFUL IDEAS

'Ideas' in this discussion are fairly discrete diagnoses of problems, priorities and solutions in a realm of policy. Such interpretive 'packages' do not connect to power as some simple reflection of their content or elegance. Ideas held by a few people without significant resources have little impact. Some influential ideas languish in full view for long periods before gaining power. Any serious treatment of the influence of ideas must thus specify relationships between ideas and other conditions. Many skeptics suspect that on close inspection, the exercise of power in policy falls on the 'other conditions' side of these relationships – determined by material and institutional dynamics – and that actors' apparent 'ideas' serve functions of rationalization and decoration.

To counter such skepticism, our methodological challenge is well summarized in a paraphrase of cultural sociologist Richard Biernacki: we must show that ideas 'exercise an influence *of their own* but not completely *by themselves*' (Biernacki 1995: 35).[1] In other work, I call this an effort to establish ideas as 'autonomous causes' (Parsons 2007: 94–132; see also Jacobs 2015). Some scholars object that no causes are 'autonomous' from others, seeing this influence-of-their-own criterion as too restrictive for ideational scholarship in general (Daigneault and Béland 2015). Yet when we pose the methodological question – how do we *best show* that ideas interact significantly with power? – it makes sense to aim for this high bar. That is, to best demonstrate claims about ideas shaping the exercise of power, we must show:

1. *Influence of their own*: ideas impart a distinct shape or element to action that is not merely an echo or embellishment of responses to other aspects of the context.

2. *Not completely by themselves*: ideas nonetheless interact with other aspects of the context. Their uptake and influence on action is affected by other conditions.
3. *Ideational influence on other conditions*: an important elaboration of Biernacki's point is that the 'not by themselves' requirement must be a two-way street. Besides acknowledging that other conditions affect ideas, we must show that the ideas' influence 'of their own' affects the configuration of other conditions. Otherwise ideas might just be decorative eddies alongside the main currents of power and politics.

One way to further elucidate these criteria is to consider examples that claim to explore the influence of ideas but fail to do so. Such failures can reflect what we might call Type 1, Type 2, and Type 3 problems:

1. *Type 1:* failure to theorize abstractly in a way that allows ideas to impart a logic of their own that could affect other conditions.
2. *Type 2:* while theorizing abstractly that ideas can be powerful and interact with other conditions, failure to adopt methods that could display that ideas have influence of their own.
3. *Type 3:* within theories and methods that could meet these challenges in principle, failures of degree in sustained empirical demonstration that the ideas' logic is irreducible to other conditions and that their interaction with other conditions is a two-way street.

This first section notes examples of the first two kinds of problems, suggesting how *not* to show the influence of ideas. We all suffer from various Type 3 problems, and later sections consider how to surmount them most successfully.

Type 1 problems: theorizing away the influence of ideas

Among scholars who claim to be interested in how ideas affect policy, Type 1 problems arise in two configurations.

One group, the formalistic rationalists, fails to allow that ideas could significantly impact other conditions. They are often criticized by ideational scholars, most famously by Mark Blyth (1997, 2002, 2003). In the 1990s many rationalist scholars flirted with ideas. Douglass North suggested that ideas could help explain how rational actors sometimes overcome collective action problems necessary to build stabilizing institutions and sometimes do not (North 1990). Later he elaborated on the psychology of ideas and collective action around ‘shared mental models’ (Denzau and North 1994). Geoffrey Garrett and Barry Weingast proposed that ideas could be ‘focal points’ that orient action amid multiple equilibria (Garrett and Weingast 1993); Mark Irving Lichbach invoked ideologies to explain individually irrational collective action among peasants (Lichbach 1994); Margaret Levi built norms into a rational explanation of conscription (Levi 1997). More broadly, but with similar foundations, Robert Keohane and Judith Goldstein used ideas to explain outcomes that seemed difficult to trace to rational interests (Goldstein and Keohane 1993).

Yet, as Blyth elaborates, these moves tacked ideas onto an edifice that did not take them seriously. The starting point portrayed ideas as tools that clean up uncertainties left by other conditions. This framed ideas in a residual role: other conditions could affect ideas, but ideas could only affect other conditions if the latter were in flux. In principle, such logic did not entirely exclude a substantial role for ideas: uncertainties might be so wide that the ‘residual’ could claim most of the story (Abdelal *et al*. 2010). Blyth’s own work opens this door, citing uncertainty as the ontological opening for ideational influence, as does other public-policy work on the influence of ‘common knowledge’ ideas (Abdelal 2001; Culpepper 2008). Given ‘Knightian uncertainty’ – not probabilistic risks, but an inability to measure risks – even perfectly rational actors may depend on interpretive leaps of faith. Yet to seriously entertain such wide-ranging uncertainty means parting with a typical rationalist theoretical apparatus of deductively modeled external conditions, fixed preferences and regularized decision-making – which is only a reasonable starting point given modest probabilistic risk – and none of the formalistic rationalists mentioned above seems willing to take this step. Thus their attempted opening to ideas remains residual in a minimizing sense. Indeed, in their optic, ideas become almost the opposite of power. Ideas matter where normal, structured dynamics of interest and power end – when nothing is clearly at stake.

The other version of Type 1 problems hails from another edge of the study of politics and policy. Postmodernist theorists reject that we can make claims about non-ideational conditions, making scholarship a set of ideas about ideas (Ashley 1984; Ashley and Walker 1990; Campbell 1992). Other scholars who may not call themselves postmodernists make similar moves, usually appealing to a ‘double hermeneutic’ (Taylor 1971) in which social-science arguments are interpretations of interpretations, and criticizing those who engage non-ideational conditions as ‘naturalists’ or ‘essentialists’ (Bevir and Kedar 2008; Yanow and Schwartz-Shea 2006). Rather than eliminating theoretical space for ideas to matter, these scholars eliminate theoretical space for anything other than ideas to appear.

