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The Ambiguous Consensus on Fiscal Rules

How Ideational Ambiguity Has Facilitated Social Democratic
Parties' Support of Structural Deficit Rules in the Eurozone

Andreas Eisl



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About the author

Andreas Eisl is a research fellow at the Jacques Delors Institute, Paris. He is currently finishing a PhD in comparative political economy at Sciences Po in Paris and the Max Planck Institute for the Study of Societies (MPIfG) in Cologne.

Email: andreas.eisl@sciencespo.fr

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Max Planck Sciences Po Center on Coping with Instability in Market Societies

Sciences Po | 27 rue Saint-Guillaume | 75337 Paris Cedex 07 | France

Tel. +33 1 45 49 59 32

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www.maxpo.eu

info@maxpo.eu

Abstract

In recent years, all eurozone member states have introduced national fiscal rules, which put limits on public deficits and debt. Fiscal rules reduce the fiscal policy discretion of politicians and affect their capacity to use public budgets for macroeconomic steering and redistribution. While such institutional discretion constraints run against the traditional policy preferences of social democratic parties, it is puzzling why they supported national fiscal rule reforms during the European debt crisis. This paper argues that the concept of structural deficit rules, central to reform efforts across the eurozone, allowed for the formation of an ambiguous consensus between center-right and center-left parties. While conservative and liberal parties are generally supportive of institutional discretion constraints, structural deficit rules – in contrast to nominal deficit rules – allowed social democratic and other left-wing parties to link such rules with their broader policy preferences of Keynesian countercyclical policymaking and the protection of tax revenues across the economic cycle to ensure the state's capacity for redistribution. Drawing on three country case studies (Germany, Austria, France), this paper shows how the concept of structural deficit rules facilitated – at least discursively – the support for discretion-constraining institutions among social democratic and other left-wing parties. In theoretical terms, this study also advances research on the role of ambiguity in political decision-making, (re-)conceptualizing three forms of ambiguity underlying ambiguous consensus: textual ambiguity, institutional ambiguity, and ideational ambiguity.

Keywords: ambiguous consensus, comparative politics, eurozone governance, fiscal rules, ideational ambiguity, social democratic parties

Résumé

Au cours des dernières années, tous les pays membres de la zone euro ont introduit des règles budgétaires nationales qui fixent des limites à la dette et aux déficits publics. Les règles budgétaires réduisent le pouvoir discrétionnaire des responsables politiques en matière budgétaire et affectent leur capacité à utiliser les budgets publics pour le pilotage macroéconomique et pour la redistribution. Alors que ces contraintes institutionnelles vont à l'encontre des préférences traditionnelles des partis sociaux-démocrates, on peut s'étonner de constater que ces derniers ont soutenu les réformes des règles budgétaires pendant la crise de la dette en Europe. Cette étude défend l'idée selon laquelle les règles sur le déficit structurel, un concept central des initiatives de réforme au sein de la zone euro, ont abouti à un consensus ambigu entre les partis du centre-droit et ceux du centre-gauche. Tandis que les partis conservateurs et libéraux soutiennent généralement les contraintes sur le pouvoir discrétionnaire des institutions, les règles sur le déficit structurel – contrairement aux règles sur le déficit nominal – ont permis aux partis sociaux-démocrates et à d'autres partis de gauche de les relier à leurs préférences pour des politiques keynésiennes contra-cycliques plus larges et au maintien des impôts sur les revenus tout au long du cycle économique, afin d'assurer la capacité redistributive de l'État. Sur la base d'études de cas portant sur trois pays (Allemagne, Autriche et France), cet article montre comment le concept de règles sur le déficit structurel a facilité – du moins au niveau discursif – le soutien des contraintes institutionnelles par les partis sociaux-démocrates et par d'autres partis de gauche. Sur le plan théorique, la présente étude développe la recherche sur le rôle de l'ambiguïté dans la prise de décisions politiques, en (re)conceptualisant trois formes d'ambiguïté sous-jacentes au consensus ambigu : l'ambiguïté textuelle, l'ambiguïté institutionnelle et l'ambiguïté conceptuelle.

Mots-clés: ambiguïté conceptuelle, consensus ambigu, gouvernance de la zone euro, partis sociaux-démocrates, politiques comparées, règles budgétaires

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The Ambiguous Consensus on Fiscal Rules: How Ideational Ambiguity Has Facilitated Social Democratic Parties' Support of Structural Deficit Rules in the Eurozone

1 Introduction

Over the last three decades, all eurozone member states have become bound by European fiscal rules through the Maastricht convergence criteria, the Stability and Growth Pact (SGP), and the Fiscal Compact. At the same time, countries have increasingly introduced national and sub-national fiscal rules (e.g., the German debt brake). Fiscal rules put limits on public deficits and debt, considerably reducing the fiscal policy discretion of political decision-makers and affecting their capacity to use public budgets for macroeconomic steering and redistribution. Therefore, the implementation of fiscal rules generally runs contrary to the views of social democratic and other left-wing parties, which traditionally support Keynesian fiscal policymaking, including an active role of the state in the economy (see Hibbs 1977). It is thus all the more puzzling that, in recent years and in a large majority of European countries, even stringent national fiscal rule reforms have been supported by parties on the left side of the political spectrum.

In this paper, I show that the switch in thinking from nominal towards structural deficit rules (as the central measuring stick for fiscal policymaking)¹ facilitated the formation of an “ambiguous consensus” (see Palier 2005; Mahoney and Thelen 2010; Béland

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1 Nominal deficit rules describe the unadjusted annual permitted difference between public expenditures and public revenues, typically in relationship to a country's gross domestic product (GDP). As nominal deficit rules ignore a country's position in the economic cycle, such rules can have procyclical effects. During recessions, automatic stabilizers lead to increasing expenditures (e.g., for unemployment insurance) while revenues fall (e.g., due to reduced consumption and profits, affecting value added tax and corporate tax incomes). Vice versa, during economic boom periods, expenditures tend to decrease, while revenues increase. Nominal deficit rules could thus demand excessive spending cuts and tax hikes during economic slowdowns, while allowing for spending sprees and substantial tax cuts during phases of strong economic growth. Structural deficit rules aim at adjusting the permitted difference between expenditures and revenues for the position of a country's economy in the economic cycle. In addition, they typically exclude one-off effects and temporary changes to public expenditures and revenues, allowing for more coherent and stable fiscal policies over time (Schächter et al. 2012).

and Cox 2016) on fiscal rules across party families, helping social democratic parties to overcome their prior rejection of fiscal rules. I argue that the concept of structural deficit rules enabled fiscal policy actors with different (and often contradictory) sets of ideas and interests to agree on the same institutional solution. While conservative and liberal parties have generally been supportive of fiscal rules in the past, I contend that social democratic parties needed the structural deficit concept to bring fiscal rules into line with their traditional thinking on macroeconomic policymaking and the redistributive capacities of public budgets. They could do so in two ways: First, in contrast to nominal deficit rules, structural deficit rules made it argumentatively possible to link budgetary constraints to Keynesian countercyclical policies. At least in theory, structural budget balances correspond to Keynes' approach of "deficit spending" during economic recessions and fiscal consolidation during periods of strong economic growth (Brown-Collier and Collier 1995). Second, and intertwined with the first point, center-left and left parties saw structural deficit rules as providing a protection against tax cuts from center-right parties (especially during economic boom phases). In the view of social democratic parties, structural deficit rules make it more difficult for other parties to reduce the size of the state towards a "small state," thus ensuring budgets' capacity to redistribute resources over time.

The findings of this paper are based on qualitative case studies of three eurozone member states: Germany, Austria, and France. As part of a broader research project on fiscal rules in Europe, they are also informed by three additional case studies on Slovakia, Ireland, and Portugal. The empirical analysis is grounded in extensive process tracing of all fiscal rule reforms in the three countries studied and at the European level that were made since the agreement on the Economic and Monetary Union (EMU) in the early 1990s. The mobilized materials of the individual case studies include diverse sources. First, information was gathered through fifty-six semi-structured interviews with politicians, public officials, and experts. Interviews cover representatives across the political spectrum and fiscal policy elites from the most important national and supranational institutions involved in fiscal policymaking. Second, the analysis includes parliamentary debates across the three case studies with a focus on discussions held around fiscal rule reforms. Third, the empirical materials make use of electoral manifestos and party platform programs of all parties represented in the respective national parliaments. And fourth, supplementary materials entail reports from ministries or parliamentary committees, country reports from international organizations and research institutions, and newspaper articles.