The claim here is not that either postmodernists or formalistic rationalists are incoherent in their approaches. That would require vast arguments about the philosophy of social science (and is not exactly my position). The point is just that if we follow either of their paths, we cannot speak directly to the influence of ideas. Both resolve questions about ideational power by epistemological fiat – either that ideas are unmodelable residuals around modelable conditions, or ideas are all that we can see – rather than with arguments about ideational influence that could be traced empirically.[2] Those who hope to make claims about how ideas influence policy cannot follow these paths.

Type 2 problems: refusing to parse out the distinct logic of ideas

Type 2 problems are methodological rather than theoretical, arising when scholars portray ideas as powerful but not analytically distinct or tractable. One set of examples follows the tradition of Antonio Gramsci. Gramscians sometimes note Type-1 ambiguity over the priority of material and ideal in Gramsci’s writings on ‘hegemony’ (Germain and Kenny 1998), but no one can read the work of International Relations Gramscians like Robert Cox or Stephen Gill and conclude that they dismiss the influence of ideas (Ayers 2008; Cox 1983, 1987; Gill 1993). Instead, they propose a deep material/ideational dialectic. As Cox explains (1983: 173),

> In Gramsci’s historical materialism (which he was careful to distinguish from what he called ‘historical economism’, or a narrowly economic interpretation of history), ideas and material conditions are always bound together, mutually influencing one another, and not reducible one to the other.

But if this statement might be read as rephrasing Biernacki – ideas interact with other conditions but are not reducible to them – Gramscians reject the goal of identifying ideas' influence 'of their own'. Their view appears to be that the point of a dialectic is that we cannot tease out distinct logics of either of its components. As Biernacki (1999) has elaborated, this is a profound error; a dialectic whose components we cannot bracket is a hash, not a dialectic. The result is that we do not find concrete statements of the distinctive influence of ideas in Gramscian work. They theorize that ideas have their own power to shape other conditions but disavow the project of showing it.

The same problem arises in the mushrooming literature of Bourdieusan political sociology. An abstract commitment to powerful ideas is even clearer from Bourdieusans than from Gramscians. Bourdieu largely inspired the turn to 'practice theory' in cultural sociology and his approach has been aptly labeled 'structural constructivism' (Kauppi 2003). Yet a methodological refusal to display the ideational side of practices is also more explicit than with Gramscians. For Bourdieu, practices are inseparable amalgams of socially constructed interpretations and responses to material conditions (Bourdieu 1997, 1990, 1992). Bourdieusan theorists like Emmanuel Adler and Vincent Pouliot call for work that 'transcends the dichotomy between political practices, as representations of the material balance of resources, and ideas' (Adler and Pouliot 2011: 3). Though their work traces practices in empirical concreteness, it does not attempt to show that ideational elements of practices have logics 'of their own'. As rich as are Pouliot's account of North Atlantic Treaty Organization (NATO)–Russian diplomacy (Pouliot 2010) or Frédéric Mérand's tale of European defense policy (Mérand 2010), they leave us wondering: where exactly should we see ideational power in their accounts?

Here again, the claim is not that Gramscians our Bourdieusans are obviously wrong that we cannot parse out ideational elements of practice and action. Doing so plausibly is certainly difficult. Still, unless we allow such analytic distinctions, we cannot have an empirically grounded discussion of ideas and power.

In sum, only if we accept theoretically that both ideas and other conditions can matter and methodologically that we can distinguish ideas from other conditions can we pose questions about how ideas relate to power in public policy. Fortunately, in recent decades scholars have suggested several ways of doing so that minimize the remaining Type-3 reasons for skepticism.

HOW TO SHOW INTERSECTIONS OF IDEAS AND POWER

What are salient ways in which scholars display intersections of ideas and their material and institutional context that make the ideas distinctively and demonstrably powerful in shaping policy? The following subsections highlight the key evidence scholars have offered for four ways in which ideas exert influence 'of their own but not by themselves'. Together they fit strongly with Alan Jacobs's excellent recent advice on 'process-tracing the effects of ideas' (Jacobs 2015). He counsels three moves. We should seek expansive empirical scope across the context(s) around our main actors; state as explicitly as possible how we see ideas interacting with material and institutional conditions; and detail as specifically as possible the mechanism (or mechanisms – they may be multiple) by which ideas exert effects. All three moves should be visible in the points below, with somewhat varying emphases across the four different intersections.

Ideas of the powerful

The simplest sort of intersection between ideas, other conditions and power in policy is that we can sometimes see that ideas gain influence because their 'hosts' gain policy-making authority, though the host's authority is not derived from these ideas. We may be tempted to dismiss this intersection as unacceptably thin: it suggests that the sources of power are one part of the story and the ideas are another that gets carried along. Still, ideas may then channel policy-makers' power in highly consequential ways.

Moreover, such intersections are surely very common. The mechanisms by which people gain authority rarely align neatly with the scope of authority thereby gained. Generals may become generals because they are tall, conservative and charismatic, not for their ideas about battlefield tactics. Such disconnects are especially likely with elected leaders, since elections can be a thin mechanism for allocating authority (easily dominated by a few issues) that assigns broad powers (influencing all issues within the polity). We can plausibly hypothesize that politicians are *always* elected for positions on certain issues but gain influence over others in office. Their ideas on 'other issues' are carried into authority, and then may carry their hosts to certain policies.

How do we show the influence of ideas by this route? We must identify a distinct logic of ideas with concrete implications for policy actions. We must give evidence that certain people subscribed to these ideas. We must show that they obtained authority to affect policies by other means – that *these* ideas did not favor acquisition or maintenance of power – and that they then used their authority to advance *these* ideas even though other plausible policy options looked equally promising for maintaining their authority.

An example comes from my work on French policy-making *vis-à-vis* European integration (Parsons 2003). I argued that French support for the European Economic Community (EEC) treaty in 1956–7 reflected certain ideas about a desirable Europe. I built this claim on the observation that France chose a prime minister who championed the EEC (Socialist leader Guy Mollet), rather than one who opposed it (the Radical Pierre Mendès France) by a process in which Mollet's European views were irrelevant and arguably unhelpful. Mollet's support for supranational European institutions had not made him leader of the *Parti Socialiste*. The issue had bedeviled party management since 1950, culminating in a vicious split over the European Defense Community (EDC) in 1954. The process that made Mollet the French premier was similarly disconnected from his European views. Not long after the EDC fight, Mollet formed a new coalition with Mendès France for the January 1956 election. They won by a tiny margin. Everyone expected the popular Mendès France to be asked by the president, René Coty, to form a government. But Coty – a conservative who liked neither candidate – offered it to Mollet (whom 2 per cent of the public favored as premier at the time). Coty did so partly because he liked Mollet's stance on Europe – but Coty's European views were disconnected from his authority to make this choice. Coty had been elected president in a chaotic 13-ballot process in the Assembly shortly after the EDC debates. He was hospitalized during the EDC fight, and his unknown stance on the EDC made him a compromise choice for president. It later emerged that Coty favored the EDC/EEC agenda, but that fact could not have been more explicitly divorced from why he gained the authority to choose Mollet. Mollet then used *his* new authority to reject PMF's request to be foreign minister, installed a set of notably pro-EEC ministers and officials, and overruled opposition from his party, coalition, bureaucracy and interest groups to negotiate the EEC deal.

Full support for claims about the influence of ideas in French policies demands more evidence of Mollet's beliefs and how they shaped the EEC initiative, but this sketch contains the key evidence for this sort of intersection. The process by which Mollet achieved authority did not require that he espouse pro-EEC ideas, but once in authority he advanced those ideas in concrete policies with massive consequences. We could further highlight the distinctiveness of Mollet's ideas and their effects by extending a factual tracing of the intersection into counterfactuals. By looking at PMF's European plans, for example, and the likely receptivity of France's partners to them, the historical impact of this intersection between certain ideas and the French premier's authority might become quite sharp.[3]

Ideas empowering actors

Relative to ideas-of-the-powerful arguments, those in which ideas empower actors evoke more elaborate intersections between ideas, context and power. More complex and substantive intersections call for more elaborate evidence. We must show simultaneously that an allocation of power arose due to the presence of certain ideas and that these ideas were not the only and obvious way to build power in this context.

People frequently champion new ideas on the road to power, of course. Any policy context features problems that appear to demand new solutions. Even when new policies mark a clear break from previous ones, that fact alone does not speak to our challenges here. To trace the influence of ideas, we must focus on how closely the proposal of new ideas and the rally of support to them followed from widely perceived, logical, technically reasonable perceptions of policy problems or the widely perceived requisites of attracting political backing. We must display the distinct logic of new ideas that suggested new policy choices, provide evidence that this distinct logic opened new routes to the construction of political support, and show that other logics were imaginable for similar people seeking power in this context.

For highly persuasive examples, consider work by Mark Blyth (2002) and Peter Hall (1992, 1993) about the shift from Keynesian to monetarist policies in the United Kingdom (UK), United States (US) and Sweden. There are good reasons why these two scholars are so widely cited in literature on ideas and policy. Some relate to their topic area, and some to the two strategies they employ to highlight ideas' distinctive impact.

One reason Hall and Blyth became exemplars of ideational argument is that the context they chose is especially favorable to highlighting distinct ideas. It is hard to find a clearer example of change from policies based on one explicit set of ideas to policies based on another. As Hall puts it (1993: 283) the shift from Keynesianism to monetarism is a ‘clear case of third order change in policy’, with ‘third-order’ designating paradigmatic change in the conceptualization of policy. ‘Needless to say,’ he adds, ‘not all fields of policy will possess policy paradigms as elaborate or forceful as the ones associated with macroeconomic policy-making’ (1993: 291). Moreover, the 1970s stood out as a period of major uncertainty and flux in economic conditions, providing new grounds for explicit contestation between different schools of thought.

Also helpful in this context is that it is easy to see how these ideas connected to political forces outside of policy circles. Monetarist ideas helped build political power because they fit with pre-existing conservative and business concerns. Conservatives and their traditional allies in business were especially troubled by certain economic problems of the time – inflation that mainly harmed the holders of wealth, unions seeking wage hikes – and their long-established penchant for smaller government made monetarism’s injunctions against active economic management especially appealing (Blyth 2002: 151; Hall 1993: 286). Hall and Blyth have no trouble displaying that these distinctive new ideas attracted political support.

But again, the presence of distinctive ideas that attract support is just a point of departure in showing empowering ideas. The key evidence in both scholars’ work goes further to show that these ideas empowered leaders and agendas despite not being the only obvious way to proceed in the context. They do so in somewhat different ways.

Hall’s strategy centers on tracking who exactly advocated monetarism over time. In British economic policies, he stresses that ‘second-order change’ (within existing paradigms) was driven mainly by economic officials making technical arguments, but that the third-order change to monetarism was different. Its leading edge came from politicians and broader media who generally faced resistance from technical officials and expert economists. Once Margaret Thatcher brought monetarist ideas to power after 1979, they were ‘imposed on a rather reluctant set of economic officials’, and a clear majority of British economists remained Keynesian into the 1980s (Hall 1992: 95). This is concrete evidence for the non-obviousness of monetarist ideas. If the policy changes flowed closely from unambiguous policy problems and solutions, we would expect to see the reverse. The greatest agreement would arise among technical specialists who have the most information and focus most narrowly on technical challenges.