Beyond its empirical contribution to the literature, this paper – more broadly – also advances the theoretical foundations of the study of ambiguity and ambiguous consensus. Based on the existing literature (e.g., Mitchell 2009; Best 2012; Crespy and Vanheuverzwijn 2019) and the empirical findings of this study, it proposes a reorganization and reclassification of currently used concepts around ambiguity, such as constructive ambiguity, ambiguous agreement/compromise, and "coalition magnets." The theoretical analysis includes studies from various research fields, including international relations,

political economy, economics, conflict and peace research, and public policy studies. I argue that an ambiguous consensus can be based on three different forms of ambiguity: textual ambiguity, institutional ambiguity, and ideational ambiguity. In short, textual ambiguity refers to the possibility that words and phrases might be interpretable in several ways. Institutional ambiguity describes institutions that can be mobilized for several purposes. And ideational ambiguity, finally, exists when ideas can accommodate various – and often contradictory – normative and/or causal beliefs. For the case of structural deficit rules, I show that ideational ambiguity is a key factor allowing for the formation of an ambiguous consensus. Textual and institutional ambiguity also play a role, but rather for the implementation of structural deficit rules in national fiscal frameworks, including – in various forms – independent fiscal councils, and monitoring and correction mechanisms for rule compliance.

The following sections are organized as follows. Section 2 provides a theoretical discussion of different forms of ambiguity underlying ambiguous consensus. Based on the existing literature, it builds a typology including three forms of ambiguity underlying ambiguous consensus: textual, institutional, and ideational ambiguity. The section also shows how most of the broader existing literature on ambiguity corresponds to this typology. Section 3 discusses how the idea of structural deficit rules was developed, rose to prominence, and how these rules were implemented in the eurozone both at the supranational and national level. Section 4 highlights the inherent ambiguities in the concept of structural deficit rules and how they relate to ideational, textual, and institutional ambiguity. Section 5 discusses the main findings of the empirical analysis. It shows how the concept of structural deficit rules allowed social democratic and other left-wing parties better than nominal deficit rules to link discretion-constraining fiscal policy institutions to their broader policy objectives. Section 6 concludes the paper. It summarizes the theoretical and empirical key findings, highlights the limits of the study, and provides an outlook for further research on ambiguity in political decisions and the role of fiscal rules in politics.

2 Three forms of ambiguity underlying ambiguous consensus

In democratic systems, political decisions generally demand some sort of consensus or compromise between different parties (or intra-party factions) and other societal actors. Only this can give sufficient support for the adoption of laws or treaties that establish policies and/or institutions in a specific policy area. Such agreements are, however, not always based on the same understandings of a situation or policy across decision-makers, but rather on what I refer to here as an “ambiguous consensus” (see also Marcus and George 1983; Jegen and Mérand 2013; Steyer and Gilbert 2013). For use in this paper, a consensus on a political decision between different policy actors is ambiguous when it integrates different – often opposing or even contradictory – views of policy problems,

objectives, and the means to achieve them. Other scholars have referred to such decisions as founded on “ambiguous agreement” (Palier 2005) or “ambiguous compromise” (Mahoney and Thelen 2010). In his work on French welfare state reforms, Palier (2005, 131), for example, defines political outcomes due to an ambiguous agreement as “new measures [that] are accepted by a wide range of different groups (political parties, administrations, trade unions, employers and others) who agree on the new measure, but for different reasons and with different interests.” Importantly, “they share neither a common vision of the reforms nor the same interest in the measures” (ibid.). Similarly, Mahoney and Thelen (2010, 8) describe ambiguous compromises as institutional outcomes that are the result of the coordination among actors on institutional means even if they differ in their substantive goals.

Much research on political decisions based on ambiguous consensus has been undertaken in the fields of economic and social policy (often dealing with bank bailouts and central bank communication) (e. g., Palier 2005; Jenson 2010; Vinogradov 2010; Vollmer and Diemer 2011; Béland and Cox 2016; Kawamura et al. 2019), defense and conflict resolution policies (many focusing on the Northern Irish conflict) (e. g., Rayroux 2014; Bell and Cavanaugh 1998; Böckenförde 2016; Kartsonaski 2020), international institutions, and European integration (e. g., Jabko 2005; Zahariadis 2007; Oosterveld 2014). What becomes clear from studying these varied literatures is that an ambiguous consensus is not based on a single form of ambiguity, but rather on several different forms. Drawing on the existing research and my own empirical analyses, I reorganize and complete the concepts dealing with ambiguity. I argue that we can distinguish between at least three different forms of ambiguity that can underlie an ambiguous consensus: textual ambiguity, institutional ambiguity, and ideational ambiguity. Table 1 summarizes their definitions, to which extent different forms of ambiguity are coincidental or intended/fabricated, their links to distinctive concepts in the broader literature, and through which empirical examples they have been studied so far. This typology should not imply, however, that an ambiguous consensus leading to a political decision is always based only on one type. In practice, textual, institutional, and ideational ambiguity often overlap and are interdependent in providing the “necessary” ambiguity for an agreement among different political actors.

Textual ambiguity

A first form of ambiguity we can distinguish is textual ambiguity, which refers to the possibility that words and phrases might be interpretable in several ways. As Best (2012, 677) puts it, “when we think of ambiguity, it is generally discursive or textual ambiguity that first comes to mind – the way in which words and phrases can have more than one meaning.” Textual ambiguity opens up the meaning of a text to “multiple interpretations because words are ambiguous, or because certain phrases within a document contradict

Table 1 Three types of ambiguity underlying ambiguous consensus

	Textual ambiguity	Institutional ambiguity	Ideational ambiguity
Definition	Words and phrasing can be interpreted in several ways	Institutions can be mobilized for several purposes	Ideas can accommodate several normative and/or causal beliefs
Intention vs. coincidence	Generally intentional in the drafting of treaties; Bell and Cavanaugh (1998, 1356) call it a “technique”	Can be coincidental but also manufactured (see Palier 2005; Best 2012)	Can be coincidental but also manufactured (e.g., strategic constructivism [Jabko 2005], idea selection by policy entrepreneurs [Béland and Cox 2016, 432])
Linked concepts in the literature	Constructive ambiguity (e.g., Mitchell 2009; Jegen and Mérand 2013)	Ambiguous agreement (Palier 2005), ambiguous compromise (Mahoney and Thelen 2010)	Polysemic discourse (Jenson 2010), coalition magnets (Béland and Cox 2016)
Examples	Good Friday Agreement (Bell and Cavanaugh 1998; Dingley 2005; Knox and Carmichael 2005; Mitchell 2009), Tunisian Constitution (Böckenförde 2016), Central bank communication (see Di Giorgio and Rossi 2012; Wigglesworth 2018; Kawamura et al. 2019)	French welfare system (Palier 2005), public-private partnerships (Steyer and Gilbert 2013)	Ambiguous ideas cover diverse concepts such as the market (Jabko 2005), social investment (Jenson 2010), sustainability, solidarity, social inclusion (Béland and Cox 2016), and structural reforms (Crespy and Vanheuverzwijn 2019)

Source: Original typology partly based on the work of Best (2012); for other sources see the content of this table.

one another, allowing for selective emphases and interpretations” (ibid.). Especially works dealing with defense and conflict resolution have focused on the influence of textual ambiguity in bringing about ambiguous consensus in domestic and international disputes. The ability of textual ambiguity to allow political adversaries to construct support for common agreements and treaties is captured by the literature under the term of “constructive ambiguity.” This is not a fourth form of ambiguity but rather describes that different forms of ambiguity might be used in a constructive fashion, overcoming otherwise insurmountable antagonism. Originally coined by former US Secretary of State Henry Kissinger in the 1960s, such textual ambiguity is often used as a deliberate “technique” during difficult negotiations (see Bell and Cavanaugh 1998, 1356). “The premise is that ambiguously worded text can create opportunities for advancing the interests of both parties, under the assumption that tackling the most difficult issues in an unambiguous way would cause a breakdown in negotiations” (Friedman 2017, 385, referring to Snodderly 2011). In the context of the Good Friday Agreement, several scholars have criticized the constructive quality of textual ambiguity, stressing that it would merely “postpone real agreement until some future date” (Bell and Cavanaugh 1998, 1356) and lead to “abnormal politics” (Dingley 2005, 18). In this view, (textual) ambiguity might rather be destructive than constructive. Others, such as Mitchell (2009), however, have drawn more favorable conclusions from a deliberate constructive ambiguity approach.