Hall's work lacks some pieces of evidence to fully trace 'who' patterns into power, but he points in the right directions. In tracing the policy change to political rather than technical actors he shows that it did not reflect obvious economic functionality, but he must also show that no obvious political functionality replaces it. Otherwise he could end up with an argument like that of formalistic rationalist Robert Bates about tropical African states, in which economically irrational policies are explained simply as politically rational (Bates 1982). Though Hall tells the political story less closely, he notes that monetarist ideas first captured the Conservative Party and that a policy shift in this direction still required that they win the 1979 election – an outcome that, he stresses, was not delivered by the appeal of monetarist ideas (Hall 1993: 287). If we extended Hall's 'who' patterns somewhat further, we could see that monetarist ideas helped put Thatcher on the road to power but were still not the widely obvious political strategy.

Blyth's cases of parallel developments in the US and Sweden focus less on 'who' patterns and more on tracking the logic of various actors' policy positions: how much they followed from observable pressures and challenges at particular points in time, and how much they varied over time. That is, he is less concerned with mapping the evolving views and dissent within parties, unions, business or government, and more with showcasing how dominant policy logics of these groups changed relative to the economic environment. His US case gives little attention to how skeptics in American business, the Republican Party or elsewhere may have questioned the drift to monetarist ideas in the 1970s; instead, he relates the logic of this drift to evidence of policy problems at the time, showing that the case for monetarist policies was sometimes incoherent, sometimes based on jimmied economic numbers, sometimes frankly implausible, and thus consistently a non-obvious way to proceed. He also relies heavily on timing contrasts, showing that only the gradual spread of monetarist ideas pulled support together around them; we see business and conservative political actors championing monetarist solutions in the late 1970s and 1980s, but when the same actors wrestled with similar problems in the early 1970s they lacked the ideas to unite around an agenda. In Swedish parallels he contrasts the fumblings of Swedish business and Conservatives in the 1970s with their well-elaborated neoliberal approach to similar problems in the early 1990s.[4]

'Best practices' to display the influence of empowering ideas would combine Hall's and Blyth's strategies. Once we identify distinctive ideas with concrete policy implications – again, relatively easy in the story of monetarism – we closely track who advocated which ideas within and around groups that acquire power, and we closely analyze policy logics and their fit with problems perceived at the time. Key in tracing 'who' is to look inside groups, which often highlights both that certain ideas attracted support for a leader or agenda but also that other possibilities existed within the group. Key in tracing policy logics is to document the information actors possessed, which often highlights both the non-obviousness of their thinking and the ideas by which they made leaps of faith. Along both lines we watch for change in how actors perceive their options, showing that the supply of ideas altered their sense of policy possibilities. Strong evidence of these sorts may additionally allow us to sketch counterfactuals about other imaginable possibilities along the way. On this score Blyth is the more explicit model, offering a series of counterfactuals in his concluding chapter.

Ideas forming coalitions

The influence of ideas in forming coalitions is a sub-category of ideas empowering actors, so the same methods apply. Still, arguments about coalitions have one feature that merits special attention. By definition, ideas that generate new coalitions stretch across diverse and previously separate actors and agendas. This may seem to threaten claims about ideational influence: ideas might seem to be more powerful the more tightly they guide believers, whereas stretched-out, coalition-building ideas are inherently weaker. But if we take a slightly deeper step into the substantive theoretical literature on ideas, we can see that this is wrong. Ideas can strongly affect policy even if they are not monolithic 'paradigms' (Daigneault 2014). Ideas just relate differently to power in uniting diverse coalitions, and arguments about them thus call for some additional evidence.

The potentially distinct role ideas play in coalition-building concerns *multivocality*: an idea's capacity to be understood in multiple ways, combining shared and unshared interpretations (Goddard 2009; Padgett and Ansell 1993). Many public-policy scholars employ related concepts, observing that ideas may influence policy precisely because they mean different things to different people (Jenson 2010; Palier 2005; Sabatier and Jenkins-Smith 1993; see also Béland and Cox 2016). Like with more classic ideas arguments, those about multivocal ideas must track carefully who championed what with respect to policies, how their agendas related to perceived problems in the environment, and how both changed over time. Additionally, arguments about multivocal ideas must track both their shared core and differences in various advocates' interpretations.

This is a demanding task, but some well-informed and theoretically sophisticated scholars pull it off convincingly. Consider the example of Nicolas Jabko's 'strategic constructivist' account of European integration in the 1980s and 1990s:

> New converts to the European cause included free-marketeers and critics of the free market, politicians of the left and the right, bureaucrats and business leaders, as well as high-level government officials in all the member states … The promoters of Europe, especially within the European Commission … chose 'the market' as a convenient banner for this coalition-building exercise, but they did not commit to a single-minded pursuit of market liberalization … In order to sustain such a broad coalition, the promoters of Europe defined the objective of building a market in a very open-ended fashion. (Jabko 2006: 2)

How does Jabko argue that this use of 'the market' showcases the influence of ideas, as opposed to more rationalist-style coalition-building through bargaining and payoffs? At the broadest level, he highlights the surprising shape and dynamics of this coalition. Such a diverse movement did not spring from a simple overlap of pre-existing interests. Some policy changes happened quickly in areas that had long seemed static, like finance or telecommunications. Also striking was the scope of change, including areas wherein few initially perceived major policy problems or pressures for liberalization, like energy. In detailed process-tracing, Jabko takes all the steps noted earlier – tracking who supported Europeanizing steps over time, how their policy logic reflected perceived problems, contrasting their changing positions over time – but also showcases how actors maintained different understandings of why 'market'-based reforms were good for them. With respect to the creation of the euro, for example, he shows that Commission officials cultivated different understandings of the single currency in France and Germany. Had French and Germans understood the deal in similar terms, Jabko suggests, it would have been impossible to negotiate, let alone to sell more broadly in these polities. Only a multivocal representation of monetary union bridged their perceived interests (Jabko 1999).