Institutional ambiguity

A second form of ambiguity is institutional ambiguity, describing institutions that can be mobilized for several purposes. As pointed out by Best (2012, 677), “Organisational policies do not only live in the formal texts that define them but also in the ongoing ways in which they are applied on a daily basis – in the form of rules, practices, procedures, and guidelines.” The interplay of these different elements, as well as their interpretation and enforcement by actors, can allow for a significant degree of ambiguity and thus provide a foundation for ambiguous consensus. Institutional ambiguity can stem from the coexistence of different rules and procedures inside individual institutions (see Best 2012; Sheingate 2010) but also from the coexistence of several institutions inside a particular policy area (Palier 2005; Mahoney and Thelen 2010). Best (2012, 677) distinguishes three forms of institutional ambiguity, which can be applied to both intra-institutional and inter-institutional ambiguity. First, institutional ambiguity can arise from the authority of institutional actors to (re-)interpret policies. Second, institutional ambiguity can stem from the ambiguity inherent in the forms of measurement and evaluation that are applied to steer and monitor policy implementation. And third, institutional ambiguity can be based on the fuzziness of the boundaries between different policies and institutions (ibid., 678). Palier (2005, 138), for example, shows how an ambiguous agreement based on institutional ambiguity allowed for an incremental but cumulative transformation of the French welfare system. While many of the politically agreed-upon measures were “first introduced to ‘complete’ or repair the existing system, [...] they gradually bec[a]me the base for a new type or logic of social protection within that system” (ibid.). That the institutional ambiguity of coexisting institutions (in the forms of rules) can also be played out against each other creatively is a prominent feature in Sheingate’s (2010) analysis of rules in the US House of Representatives. As these two examples highlight, institutional ambiguity can be introduced coincidentally, but it can also be exploited consciously by different policy actors.

Ideational ambiguity

To the existing notions of textual and institutional ambiguity this paper adds the notion of ideational ambiguity, which exists when ideas can accommodate various – and often contradictory – normative and/or causal beliefs. Some authors (e.g., Dunlop et al. 2012; Maycroft 2017) have used the term “ideational ambiguity” before, but they do not provide any clear definition of it. But while it may not have been formulated in this way previously, there are several existing works that engage with what I consider to be ideational ambiguity (see e.g., Jabko 2005; Jenson 2010; Béland and Cox 2016; Crespy and Vanheuverzwijn 2019). In principle, ideas serve as a means to interpret the world in a normative and causal manner, and to subsequently act in it (Emmerij, Jolly, and Weiss 2005, 214). They provide specific problem definitions and policy objectives and give guidance on the strategies and techniques to achieve these objectives. But especially

ideas as concepts might be open to different and often even contradictory interpretations of underlying policy problems, the final goals of political action, or the exact means to achieve them. In my view, ideational ambiguity then implies that ideas can accommodate several and often contradictory normative and/or causal beliefs. Recent scholarship has highlighted the ambiguous nature of many key ideas in politics. Jabko (2005, 7), for example, has shown how the idea of “the market [...] brought together otherwise divergent views of the world,” allowing for further European integration in the late 1980s/early 1990s. As demonstrated by his analysis, the creation of the Economic and Monetary Union “was peddled either as a further extension of the market logic or as a way to reassert some measure of political sovereignty over the economy” (ibid.). Other ideas shown to be susceptible to ideational ambiguity are, for example, “social investment” (Jenson 2010, 74), “sustainability,” “solidarity,” “social inclusion” (Béland and Cox 2016, 431), and “structural reforms” (Crespy and Vanheuverzwijn 2019). While some ideas might inherently have a higher potential for ambiguity, political entrepreneurs are often interested in identifying, manufacturing, and promoting policy ideas that have the capacity to create an ambiguous consensus on a political decision across policymakers. Political actors thus might engage in “strategic constructivism” (Jabko 2005), “polysemic discourse” (Jenson 2010), and/or use ambiguous ideas as “coalition magnets” (Béland and Cox 2016). Ideas can come in the form of individual ideas or idea clusters (see Blyth 2002), and on different levels of generality (Schmidt 2010, 3). They can span deeper philosophical ideas (e. g., Campbell 2004) through programmatic ideas or paradigms (Hall 1993) to concrete policy ideas (Kingdon [1984] 2014). A paradigmatic idea cluster containing a considerable degree of ambiguity is, for example, neoliberalism, “consisting of ideas about a minimalist state, individual responsibility, deregulated economies and productive efficiencies” (Béland and Cox 2016, 431, referring to Schmidt and Thatcher 2013). Structural deficit rules, which I will discuss in more detail below, correspond more closely to an individual policy idea. This policy idea can, however, be linked up with some more paradigmatic idea clusters, such as Keynesianism. As we will see below, ideational ambiguity has been key in bringing about an ambiguous consensus on structural deficit rules. The other two forms of ambiguity have also played a role in facilitating an ambiguous consensus but are only discussed briefly in this paper.

3 Origins and implementations of structural deficit rules

From nominal to structural deficit rules in Europe

Over the last thirty years, fiscal rules have become ubiquitous in Europe, both at the EU and national level. The principal objective of fiscal rules is to reduce the fiscal policy discretion of political decision-makers by putting numerical limits on public deficits, debt, and expenditures. The main rationale behind fiscal rules is to counteract what public choice scholars have called a “public deficit bias” in fiscal policymaking (see Debrun

2011; Kirchgässner 2013). This economics literature has identified what it believes to be an excessive accumulation of public debt among Western advanced countries since the 1970s (Calmfors and Wren-Lewis 2011, 1). In response, public choice proponents have theorized several mechanisms that could account for this bias² and suggested several institutional solutions to overcome it. Among them, fiscal rules have become a preferred remedy (Kopits and Symanski 1998; Schaechter et al. 2012). Other works have also stressed the importance of mechanisms to monitor and enforce these fiscal rules, and highlighted the usefulness of independent fiscal councils to take a key role in fiscal surveillance (Debrun et al. 2013). In addition, changes in fiscal governance and budgetary procedures have also been proposed to rein in the “public deficit bias” (Hallerberg, Strauch, and von Hagen 2009).

With the establishment of the EMU, a key question was how to ensure economic and fiscal convergence under a common currency, and how to avoid an “overuse” of the “monetary commons” (see von Hagen 1991; Eichengreen, Frieden, and von Hagen 1995). As fiscal union and extensive economic policy coordination were ruled out by national governments, the Maastricht criteria, and the SGP, a set of European fiscal rules with accompanying surveillance and sanction mechanisms was established. Two central fiscal rules were introduced, a nominal 3 percent deficit-to-GDP rule, as well as a 60 percent debt-to-GDP rule. While constituting rather arbitrary fiscal rule limits, at the time they were broadly deemed to leave sufficient space for national fiscal policymaking across the economic cycle. In addition, among Northern EU countries this was mainly considered an external constraint for Southern member states rather than a self-constraint. In the early 2000s, however, both Germany and France ran into difficulties in keeping their deficits inside the European rule limits. This resulted in a standoff with the European Commission, which wanted to impose sanctions on the two biggest EU member states. The latter, however, blocked these sanctions in the European Council, leading to an institutional struggle between key EU institutions, including the European Court of Justice (see Crawford 2007). Germany and France argued that, against initial assumptions, the nominal 3 percent deficit rule was not adapted to integrate the fiscal consequences of “severe economic downturns” and the short-term costs of structural reforms. As a solution, the Commission proposed a reform package of the SGP which was to incorporate these concerns while strengthening particularly its preventive arm (see Dyson 2014; Mabbett and Schelkle 2016). In doing so, it picked up on the concept of structural balance that was already used by the French finance ministry internally (not as a fiscal rule but to monitor the evolution of fiscal policymaking [Interview FR Finance Ministry 1]) and made it a part of the SGP, enshrined in the country-specific medium-term objectives, which generally demanded structural deficit limits of 0.5 percent or 1 percent respectively. With the Great Recession and the subsequent European debt crisis, fiscal rule reform became a key issue on both the supranational and national level. In

2 The three main mechanisms identified in the literature are political rent-seeking (see Buchanan and Wagner [1977] 2000), common pool problems (see von Hagen and Poterba 1999), and time inconsistency (see Persson and Svensson 1989).

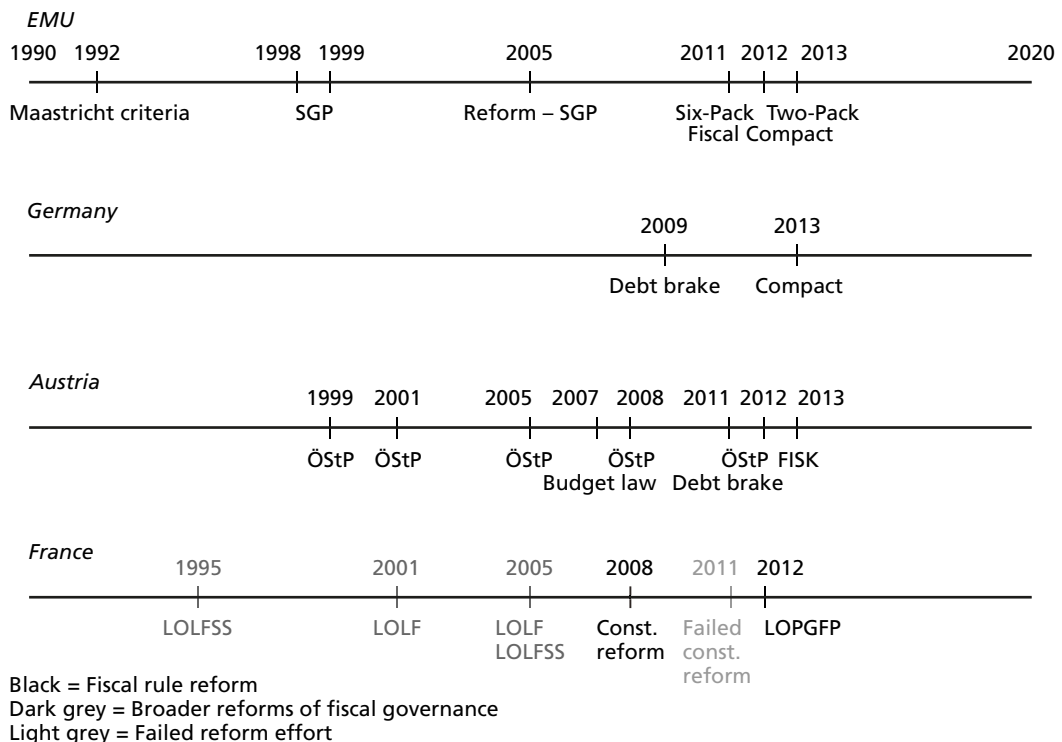
the absence of accommodating European Central Bank (ECB) policies,³ strengthened fiscal rules were considered a signaling tool to indicate to financial markets that countries were serious about fiscal consolidation efforts and sustainable public finances. A key reform at the European level in response to the debt crisis was the agreement on the intergovernmental Treaty on Stability, Coordination and Governance (TSCG), which required its signatories to implement national structural deficit rules as part of the so-called Fiscal Compact.

The implementation of national structural deficit rules

But even before the adoption of the Fiscal Compact, national structural deficit rules had already been introduced among eurozone member states. While initially reluctant to see a further strengthening of fiscal rules at the national and European level, socialist/social democratic parties in Germany, Austria, and France finally supported such rules while in government, or at least followed through with their implementation. I argue that the inherent ambiguities in structural deficit rules allowed for such an outcome, facilitating the acceptance of more stringent fiscal rules for center-left and left-wing parties. The first step was taken by *Germany*, where a so-called debt brake based on the structural deficit concept was the main result of a constitutional reform of financial relations between the federal level (Bund) and federal states (Länder) in 2009. It was voted in by the governing conservative CDU/CSU and the social democratic SPD in the lower chamber (Bundestag) of the German parliament (the liberal FDP abstained). In addition, the constitutional reform was supported by the FDP in the upper chamber (Bundesrat) of the German parliament to ensure the necessary two-thirds majorities in both chambers. The Green Party, while not voting for the reform in the Bundestag, was in principle also supportive of the idea of structural deficit rules, supporting the proposal in two federal states (Bremen and Hamburg) in which the party was part of coalition governments at the time. In 2013, a subsequent fiscal rule reform added a similar structural deficit rule as ordinary legislation to the existing one to fulfil all the requirements of the Fiscal Compact. In *Austria*, several periodic “stability pacts” containing nominal deficit rules – but with their trajectory adapted to the economic cycle – were passed from the late 1990s. They were adopted as so-called 15a agreements, a sort of intra-state treaty between the different Austrian governmental levels. In 2007, a constitutional budget law reform supported by all parliamentary parties introduced multiannual nominal expenditure ceilings. These ceilings, however, include budgetary items that are allowed to “breathe” with the economic cycle. A governing “Grand Coalition” of the social democratic SPÖ and the conservative ÖVP passed its own debt brake based on a structural deficit rule for the federal level in 2011, subsequently extended to

3 Mario Draghi’s “whatever it takes” speech took place only in July 2012, when fiscal rule reforms were generally under implementation or had already been completed across the European continent.

Figure 1 Timeline of fiscal rule reforms inside the EMU, and the three country cases



SGP: Stability and Growth Pact

ÖStP: Austrian Stability Pact

FISK: Austrian Fiscal Advisory Council

LOPGFP: Organic law on the programming and governance of public finances

LOLFSS: Organic law on social security budget laws

LOLF: Organic law on budget laws

the country's federal states in the 2012 Austrian Stability Pact (ÖStP 2012). In *France*, a constitutional fiscal rule reform including an abstract balanced budget requirement was approved in 2008. A subsequent reform proposal based on the structural deficit concept failed, however, to gain sufficient parliamentary support in 2011 (only carried by the governing conservative UMP). Following the electoral win of the socialist PS in 2012, a structural deficit rule implementing the obligations stemming from the strengthened European fiscal rule set was passed as an organic law with the votes of the new governing party, assisted by the center-right opposition forces.

Structural deficit rules were thus supported by all governing social democratic/socialist parties across the three country cases studied (this finding also applies to the cases of Slovakia, Ireland, and Portugal). Importantly, the introduction of some national structural deficit rules (in Germany and Austria), and discussion of such rules (in France) actually preceded the agreement on the Fiscal Compact at the European level. And while Green parties did not generally vote for the introduction of such rules, they were often supportive of their principle even as opposition parties. Figure 1 summarizes the different fiscal rule reforms, at the supranational level and for the three country cases, including failed reform efforts and broader reforms of fiscal governance.

4 The inherent ambiguities in structural deficit rules

Several features of structural deficit rules and the accompanying mechanisms and institutions make them particularly conducive to building the foundations for an ambiguous consensus. The subsequent arguments and findings are based on theoretical reflections as well as the content of electoral manifestos, parliamentary debates, and interviews with policymakers and experts at the European and national level, often those involved in the establishment or the management of such fiscal rules. They provide the foundations for the subsequent in-depth empirical analysis of the three country cases.

Ideational ambiguity in structural deficit rules

Ambiguities in the underlying normative and causal beliefs of structural deficit rules exist mainly with regard to their problem definitions and final objectives. As such fiscal rules are rather concrete policy ideas, the specific means to overcome problems and achieve political goals are not typically a key component of their ideational ambiguity. But while the overall thrust of fiscal rules to reduce the fiscal policy discretion of political decision-makers (as a means) is generally shared among actors, underlying problem definitions can differ across political and ideological camps.

Conservative and liberal parties (and their voters) tend to view public deficits and debt as a general policy problem that must be addressed (see e.g., Dafflon and Pujol 2001; Krogstrup and Wälti 2008; Persson and Svensson 1989). Often informed by the policy input from public choice scholars, fiscal rules – in their view – serve to reduce a universal “public deficit bias.” While conservatives and liberals are traditionally supportive of fiscal rules, the fundamental nature of the problem also implies that they care less about the exact design of fiscal rules. The increasing prominence of structural deficit rules thus did not do much to change their support for such rules. In contrast, the problem definitions justifying the use of structural deficit rules among social democratic parties have traditionally been narrower or even non-existent. Especially during the 1970s, center-left and left-wing parties viewed public deficits as a legitimate means to achieve full employment and to steer the macroeconomy (see e.g., Standard 2011). Rather than being a problem in themselves, public deficits were perceived as a tool to address other policy problems. This type of view has changed during the last decades, also under the influence of increasingly independent monetary policymaking, and gave room for restricted left-wing problem definitions of public deficits. While continuing to hail the usefulness of public deficits during economic downturns, social democrats increasingly stressed that public deficits were not sufficiently reduced during economic boom phases. This was criticized as an incomplete application of Keynesianism. While social democrats were generally sceptical of fiscal rules, the idea of structural deficit rules allowed them to attach it to this more left-wing problem definition of fiscal policymaking (Interview AT SPÖ, Interview AT Green Party).