Another example comes from Christopher Ansell (1997, 2001). His context is the transition of French labor from a fragmented space of many parties and unions in the 1880s into one large union, the *Confédération Générale du Travail* (CGT), and one large party, the *Section Française de l'Internationale Ouvrière* (SFIO). He traces the realignment to both organizational and ideational developments. Organizationally, the government's creation of labor exchanges (*bourses de travail*) unintentionally brought unions and parties into regular contact. Ideationally, the 'general strike' concept emerged in the 1890s as the one strategy that all unions could support, though they understood it quite differently. Ansell describes the general strike as a 'symbol' rather than an 'idea', because it was so multivocal that its shared elements were thin. Yet, he also shows that it was more than just tactical overlap, using evidence that follows the moves described earlier. Besides tracing what various factions had to say about alliances and the general strike, he shows contrasts over time. As late as 1887–8 there was no discussion of a general strike; in the early 1890s the uniting symbol caught fire, even though labor's challenges changed little through this period. Additionally, he shows spatially that this strategy was still not widely seen as unions' obvious way forward: in a key 1894 congress, workers from cities with *bourses de travail* were 11 times more likely to vote for the general strike than those from elsewhere. Coupled with additional qualitative evidence, this mapping suggests that only exposure to this multivocal symbol through the *bourses* network engineered the huge coalitional realignment.

Both examples highlight the theoretical promise and distinct evidentiary challenge of arguments about multivocal ideas empowering coalitions. They add a layer of nuance within the already-demanding requisites of arguments about empowering ideas.

Ideas into institutions

A final intersection reflects that much of ideas' power lies in shaping institutions. Every example invoked so far involves ideas that shape institutions – European institutions, political–economic institutions, unions – and almost any powerful policy-related idea leaves imprints on the organizational landscape. Ideas about institutions are thus not really a special category, and all the preceding observations apply here as well. But additional wrinkles arise when we carry such arguments forward past the stage when ideas shape institutions and into institutions' effects. We often want to claim these effects for the influence of ideas, arguing that ideas shape politics *through* institutions. When we do, our evidence for ideas' influence again gets more complicated.

The key complication is that once ideas shape institutions, mechanisms of their influence proliferate. Prior to ideas' institutionalization, advocates tend to be 'true believers'. They subscribe to new ideas while alternatives are still presumably active (and often dominant). Once ideas shape institutionalized expectations between people, perhaps altering organizations, many who now act according to the ideas (and even champion them rhetorically) are not true believers. In the pews of any church are some who attend out of belief; some who attend out of social expectations; and some who come to drink the punch or troll for possible dates. There is no theoretical contradiction between making claims about ideas and allowing for these dynamics, and, indeed, we must track them to appreciate how ideas intersect with institutions to shape action. The person who came to drink the punch would not be singing those hymns if the ideas had not shaped the new church.

This observation suggests opportunities to specify and extend demonstrations of the influence of ideas into mechanisms within institutions. To take examples from the literature on American political development (APD), consider debates about industrialization between Frank Dobbin and Stephen Skowronek (Dobbin 1994: Skowronek 1982). Skowronek's 'historical institutionalist' account of American development is organizational and non-interpretive. Though he would agree that the US Constitution was built around certain ideas, he takes as starting point the initial decentralization of the US state, and argues that when industrialization later created new policy challenges, this organizational inheritance obstructed attempts to build centralized administration. Dobbin's 'sociological institutionalist' account argues instead that it was ideas and culture, not institutional path-dependence, that shaped US policy choices. He tracks the range of US proposals for federal action related to industrialization, and contrasts them to parallel debates in Britain and France. Whereas Skowronek implies that we should see Americans seeking centralizing solutions to policy problems but being frustrated by institutional obstacles, Dobbin argues that Americans never even considered reforms premised on strong central authority (or quickly rejected them as illegitimate). Their debate highlights the key evidence for either possibility: that the direct influence of ideas continues past institutionalization or that the power of institution-shaping ideas gets transferred into organizational mechanisms. For the former channel of influence, we seek evidence that certain actors either affectively value 'the church' (consciously preferring it to alternatives) or have difficulty conceiving cognitively of alternatives as possible or legitimate (as Dobbin argues). For the latter, we seek evidence that certain actors 'sit in the church' owing to widely perceived incentives and constraints. They see alternatives, and may openly prefer them, but institutional obstacles channel their choices.

Another APD discussion of these intersections comes from Rogers Smith (2006), whose ideationally inclined writing on 'multiple orders' in American history (Smith 1997) competes with more organizationally inclined scholars like Skowronek or Robert Lieberman (Lieberman 2002; Orren & Skowronek 2004). Smith is best known for arguing that the 'liberal tradition' argument of Louis Hartz (1955) – that American politics was built around liberal ideas, without major competitors – missed the presence of multiple competing ideational orders, especially on issues of race. Smith's 2006 piece responds to critiques that he exaggerates the coherence of competing ideas. These debates parallel the Dobbin/Skowronek tussles:

where Smith sees people championing certain ‘orders’ in a clash of ideas, institutionalists portray the same people as running through a complex organizational obstacle course, making for less coherent, less intentional, less meaningful politics. All these scholars agree that American politics is organized by institutions built on certain ideas, but they debate to what extent ongoing action is shaped by ideational mechanisms or institutional ones.

This competition and intersection between ideas and institutions in APD can be a helpful model for other work. It might also become sharper by considering some of the points made earlier. In particular, most participants in these debates identify the influence of ideas with coherence and committed belief. As we have seen, this is just one sort of argument about the influence of ideas. When scholars like Lieberman or Skowronek document complex, incremental evolutions within organizational landscapes, they may undercut claims about the direct influence of coherent ideologies. Yet some forceful arguments about ideas do not picture coherent, explicit agendas – especially those that draw on concepts like multivocality or *bricolage* – and these arguments could make APD research more nuanced (as in, for example, Berk 2012).

Further opportunities for nuanced claims about interpretation and power within changing institutional arenas could also arise if more scholars of public policy step beyond ‘ideas’ to investigate the role of social constructs like practices and discourses that are typically less conscious and coherent. It is admittedly challenging to seek such subtle intersections between ideational and non-ideational conditions, tracking semi-conscious practices or discourse amid evolving institutions. Parsing out convincing and distinctively ideational claims amid so many overlapping dynamics requires extraordinarily detailed evidence. To push our understanding of ideas and power further, though, we must at least aspire to unravel the most complex ideational/non-ideational intersections.

CONCLUSION

Why is such fine-grained methodological parsing of past literature on ideas, power and policy worth our time? At first glance the payoff might not be obvious. Attempts to demonstrate tightly the influence of ideas in policy might seem to invite the derogatory meaning of ‘academic’ – belaboring in pedantic detail something that policy-makers already know. Ideas shape policy. Anyone with real-life experience in any government, lobby group, social movement, or other substantial undertaking is unlikely to disagree. Moreover, as this collection moves beyond assertions that 'ideas matter' to *how* they matter, it might seem like we should put battles with anti-ideas skeptics behind us.

But research that seeks to show (not just theorize) the influence of ideas does not just backfill banalities, and it is just as important to the second-generation 'ideas' agenda as it was to the first. By asking how we show the role of ideas in the construction and exercise of power – which some academics are reluctant to do for epistemological or methodological reasons – the scholars featured here dissect how some of the obvious components of power have been combined in non-obvious ways into policy-making. Precisely because ideas obviously matter in general, as do tangible resources and organizational legacies, we can only surpass our obvious point of departure if we allow simultaneously that ideas could matter distinctively and that non-ideational conditions could matter distinctively, too. Part and parcel of making finer-grained arguments about how ideas matter is finer-grained attention to methods that help us see this sophisticated theorizing in action.

Thus only academics steeped in theoretical alternatives, careful methods and detailed evidence can play out why we might favor one of the many imaginable accounts we could give of the rise of the EU, the shift to monetarism, the evolving shape of American governance, or any other major policy outcomes. In this way, ideationally inclined scholars of public policy may realize our own clearest potential for intersections with policy-making power: using our expertise to help policy-makers see importantly distinct and non-obvious accounts of how public policy is made.

NOTES

1. Biernacki's wording is that his study shows 'that culture exercised an influence *of its own* but not completely *by itself*' (emphasis original).
2. Many postmodern scholars make important claims about the influence of ideas, even if their epistemology discourages phrasings that could satisfy my criteria. Strong examples are de Goede (2005) and Epstein (2008).
3. See Parsons (2003: ch. 4).
4. Hall (1993:, 290) makes similar points, contrasting how the Heath government in the early 1970s lacked a clear sense of the policy options that Thatcher later advanced.

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The New Ideas Scholarship in the Mirror of Historical Institutionalism: A Case of Old Whines in New Bottles?

Mark Blyth

INTRODUCTION

Scholars interested in the interaction of ideas, power and public policy fired their first salvoes over 30 years ago. Deborah Stone's 'Causal stories and the formation of policy agendas' (1989) and Peter Hall's 'The power of economic ideas' (1989) blazed the trail. Then came a flood of work from around 1993 to 2003 by scholars such as Hall (1993), Berman (1998), McNamara (1999), Schmidt (2002) and Blyth (2002) that pushed the politics of ideas into the mainstream of political science. This edited collection represents a third wave of ideas scholarship that seeks to go beyond the proposition that ideas matter, to showing how they matter for one very important concept: power. In this regard, this collection suggests an evolution of the ideational research program similar to that already taken by historical institutionalist (HI) scholars over the past decade. As such, making a comparison between the 'research arcs' taken by these two bodies of work may be worthwhile.

Beginning with HI, Paul Pierson (2004) noted that HI scholars had spent a lot of time thinking about the institutional part of what they were doing rather than the historical part. His argument was that to get away from institutions as being forever constraining of action, and to get over the need for exogenous punctuations to promote change, one had to bring temporality back into HI scholarship to disrupt paths and create new causal possibilities. HI scholarship spent the next 10 years trying to do just that.

The new wave of ideational scholarship showcased here faces a similar challenge. Scholars of 'the power of ideas' have spent a lot of time fleshing out the ‘ideas’ part of that phrase, but have not spent as much time thinking about what power is, and does, in this research program. This collection, in different ways, aims to remedy that deficit. This is, of course, a task that goes beyond any single collection, and the contributions assembled here give us, especially in the cases of Carstensen and Schmidt (2015) and Widmaier (2015), new leverage on this issue through their triptych of power ‘in, over and through’ ideas. Other contributions in this collection open up new agendas for ideational research, particularly with the use of mapping technologies, which enable researchers to examine the spread of ideas empirically to a degree unimaginable just 10 years ago. In this regard Seabrooke and Wigan (2015) highlight the role played by professions as idea carriers, while Helgadóttir (2015) attunes us to the circulation of élites in economics as an important part of the ‘plumbing’ of ideas. All of this is welcome, but I wonder if one part of this new scholarship, that highlighted in the contributions of Carstensen and Schmidt and Widmaier, is in danger of following the same path as HI scholars, a path that ultimately led to the weakening of their research program.