In terms of policy objectives, there are two elements to be considered for understanding the ideational ambiguity of structural balances. First, structural deficit rules are – at least theoretically – unambiguous in the objective of reducing public deficits across the economic cycle. Here, ambiguity rather arises from different interpretations of what the economic cycle is, how it can be adequately measured across time, and to what extent structural deficit rules are able to reflect it. This is, however, rather a technical element of institutional ambiguity. Second, a considerable degree of ideational ambiguity remains, however, regarding the broader implications of structural deficit rules on fiscal policymaking. As conservative and liberal parties generally prefer “smaller” states (Persson and Svensson 1989), introducing a fiscal rule is deemed useful in keeping the growth of state expenditures in check and thus allowing for some control of the state’s fiscal role in the economy, especially should more left-wing parties come to power. Both nominal and structural deficit rules make it difficult to substantially increase expenditures during economic downturns, but the latter can also rein in expenditure growth during economic booms. Social democratic parties, on the other hand, traditionally prefer “larger” states, because this gives politicians more political capacity for redistribution and macroeconomic steering. In their view, nominal fiscal rules especially are thus problematic because they tend to “bite” in economic downturns when political intervention would be most needed but lack a constraining nature in periods of strong economic growth. For center-left parties, structural deficit rules could thus be a means to keep more right-wing parties in check when in power, as they give less room for tax cuts during economic boom times. Structural deficit rules can thus potentially cater to both right-wing and left-wing parties. This ideational ambiguity inherent to structural deficit rules thus, on the one hand, allows conservative and liberal parties to extend their traditional fiscal rule support to this type of rule, while, on the other, being considerably more compatible with problem definitions and policy objectives of social democratic and left-wing parties than nominal deficit rules.

Textual and institutional ambiguity in structural deficit rules

Beyond ideational ambiguity, the legal texts that enshrine structural deficit rules in the supranational and national legal orders also contain textual and institutional ambiguity, partially beyond the confines of national politics and institutions.

In terms of textual ambiguity, there are two aspects to be considered. First, there can be ambiguity about the meaning of certain words in specific policy and country contexts. The same term – e. g., *rule* – can have different meanings in different countries, where some view rules as strict boundaries while others see them as more flexible guidelines for (fiscal) policymaking (Interview DE German Council of Economic Experts, Interview FR Court of Auditors, Interview OECD). Second, textual ambiguity can arise from challenges in translation, where specific words or formulations are difficult to translate

into different languages (see Hassenteufel and de Maillard 2013; de Maillard and Le Goff 2009; Ricoeur 2004). The French government, for example, struggled for months to figure out whether the Fiscal Compact required the French state to adopt a national structural deficit rule at the constitutional level or not. With the French version of the Fiscal Compact considered to be unclear on this point, a comparison with the German and English versions of the text helped to consolidate the understanding that no constitutional amendment was necessary to implement the contents of the Fiscal Compact domestically (Interview FR Finance Ministry 2).

Regarding institutional ambiguity, it is important to consider the intra-institutional as well as the inter-institutional ambiguity of the legal texts laying the ground for fiscal rules and accompanying monitoring and enforcement mechanisms. First, intra-institutional ambiguity can arise when there is a mismatch in the interplay between fiscal rules and accompanying compliance mechanisms. Clear and stringent fiscal rules can be rendered “toothless” by enforcement mechanisms that are difficult to trigger or to put to work. Increased institutional ambiguity is the consequence. Second, inter-institutional ambiguity can be the consequence of fiscal rule complexity, when several – and sometimes contradictory – fiscal rules are put into place in the domestic and/or supranational sphere (see Sheingate 2010). While additional fiscal rules should normally render the overall set more discretion-constraining, the increasing complexity also creates more institutional ambiguity about which rules are to be applied when and how (Interview OECD, Interview Rating Agency).

5 Social democratic support for structural deficit rules in three countries

A problem definition of public deficits shared by social democratic parties

Public deficits and debt play an ambivalent role in fiscal policymaking. They can be a useful tool to steer or support the macroeconomy, to finance productive public investments and serve as a “safe asset” in financial markets. But they can also lead to ever higher public debt service costs, demanding tax increases or expenditure cuts, and ultimately even threaten the solvency of sovereigns. Parties across the political spectrum have traditionally stressed different parts of these aspects. While conservative and liberal parties tend to focus on the potential negative sides of public deficits, social democratic and other left-wing parties generally stress their potential positive sides. These generally also correspond with their broader policy preferences. An analysis of electoral manifestos in the three studied country cases since the 1980s shows that center-right parties tend to call for a stronger fiscal consolidation than center-left parties (see Table 2).

Table 2 Fiscal objectives of center-right and center-left parties according to their electoral manifestos

Country case	Conservative and liberal parties (CR)	Socialist/Social democratic and Green parties (CL)	CR fiscal objectives	CL fiscal objectives
Germany	CDU/CSU, FDP	SPD, Green Party	1.76	1.44
Austria	ÖVP, NEOS	SPÖ, Green Party	1.67	0.55
France	UMP/LR, UDF/MoDem, LREM	PS, Green Party	0.76	0.43

Note: The fiscal consolidation objectives of center-right and center-left parties were coded in an ordinal fashion, stretching from party-specific goals of “solid fiscal policies” over “balanced budgets” to “debt repayment,” including nine categories. A higher number indicates more restrictive fiscal policy goals. The two party groups include all parliamentary parties that do not fall into the category of populist or far-left/far-right parties.

Sources: Own analysis of electoral manifestos for all parliamentary elections from 1986 to 2017 in the three countries.

The different emphases on public deficits of more right- and left-wing parties do not mean, however, that left-wing parties necessarily run higher deficits than right-wing parties once in office. Research has shown (see e.g., Pettersson-Lidbom 2001; Volkerink and de Haan 2001) that there are little to no differences in terms of public deficits between these party families.

The scepticism of conservative and liberal parties towards public deficits also makes them traditionally more supportive of institutional constraints on fiscal policy discretion, such as fiscal rules. Electoral manifestos, party platform programs, and interviews with policymakers reveal that center-right parties call more often for the introduction and/or strengthening of fiscal rules. In the studied party programs across the three country cases for the period 1986 to 2017, it was only conservative and liberal parties that pledged to put into place new or more stringent fiscal rules. This was even the case before the concept of structural deficit rules became dominant in fiscal policy discussions.⁴ Social democratic and other left-wing parties have been traditionally more sceptical towards fiscal rules, viewing them as overly constraining the fiscal policy discretion of political decision-makers. Considering public deficits, in principle, as a legitimate fiscal policy tool to address other policy problems, center-left parties have feared the negative consequences of fiscal rules for their capacity to achieve these policy objectives, when necessary by using public deficits. They have also been critical of nominal deficit rules as they would lead to procyclical effects – excessive austerity – during economic recessions.

4 In Germany, this applies, for example, to the 2007 party platform program of the CDU and the 1998 FDP electoral manifesto. In Austria, electoral manifestos of the ÖVP and the NEOS called for a strengthening of the main national fiscal rule in 2017. And in France, the UMP/LR (2007) and the UDF/MoDem (2012) equally called for constitutional fiscal rules. Whenever fiscal rules were mentioned in the electoral manifestos of social democratic or Green parties in the three country cases, it was either to merely acknowledge existing fiscal rules and to comply with their fiscal limits (e.g., SPD 2013, German Green Party 2013) or to stress sceptical points of view or the need to flexibilize existing fiscal rules (e.g., SPÖ 2017; Austrian Green Party 2017; German Green Party 2009).

Due to the dominance of the neoclassical synthesis in mainstream economics over the course of the last decades, countercyclical policymaking during crises has, however, also largely become accepted by conservative and liberal parties, allowing at least for a temporal disregard of fiscal rules. With periodically growing public indebtedness since the 1960s among Western advanced economies, phases of economic growth became the focus of analysis, as public debt levels stagnated rather than decreased ahead of the subsequent economic downturns. Economists and public officials across eurozone member states increasingly saw this as a problem of macroeconomic and budgetary policymaking. They highlighted that Keynesian policies were insufficiently or only partly implemented across the economic cycle. As a member of the Austrian fiscal council put it for the Austrian case, “when things are going badly, the fact that deficits are made then was always the consensus across all parties, but then it comes to repayment and there are problems because something has to be cut back, and that is why we have never really managed this second phase of a Keynesian policy” (Interview AT Fiscal Council).⁵ An economist and high-level public official of the French finance ministry’s treasury department (DG Trésor) stated for the French case that the country was “having a lot of trouble rebalancing its budget on the ‘high side’ of the economic cycle. Because a deficit on the ‘low side’ of the cycle is normal, but the problem is rather in the ‘high phase’” (Interview FR Finance Ministry 3).

During the 1990s and 2000s, social democratic and other left-wing parties increasingly acknowledged this interpretation of a partial implementation of Keynesianism since the 1960s. They shared the view that adequate “deficit spending” during economic recessions was not followed by sufficient fiscal consolidation efforts in the following economic boom phases. In addition, they considered this problem insufficiently addressed or even worsened by nominal deficit rules such as the Maastricht criteria, which had been in place since the 1990s.⁶ SPD politician Peer Steinbrück, German finance minister from 2005 to 2009 and a driving force behind the country’s debt brake, for example, argued during the deliberations of the Second Federalism Commission that

in good economic times, nobody demands corresponding savings or debt repayment. This has caused us difficulties in recent decades [...] which consisted in the fact that in this context only the half and not the full ‘Keynes’ was realized. To that extent, this interpretation has occasionally brought this man into discredit. (Steinbrück, SPD, FöKo II 2007)

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- 5 Similarly, as a member of the Austrian parliamentary budget office highlighted, fiscal policymaking “has always worked quite well in bad times, but the Keynesian system has always worked very badly when there have been better economic times. [...] That we have, in part, pursued a procyclical policy” (Interview AT Parliamentary Budget Office).
 - 6 In contrast to most other eurozone member states, Germany has had a constitutional nominal deficit rule (Art. 115 of the Basic Law) in place since the end of the Second World War, reformed only in 1969 before the introduction of the German debt brake in 2009. In its 1969 version, the deficit rule demanded a balanced federal budget in nominal terms, except for public investments and in times of “macroeconomic imbalance.”

During the vote on the structural deficit rule in the German upper chamber, the Bundesrat, Steinbrück criticized the previously existing fiscal rule which “may have followed a Keynes-style approach, but it has never really understood Keynes [...]” (Steinbrück, SPD, Deutscher Bundesrat 2009). He specified that this was not Keynes’s fault, but how politicians interpreted his work:

In the light of the first major economic crisis, he suggested the concept of ‘deficit spending’, of countercyclical budgetary policy to compensate for such economic downturns. We have made use of this. We have launched credit-financed economic stimulus packages [...]. But the other side of what he advised us to do, which was to repay the debt in the better times, has basically never worked. (ibid.)

This was a departure from the traditional center-left position that considered public deficits as a generally useful tool in macroeconomic and fiscal policymaking towards a restricted problem definition of public deficits. By arguing that fiscal policies were only an incomplete application of Keynesianism, this allowed the concept of structural deficit rules to be attached to the search for instruments and procedures for achieving a more countercyclical fiscal stance across the whole economic cycle and not only during economic downturns. While nominal deficit rules were increasingly considered to have procyclical effects (too much constraint during recessions and little or no constraint in growth periods), structural deficit rules seemed to be a legitimate replacement that improved the situation from a center-left position (Interview AT SPÖ, Interview AT Green Party), while also being acceptable to center-right parties that considered institutional discretion constraints to be generally necessary for fiscal policymaking.

Structural deficit rules and countercyclical policymaking

A key feature of structural deficit rules is that they allow – better than most other forms of fiscal rules – institutional constraints on fiscal policy discretion to be linked with the idea of Keynesian countercyclical policymaking. At least in theory, the basic logic of structural deficit rules is in line with Keynes’s support for “deficit spending” during economic downturns and fiscal consolidation during economic boom times. It is thus considerably more compatible with social democratic thinking about fiscal policymaking than previous forms of fiscal rules. In different fiscal rule reforms since the mid-2000s, center-left parties have thus argued for the usefulness of the structural deficit concept and its compatibility with social democratic and other left-wing policy positions.

When both Germany and France did not comply with the 3 percent Maastricht deficit criteria in the early 2000s due to a period of low growth, both countries blocked sanctions and pushed for a reform of the SGP to better account for countercyclical deficits during economic downturns. In Germany, the Red-Green coalition of SPD chancellor Gerhard Schröder endorsed a strengthening of the structural deficit dimension vis-à-vis the nominal deficit approach. As the 2005 electoral manifesto of the SPD stated,

the consolidation of public finances must be implemented in line with the economic cycle and must not endanger growth. [...] This is one of the reasons why we have modernized the Stability and Growth Pact [...] [which] will allow the automatic stabilizers to operate in periods of “economic weakness” without directly exceeding the permitted 3 percent deficit objective. (SPD-Parteivorstand 2005)

Domestically, as part of the first Grand Coalition in several decades, the SPD began to embrace the concept of structural deficit rules for a reform of Germany’s national fiscal framework inside of the Second Federalism Commission. This Commission was in place from 2006 to 2009, with the goal of reforming the financial relationship between Bund and Länder. When discussing the broad trajectory of negotiations at a closed conference dedicated to a reform of the country’s fiscal framework, SPD finance minister Peer Steinbrück stated that they wanted “a symmetrical consideration of the economic situation. The new rule should therefore not only create one-sided leeway for debt in the economic downturn, but also ensure that surpluses are generated in line with the economy in the upswing” (Steinbrück, SPD, FöKo II 2007).⁷ After several years of negotiations, a compromise on the German debt brake was found in the first half of 2009. In his defense of the new structural deficit rule, Steinbrück argued that he wanted to clear up a few misunderstandings, such as that it would

limit the cyclically induced scope for countercyclical behavior by the federal states and the federal government. This is simply not true. You [...] know that this deficit rule is characterized by a structural component and by a cyclical component and that in such a situation it is of course still completely open to your [Länder] budgets and the federal budget to pursue countercyclical policies. (Steinbrück, SPD, Deutscher Bundesrat 2009)

Ingolf Deubel, SPD finance minister of the federal state Rhineland-Palatinate, added that the new structural deficit rule would give the different public budgets

the room [...] to breathe with the economic cycle, but symmetrically, not as in the previous finance constitution, according to which one only breathed in bad times and budgets could be ruined in good times, and the possibility to do what is necessary in emergencies and disasters. (Deubel, SPD, Deutscher Bundesrat 2009)

He stressed that the structural deficit rule gave the state more space than the pre-existing constitution to act in a fashion consistent with countercyclical policymaking.⁸ While not explicitly voting for the structural deficit rule in the German parliament (the necessary two-thirds majority was ensured by the CDU/CSU, SPD, and FDP), the German Green Party in principle also supported this approach. As its 2009 electoral manifesto stated, they wanted a debt brake that could “breathe” with the economic cycle (Bündnis 90/Die Grünen 2009).

7 His SPD party colleague, parliamentarian Petra Merkel, also stressed that “not to make debts is not an objective. To incur limited debts in difficult times and pay them back in good times, that is a goal” (Merkel, SPD, FöKo II 2007).

8 This was also acknowledged in a written declaration added to the minutes of the parliamentary debate on the German debt brake in the Bundestag (29.05.2009) by Florian Pronold and several other parliamentarians of the SPD.

In Austria, domestic fiscal rules had become an issue since the implementation of the Maastricht deficit criterion in the national legal order in 1999 through the so-called Austrian Stability Pact. Periodically reformed since the late 1990s, it laid out nominal public deficit trajectories for both the federal level and the federal states (Bundesländer) in a medium-term outlook. Over the years, a key issue of contention was that these trajectories were built in line with countercyclical policymaking.⁹ While in opposition during the period from 1999 to 2006, the SPÖ continuously stressed the importance of aiming towards balanced budgets across the economic cycle rather than for any particular year.¹⁰ In the early 2000s, a right-wing government consisting of the conservative ÖVP and the right-wing populist FPÖ set out a “zero deficit” (*Nulldefizit*) as a central policy objective in the government program, adapting the Austrian Stability Pact in this regard in 2001. While generally supportive of fiscal consolidation and a balanced budget during a period of strong economic growth at the turn of the millennium, SPÖ parliamentarian Hannes Bauer warned during the parliamentary debate on the reform that – with an economic downturn in sight – the government was running overly restrictive fiscal policies not compatible with the evolution of the economic cycle (Bauer, SPÖ, Nationalrat 2001).¹¹ The Green Party spokesperson, Alexander Van der Bellen, urged the Austrian finance minister to promote countercyclical thinking on the European level and to advocate for a reform of the SGP:

Much would already have been achieved if the famous deficit limits in the stability pact were to be applied to the structural deficit – not to the “current” deficit, but to the structural deficit. That would give us some more leeway in responding to cyclical conditions. (Van der Bellen, Die Grünen, Nationalrat 2001)¹²

The 2005 reform of the Austrian Stability Pact saw similar concerns from the center-left parties in the Austrian parliament. As Christoph Matznetter (SPÖ) stressed, his party could not support the proposed fiscal rule reform because “in the end, it approves a federal budget policy in which, at the wrong time of the economic cycle, a budget trajectory was chosen which worsened economic growth [...] through a recessive fiscal policy” and which was reversed in the following growth period through tax cuts, leading to procyclical policymaking all across the economic cycle (Matznetter, SPÖ, Nationalrat 2004). Becoming the largest party in the subsequent elections, the SPÖ formed another Grand Coalition with the conservative ÖVP from 2006 to 2017. During this period,

9 It is also important to acknowledge that the Austrian Stability Pacts were generally negotiated with the domestic fiscal equalization scheme between the different levels of government.