LEARNING FROM HI’S ‘OLD WHINES IN NEW BOTTLES’ PROBLEM

Let’s focus again on HI’s struggle with being ‘too open at the front end and too closed at the back end’,– aka the problem of endogenous change. Pierson’s (2004) solution was to bring temporality back in by embracing an historical notion of causation, where cause A at T1 causes effect B at T2, but effect B now becomes cause C, which makes what can happen in the next state space ever more contingent as one moves forward. In short, *historical* causes mean that causes that occur at T1 change the system such that they cannot be causal in the same way at T2. This is logically correct, but seriously embracing such a causal model makes the path forward almost too contingent as opposed to too path dependent. It makes the system one of Markov chains, where the past state of the system has no bearing on its present condition. Indeed, making that move makes history reversible, and thus its causal importance disappears. Paradoxically, then, the desire to bring history back in as temporality risked making history redundant.

Perhaps recognizing the difficulties this move engendered, later HI work such as Streeck and Thelen (2005) – as discussed by Widmaier (2015) in this collection – and Mahoney and Thelen (2010) moved away from ‘bringing time back in’, in two steps. First, by putting this ‘old whine’ about the need to endogenize change in ‘new bottles’; that is, grouping change into categories called ‘drift’, ‘layering’, ‘conversion’ and ‘displacement’ (Streeck and Thelen 2005). Second, having done so, and recognizing that something other than the institution itself must be doing this ‘layering’ etc., an appeal to agency appeared in this literature such that its ‘change agents’ rather than institutions that do the heavy lifting (Mahoney and Thelen 2010). As a consequence of this shift in focus, what begins as a strong theory of institutions that tries to endogenize change ends up as a weak theory of agency and coalitions that change institutions, as long as there is enough uncertainty, ambiguity or power for agents to do so.

In sum, for HI the ‘old whine’ was endogenous change in a system that formally eschewed ideas as a source of change. HI’s ‘new bottles’ were exercises in the categorization of change, categories that were in turn explained by agents’ desires for change. But where those desires came from, if it was not owing to an exogenous shock, remained a mystery.[1] Embracing ideas would have been the obvious solution to this problem. Indeed, the fact that recent HI work informally rests upon agents ‘reinterpreting’ what institutions are for (Hall and Thelen 2009; Mahoney and Thelen 2010) strongly suggests a large ideational elephant being smuggled into HI’s materialist tent to solve this problem (Blyth *et al*., 2016). But formally, HI has weakened itself. The pursuit of an all-encompassing theory of endogenous change, an old whine, has resulted in a strong theory of institutions becoming a derivative theory of agents and coalitions formed under environmental uncertainty and rule ambiguity. For those with a sense of irony and disciplinary memory, Peter Gourevitch (1986) just ate HI for lunch.

So here is my caution as I review what I see as the key contributions to this collection. This new ideational scholarship, if it’s not careful, might be about to construct the same self-limiting loop. Especially in the contributions of Cartstensen and Schmidt (2015) and Widmaier (2015), by focusing so much on power, in much the same way that HI scholars problematized endogenous change, they risk re-creating an ‘old whine’ – how best to conceptualize power – and seek to resolve it by sticking it in a series of self-limiting bottles – power ‘in, over and through’ ideas. Unfortunately, because ‘how best to conceptualize power’ is, like how to endogenize all forms of change, an unanswerable question, and going down this path risks generating, like HI, problems that any set of ‘new bottles’ cannot contain. The other path taken in this collection, that of mapping flows of ideas and agents, suggests that not trying to do this can also be very productive.

POWER AS AN ‘OLD WHINE’ FOR IDEAS SCHOLARS

The central problem with conceptualizing power is that if, for example, one starts with an agent-based view of power, one ends up with a structural account of agency, and vice versa, thus creating a hermeneutic loop. Consequently, the version of ‘what power is’ that a scholar picks delimits the work that power can perform in their ideational analysis, which creates a circularity similar to that seen in HI’s attempt to deal with its own ‘old whine’ of endogenous change.

For example, if one begins with a Dahlian notion of behavioral power (1957), as Lukes (1974) notes, this misses agenda-setting and hegemonic power, which is rather obviously related to ideas, and yet is far more structural. But if one embraces, for example, a structural concept such as hegemonic power, one immediately runs into problems of how agents can know what the world really looks like such that one can escape the hegemony and call it as such. But if agents can do that, why is the hegemony so powerful? The answer is, usually, because powerful people run the hegemony while those who can see through it have a correspondence theory of history. But that simply reduces ideas to structures rather completely, and, as Carstensen and Schmidt (2015) note in this collection, such a conception of power is rather useless for people who want to talk, as they do, about ‘ideational power’ and agency.

A partial solution that Carstensen and Schmidt (2015) seem fond of is a qualified embrace of Foucault (1980, 2000). This can be useful when handled with care, but it’s not without its own limitations. Foucault’s key move was to make agency a product of discourse where agents’ subject positions (identities) are constituted by the discursive field in which they are embedded. But this position is no friendlier to ideas than structural notions of hegemony, because if agents are ‘all products and no producer,’ why does change ever happen and who could ever have new ideas? Foucault’s attempt to address this agency problem via the concept of the ‘technologies of the self’ is similar to HI’s move of bringing ‘change agents’ back in: theoretically necessary, but necessarily *ad hoc*. Ultimately, embracing Foucualt’s theory of power risks reducing ideas to discourse, which some may be willing to do, and do most productively (Epstein 2010), but for others (Parsons in Abdelal *et al*. 2010)[2] such a move may be a bridge too far. In any event, the main point I wish to stress here is that the embrace of any single version of power necessarily delimits the role played by ideas in their analysis.