10 Hannes Bauer (SPÖ) highlighted, while deeming a balanced budget “generally valid and also correct,” that “this should be seen over an entire economic cycle and not just for one year” (Bauer, SPÖ, Nationalrat 2001).

11 Alexander Van der Bellen (Green Party) also told the government to allow for the functioning of the automatic stabilizers in the national budget (Van der Bellen, Die Grünen, Nationalrat 2001).

12 Werner Kogler, at the time the budgetary and finance spokesperson of the Green Party, further argued that his party could have potentially supported the fiscal rule trajectory if it would have given some more room for maneuver in case of an economic downturn (Kogler, Die Grünen, Nationalrat 2001).

the social democrats supported a number of fiscal rule reforms, which were linked to the concept of structural expenditure and deficit rules. In 2007, a constitutional budget law reform was approved by all parliamentary parties. It was drawn up by Gerhard Steger, the head of the finance ministry's budget section and a long-standing SPÖ party member. Creating a medium-term budgetary framework, the reform foresaw voting for multiannual expenditure ceilings in nominal terms, but which allowed for deviations in those budgetary items that were susceptible to cyclical changes. It also prescribed a balanced budget across the economic cycle without, however, defining a clear fiscal rule limit. Overall, the budget law reform was hailed by SPÖ politicians such as Christoph Matznetter and the party's budget and finance spokesperson, Kai Jan Krainer. The latter stressed during the parliamentary debate that the reform introduced "a sort of counter-cyclical budget effect" (Krainer, SPÖ, Nationalrat 2007). Bruno Rossmann of the oppositional Green Party, and part of the party's leftist faction (in contrast to other key party members such as the economists Van der Bellen and Kogler), however, criticized the introduction of a balanced budget over the economic cycle, pointing out that "economists argue about how long a business cycle lasts and whether it exists as all" (Rossmann, Die Grünen, Nationalrat 2007). Ahead of the agreement on the Fiscal Compact, in 2011 the Austrian government proposed a constitutional debt brake similar to the German one.¹³ As it was not supported by any opposition party, it was, however, only passed as an ordinary law reform of the annual budget law.¹⁴ With the Austrian Stability Pact 2012, a permanent structural deficit rule was subsequently introduced for both the federal level and the Bundesländer.¹⁵ The most detailed discussion on its countercyclical aspects took place in the parliamentary debate on the ESM and the Fiscal Compact, which was tightly linked to the adoption of the Austrian Stability Pact itself. In this debate, Andreas Schieder (SPÖ) – similar to Peer Steinbrück in the German case – aimed at defusing left-wing concerns about the implemented fiscal rule. He argued that "the structural deficit is the deficit adjusted for cyclical effects. This means that the costs of

13 This was preceded by calls from eminent members of the SPÖ such as Hannes Androsch (a former SPÖ finance minister) to introduce "an intelligent debt brake across the economic cycle, like Switzerland introduced in 2001" (Kugler 2010).

14 The Austrian Chancellor Werner Faymann (SPÖ) hailed the proposed fiscal rule reform for including sufficient room for maneuver during economic downturns and would include at the same time demands to "repay" deficits during phases of stronger economic growth (Faymann, SPÖ, Nationalrat 2011). The Green Party's chairperson, Eva Glawischnig-Piesczek, stressed that while the party would have been able to accept the principle of a structural deficit rule (despite fundamental criticisms that existed), it did not support a constitutional reform because the government did not accept the introduction of wealth taxes in exchange for their approval (Glawischnig-Piesczek, Die Grünen, Nationalrat 2011).

15 Werner Kogler (Green Party) highlighted the ambivalent position of the Austrian Greens towards the proposed structural deficit rule and the internal conflict that existed between the more or less leftist factions inside the party. He stressed that "using the structural deficit as the main indicator for this debt brake is still cleverer than the administrative or Maastricht deficit" as "a certain degree of fluctuation in the economic cycle is permissible." However, he also said that the concrete rule limit was "still relatively tight" and that there would be significant problems for the actual calculation of the structural deficit, leading to a "great deal of scepticism" (Kogler, Die Grünen, Nationalrat 2012b).

the economic downturn would be deducted from the structural deficit and make it possible for cyclical fluctuations and the associated automatic stabilizers to work,” which would not endanger the country’s social security through expenditure cuts during economic downturns (Schieder, SPÖ, Nationalrat 2012a).

In France, the principle of balanced budgets – however, without any clear fiscal rule limits – was introduced in the French constitution in 2008, made possible by the support of a few oppositional socialist PS parliamentarians. Subsequently, the conservative UMP government under President Nicolas Sarkozy ventured another constitutional reform project in 2011 to introduce so-called programming laws. These laws could have served to lay out structural deficit trajectories for the French public budget. While the parliamentary debates on the proposed constitutional amendment centered heavily on the issue of structural deficits, the PS used the concept mainly to criticize the conservative government’s fiscal policymaking over the previous years in which structural deficit had been consistently “high” across the economic cycle. PS politicians such as Henri Emmanuelli and Marc Goua stressed that the UMP had not followed any of the existing fiscal rules at the European and national level, undermining their credibility while increasing public deficits and debt. As Goua contended “replacing political will with yet another rule will not be enough to solve this serious problem” (Goua, PS, Assemblée nationale 2011). Lacking the necessary support for a constitutional reform, the project was abandoned. Sarkozy nevertheless signed the intergovernmental Fiscal Compact ahead of the 2012 presidential elections, leaving the Treaty’s ratification to his successor, the socialist François Hollande. Initially, Hollande ran on an electoral platform that called for a renegotiation of the Fiscal Compact. The socialist government, however, failed in changing the content of the Treaty, rather complementing it with a “pact for growth and employment” for the European Union while accepting the Fiscal Compact’s domestic ratification. While generally sceptical of fiscal rules, the governing PS changed its stance and – at least discursively – accepted the countercyclical properties of its main structural deficit rule. In the parliamentary debate on the ratification of the Fiscal Compact, PS parliamentarian Estelle Grelier thus stressed in response to leftist critiques that “this treaty does not prohibit states from mobilizing stabilizers and conducting countercyclical Keynesian policies” (Grelier, PS, Assemblée nationale 2012a).¹⁶ To implement the obligations of the Fiscal Compact, the socialist government subsequently proposed an organic law on the programming and governance of public finances (LOPGFP¹⁷ 2012). During the vote on the domestic fiscal rule reform, PS parliamentarian Marietta Karamanli stressed that “this rule only concerns the structural deficit, a concept which does not take into account the positive or negative effects of the economic situation on public

16 Grelier made several further points, such as, “no, this treaty does not set budgetary austerity in stone, since it makes the current guidelines reversible in line with the evolution and trajectory of our public finances. [...] No, this treaty does not establish an automatic sanction mechanism in the event of an excessive deficit: it retains the power of the political authorities, via the European Council, to decide or refuse to initiate a sanction procedure” (Grelier, PS, Assemblée nationale 2012a).

17 Loi organique relative à la programmation et à la gouvernance des finances publiques.

finances” (Karamanli, PS, Assemblée nationale 2012b). And Christophe Caresche (PS) contended that the concrete implementing law of the Fiscal Compact was made in a fashion that ensured “that the Parliament’s sovereignty is maintained.” He acknowledged that “it will obviously impose constraints but will also have a certain flexibility that will avoid the mechanical application of a rule” (Caresche, PS, Assemblée nationale 2012b).

The capacity of the concept of structural deficit rules to link with Keynesian countercyclical thinking thus considerably helped social democratic and other left-wing parties to support the implementation of such rules in the three cases analyzed. It allowed the formation of an ambiguous consensus on strongly discretion-constraining fiscal rules with more conservative and liberal parties that consider such rules to be generally useful and in line with their broader policy objectives.

Structural deficit rules and tax cuts

Another key feature of structural deficit rules that has helped to link discretion-constraining institutions with Keynesian thinking and the general political goals of center-left and left-wing parties is that they can be perceived as providing a protection against tax cuts from conservative and liberal parties, especially during times of strong economic growth. In line with their preference for the redistributive capacities of public budgets and a larger state share in the economy, social democratic parties have embraced the idea that structural deficit rules make it more difficult for other parties to “starve the beast” during economic boom phases. As such rules demand a direct link between tax cuts and expenditure cuts across the whole economic cycle, they likely make tax cuts in the face of reduced public services less popular.