But putting this ‘old whine’ in a new bottle or two is tempting, and there are indeed many ‘new bottles’ on offer. Carstensen and Schmidt (2015) highlight the Bourdiesian move towards the study of ‘practices’ as a possible new bottle. Another possible new bottle that they do not mention is the literature on performativity (MacKenzie 2006). But attractive as these new bottles are, once everything becomes a performance of theory, or a replication of practice, agents become little more than the carriers of ideas that are themselves structural despite, once again, the claim to agency. For example, as I write this contribution I am indeed performing the role of a university scholar, thereby (in part) replicating via my work practices the structures of late capitalism. But what good does it do us to re-describe the world that way? Performance and practice seem to evacuate power, with agents practicing something, or performing what the theory compels them to do, which would rather undermine the point of ‘ideational power’. Carstensen and Schmidt’s preferred ‘new bottle’ is power ‘in, over and through’ ideas, which, I suggest, performs the same function as HI’s concepts of layering, conversation, etc.; that is, they take an ‘old whine’, in this case power, and attempt to deal with it via categorization. But what if, like HI, doing so weakens the ideas research program by narrowing the focus such that it misses as much as it illuminates?

NEW BOTTLES FOR IDEATIONAL POWER

Carstensen and Schmidt’s ambition is to give ideational analysis its own theory of power, defined as ‘the capacity of actors … to influence actors’ normative and cognitive beliefs through the use of ideational elements’ (2015). Power thus conceived is then categorized in three ways: as *power through ideas* (power by persuasion); as *power over ideas* (power by ideational veto and/or as weapons of the weak); and *power in ideas* (the 'taken for granted' assumptions that structure how the former two processes play out). Their contribution is primarily theoretical, so the question becomes what's the payoff empirically? This is where Widmaier's (2015) article comes in to good effect.

Widmaier (2015) deploys Carstensen and Schmidt's (2015) framework as sequential mechanisms that destabilize institutional orders. He posits three recalibrations of ideational power that sit alongside each of Carstensen and Schmidt's categories. First, *power in ideas* is operationalized as *rhetorical power*, which leaders use to construct orders. Second, *power over ideas* is operationalized as *epistemic power*, which is generated when power is delegated to a technocracy. Third, *power over ideas* is operationalized as *structural power*, where ideas set boundaries on what can be known, or even thought about as appropriate, thereby building fragility and thus the possibility of change into the model. Critical here is Widmaier's insight that the veto function implied in *power through ideas* can lead to a narrowness of vision among an established policy élite that can, in turn, lead to fragility and crisis. His case study of the construction and crisis of neoliberalism in the United States and the United Kingdom shows the payoff to thinking this way. Yet, what he suggests about *power through ideas* as a 'narrowness of vision' might also apply to ideational scholarship itself if other researchers adopted the same framework. The 'in', 'over' and 'through' triptych is appealing and powerful. But its adoption wholesale as a 'new way' of doing ideational scholarship may be costly.

For example, Matthijs's discussion of how deeply entrenched German economic ideas generated a self-defeating policy path is a powerful demonstration of the power of ideas to defeat self-interest. As he puts it bluntly, 'Germany's ideas did not just lead to suboptimal outcomes from Berlin's interest point of view; they *actually caused the crisis by making it a systemic one*'(Matthijs 2015; emphasis original). Matthijs's main explanatory engines are the concepts of 'self-fulfilling' and 'self-denying' prophecies rather than power 'in', 'over' and through' ideas, and he uses them to good effect. Had Matthijs adopted the in', 'over' and through' framework to explain his case, it probably would have worked, but it would have illuminated a different set of causal processes at work than those currently on display in his contribution. Indeed, while concepts of self-fulfilling and self-defeating prophecies most certainly speak to the power *of* ideas, it's hard to square these concepts with the prerequisites of power 'in, over and through' ideas.

It is also not clear what adding the framework to Helgadóttir's (2015) analysis of Bocconi economists would bring to the table. How would the fluidity of networks of expertise and the local ecologies of policy-making be clarified by adding 'in, over and through' to the analysis? To be clear, Carstensen and Schmidt (2015) are not advocating that everyone should use this framework, even in this edited collection. But it is a seductive technology and I am sure that it will be adopted by other scholars. As such, we need to consider what is gained by embracing such an approach to power and what is lost.

A contrast with Seabrooke and Wigan (2015) and Helgadóttir's (2015) contributions is useful here. These scholars detail how ideas are powered through expertise, which is demonstrated through a network mapping of their cases. Seabrooke and Wigan's case study of the battle over country-by-country reporting in corporate tax affairs, and the move by the EU to establish a common corporate tax base, are clearly deep ideational struggles infused with moral imperatives. Seabrooke and Wigan clarify, by mapping these debates, how attending to expert networks and moral claim making can explain otherwise puzzling phenomena. Similarly, Helgadottir's excellent mapping of Bocconi-trained economists and their ideas hinges upon notions of linked ecologies and shared ideas that become powerful because the actors holding such ideas occupy key sites in the network of global economic knowledge. In both of these cases power is centrality in a network, not power 'in', 'over' or 'through' ideas. Their very different conceptualization of power allows these scholars to research 'the power of ideas' in a very different, and yet equally productive, way. While not without its own weaknesses as a measure of power, network centrality and related concepts do show us how power is a plural and complex concept that becomes fragile if we take only one view on it.

CONCLUSION

Frameworks can be useful, but they can also be limiting. Old whines are old whines for a reason. They are usually, at base, irresolvable problems. In the case of HI, the desire to build a general theory of endogenous change produced a set of categories into which politics was poured, with the result that a theory of institutions became a theory of agency, coalitions and, occasionally, ideas. Power is a classic case of an old whine, for the reasons given above. As such, pushing ideational analysis into a specific set of power categories comes at a cost. The 'in, over and through' framework developed here by Carstensen and Schmidt (2015) is a useful compliment to how scholars can conceptualize the relationship between ideas and power. But since that there is no single workable theory of power, why should there be a single workable theory of 'ideational power'? Rather, if power is plural in form, as is shown by the majority of the contributions in this collection, especially those that focus on networks, then ideas perhaps scholarship should be too?

NOTES

1 As Widmaier (2015) puts it regarding such work in HI, 'such assumptions obscure the need for agents to interpret material incentives before they react to them'.
2 And Parsons (2015).

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