This point has been made prominently, for example by Peer Steinbrück (SPD) in the parliamentary debate on the German debt brake in the Bundesrat. Sending a warning about the plans of more right-wing parties ahead of the 2009 elections, he stated that he would “look very closely at all those who raise their hand for this deficit rule with regard to grandiose promises of tax cuts in the federal election campaign” (Steinbrück, SPD, Deutscher Bundesrat 2009). Taking the same line, Ingolf Deubel (SPD) stressed that “one hears here and there that despite the new rule, after the federal elections or the next upswing, things can continue as before, that there would immediately be room for reducing revenues again. One may wish for this, but it is completely unrealistic” (Deubel, SPD, Deutscher Bundesrat 2009). While supporting the fiscal rule reform, for some SPD parliamentarians, such as Gerold Reichenbach, this did not go far enough. In a written declaration, he expressed disappointment that the structural deficit rule was not accompanied by an additional fiscal rule “which would prevent a reduction in the tax rate in the event of a structurally unbalanced budget” but stated that this was not accepted by the conservative CDU/CSU during the negotiations in the Second Federalism Commission (Reichenbach, SPD, Deutscher Bundestag 2009). After the 2009 elections,

the CDU/CSU and the liberal FDP formed a coalition government and the SPD became the leading opposition party. In this position, the SPD did indeed make use of the German debt brake in pressuring the center-right government not to lower taxes, especially ahead of the 2013 parliamentary elections. When the government's tax cut plans became more concrete in 2011, Sigmar Gabriel, the SPD's chairperson, even threatened with a lawsuit at the German federal constitutional court (Steffen 2011). But even before this, the coalition government had already reduced its tax cut ambitions from €19 billion to €6 billion to comply with the requirements of the German debt brake during a period of economic recovery (ibid.). That the German structural deficit rule actually protected the federal and Länder budgets from revenue cuts was also confirmed by a high-level public official in the German finance ministry. While the German federal budget had considerable budget surpluses following the European public debt crisis until 2019, these were not used to reduce the overall tax rate. He acknowledged that "we have not done any tax policy for years. [...] Hardly anything has happened recently, and you can hardly find majorities for tax cuts; they find plenty for spending increases, but they cannot find any for tax cuts" (Interview DE Finance Ministry).

In the Austrian case, the social democratic SPÖ was less concerned about the overall tax rate and more concerned that no fiscal rule should inhibit the parliament's capacity to decide "how we consolidate our budget and how we shape our budgetary policy," as Andreas Schieder stressed in the parliamentary debate on the Fiscal Compact (Schieder, SPD, Nationalrat 2012a). But he ensured that even with the proposed structural deficit rule, "this 'how' will continue to be possible. It is still possible in the fiscal pact to seek a balanced mix between measures on the revenue side and on the expenditure side, between measures to stimulate the economy and measures to cut costs, between structural measures and tax measures in those areas where they have no effect on growth" (ibid.). Christoph Matznetter (SPÖ) agreed with his party colleague, stating that this reasoning led the social democratic party group to overwhelmingly support a structural deficit rule. He argued that "many people have the 'neoliberal action' in mind, the only possibility would be to cut spending, and in particular in social policy. [...] There are, after all, quite different options, namely, raising taxes" (Matznetter, SPÖ, Nationalrat 2012a). While structural deficit rules do not differ much in this regard from nominal deficit rules (national parliaments can still decide on the overall levels of taxes and expenditures and the concrete policy mix inside these revenue and spending categories), center-left parties nevertheless stressed this advantage of deficit rules with regard to fiscal rules prescribing expenditure ceilings for public budgets. In France, socialist parliamentarians also repeatedly stressed that the implemented structural deficit rule would not dissolve the domestic parliament's sovereignty over budgetary matters, allowing the governing party to choose its preferred tax/spending levels and policy mix (e. g., Care-sche, PS, Minutes, 19.11.2012/Cahuzac, PS, Minutes, 19.11.2012).

6 Conclusion

Over the course of the last years, social democratic and other left-wing parties have increasingly supported institutional discretion constraints on fiscal policymaking, seemingly running counter to their traditional support for discretionary policy decisions and an active role of the state in the economy. This paper has shown how the concept of structural deficit rules facilitated the formation of an ambiguous consensus across political party families on the introduction of national fiscal rules among eurozone member states. While fiscal rules are generally supported by conservative and liberal parties, they only became more palatable for social democratic parties when the main concept switched from nominal to structural deficit rules. This allowed them to link the discretion-constraining features of fiscal rules with their preferences for Keynesian countercyclical policymaking and to construct such rules as a protection against tax cuts from right-wing parties, particularly in times of strong economic growth. Three country case studies focusing on Germany, Austria, and France have shown empirically how social democratic and other left-wing parties have – at least discursively – supported fiscal rule reforms introducing structural deficit rules. The empirical findings should not imply, however, that all relevant actors inside center-left and left-wing parties subscribed to the idea of structural deficit rules during recent years. The very ambiguity of these rules also led to scepticism among significant numbers of parliamentarians and party members, while some leftist party factions remained completely opposed to the principle of fiscal rules. The internally dominant factions of center-left and left-wing parties nevertheless accepted the premise of structural deficit rules as being compatible with their parties' concerns for countercyclical policymaking and state capacities for redistribution. This also allowed them to use the concept as a discursive justification for their political decisions.

In theoretical terms, the concept of structural deficit rules has allowed for an exploration of different forms of ambiguity underlying ambiguous consensus on political decisions. This paper has provided a (re-)conceptualization of three types of ambiguity: textual ambiguity, institutional ambiguity, and ideational ambiguity. Especially the latter has been crucial in bringing about an ambiguous consensus across party lines in the case of structural deficit rules. Concepts that can integrate different and often contradictory problem definitions, policy objectives, and the means to achieve these objectives play a key role for institutional and policy reforms. It is, however, only with the implementation of political decisions based on an ambiguous consensus that the actual outcomes will become visible. In the case of structural deficit rules it became clear in hindsight that they are substantially more procyclical than originally assumed (Heimberger and Kapeller 2017) and thus have neither fulfilled the intentions and expectations of social democratic parties (Interview AT SPÖ) nor of many experts (Interview AT WIFO). The consequence was excessive austerity across eurozone member states in the aftermath of the Great Recession (see Blyth 2013; Guajardo, Leigh, and Pescatori 2011). Structural deficit rules were more successful in avoiding tax cuts with a lasting negative effect on public finances (Interview DE Finance Ministry). An ambiguous consensus, once

molded into a political decision, will eventually get “resolved” when it is put into place. This also (re-)opens potential for contestation and the move towards new forms of ambiguous consensus. Broader discontent with the existing fiscal rules across Europe, as well as the fiscal consequences of the current Covid-19 crisis, make another overhaul of fiscal rules in the near future likely. The next fiscal rule concept allowing for ambiguous consensus might be expenditure rules that exclude cyclical components (see Bénassy-Quéré et al. 2018; Caselli et al. 2018; Darvas, Martin, and Ragot 2018; Feld et al. 2018; European Fiscal Board 2019). Time will tell whether political decisions on future fiscal rule reforms can garner again center-left and left-wing support.

This paper has focused on the role of ambiguous consensus in bringing about political decisions and how different forms of underlying ambiguity – in this case, especially ideational ambiguity – can facilitate such processes. This finding should not, however, disregard the fact that other factors have played an important role in the case of social democratic and left-wing support of structural deficit rules. During the European debt crisis, governing parties all across the eurozone were facing very difficult choices as financial markets put bond interest rates under pressure. But even if other factors were also decisive for center-left parties to adopt structural deficit rules at the European and national level, the underlying concept of the rules made it nevertheless possible to justify supporting them discursively as being in line with broader policy preferences.

Interviews¹⁸

Institution(s)	Role	Date	Duration	Form
SPÖ (AT)	Member of parliament	06.02.2018	2h00	Phone
Green Party (AT)	Member of parliament	28.02.2018	1h50	Phone
Fiscal Council (AT)	Council member	11.05.2018	1h40	Phone
Parliamentary Budget Office (AT)	Public official	05.10.2017	1h45	Skype
WIFO (AT)	Researcher	20.06.2018	1h20	Phone
Finance Ministry (DE)	Public official	30.05.2018	1h55	Phone
German Council of Economic Experts (DE)	Council member	26.07.2017	1h05	Phone
Finance Ministry 1 (FR)	Public official	06.09.2018	1h10	Personal
Finance Ministry 2 (FR)	Public official	10.10.2018	2h00	Personal
Finance Ministry 3 (FR)	Public official	26.09.2018	1h05	Personal
Court of Auditors (FR)	Division president	15.06.2018	1h00	Personal
OECD	Economic adviser	12.06.2018	0h50	Personal
Rating Agency	Head of unit	31.08.2018	0h45	Phone

18 The English translations of the interviews, parliamentary minutes, electoral manifestos, and party platform programs quoted in the paper are produced by the author.

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