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The Fiscal Compact: Evidence for Germany's Hegemony in the Economic and Monetary Union?

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1 Introduction

The 'German question' is inherently linked to the history of European integration. Taming Germany by binding it to a set of common institutions has been a crucial reason for European integration. There is a growing perception that the euro zone crisis witnessed the emergence of Germany's hegemony in the European Union. The Polish Foreign Minister Sikorski is among those demanding a more active role from Germany: 'I fear German power less than German inaction' (Sikorski 2011). Also the former Spanish President Zapatero encouraged Germany to a more active role: 'We don't want Germany to be a defence player. We want Germany to be a striker' (Zapatero 2011a). By contrast, the current French President François Hollande does not hide his apprehension towards a too strong Eastern neighbour: 'Germany cannot decide for entire Europe' (Le Figaro 2012). How can we grasp Germany's role in the euro zone crisis? Is Germany a hegemon in the euro zone? And if so, how does its hegemonic role influence the relations to other member states? In this paper I contribute to the discussions on Germany's position in Europe by exploring its role in the negotiations to the Treaty on Stability, Coordination and Governance (TSCG; 'fiscal compact'). Against the background of Germany's bargaining power and ideational resources I argue that Germany acted as a hegemon during the negotiations as it shaped the outcome of the fiscal compact and diffused its norm of the 'stability culture' to the other member states.

In the next chapter of this paper I will define hegemony and draw from the existing literature on hegemony. In the following empirical chapter I assess the 'big picture' of a potential German hegemony in the euro zone by assessing its material and non-material foundations. Then I proceed to the fiscal compact negotiations which are an in-depth study of Germany's role in Europe. Lastly I conclude the main results of the study.

2 Theory: What Is Hegemony?

What is hegemony? There is no standard definition of the term in the literature (Nye 1990, 186). There are many conceptions of hegemony and not clarifying its meaning bears the risk of diluting the analytical insights it can deliver. The existing definitions can be grouped in two major types as they refer to either domination or to leadership (Lentner 2005, 736–738). Mearsheimer's understanding of hegemony fits well within the domination-strand. According to his reading of the term a hegemon 'dominates the other states in the system' (Mearsheimer 2001, 40-42). Hegemony is based on power-wielding of one state towards other states in the system. Hegemony is based on coercion and the consent of the followers is no condition to hegemony[1]. It is, however, hardly thinkable that the European Union witnesses this form of hegemony which does not require the consent of the followers. Consequently, this concept is of limited benefit if applied to European Union politics. As there are high institutional constraints to hegemony with a wide range of veto points (Link 2012, 1027-1028), leadership-based conceptions of hegemony seem more appropriate to the purpose of this study. The leadership-strand of the literature on hegemony rejects the idea of hegemony as domination by coercion (Lentner 2005, 736–738). According to Gramsci's Marxian-inspired approach establishing a hegemonic relation requires the 'active consensus of the governed' (Gramsci 1996, 1726; see also Markovits, Reich, and Westermann 1996). In a similar way, a definition of hegemony by Triepel (1938) encompasses the nature of hegemony as middle-ground between rule and 'mere' influence. It is a specific form of influence: the 'decisive influence' (Triepel 1938, 139–141). He describes three different criteria of hegemony: the first one is the material capabilities to

[1] This is precisely why Kindleberger, one of the main advocator of the Hegemonic Stability Theory, rejected the term hegemon as it was mostly used with 'overtones of force, threat, pressure' and thereby leaving aside that it 'is possible to lead without arm-twisting, to act responsibly without pushing and shoving other countries' (Kindleberger 1986: 841–842).

lead, hereby referring to military and economic preponderance without which a state cannot establish and maintain hegemony (Triepel 1938, 174–175; see also Keohane 1984, 32 and Nye 1990, 186). The second factor is 'originated in the willingness of the powerful to pursue more power' (Triepel 1938, 175–176). The third is the acceptance of hegemony among the follower states (Triepel 1938, 141–143). For a state to be a hegemon it has to satisfy all three criteria.

2.1) Hegemony and Material Power

When is a state predominant in terms of material resources? The literature mentions several factors which determine bargaining power of states in negotiations. A state's aggregate power, i.e. its overall capabilities such as 'territory, population, economic strength, military capabilities, technological development, political stability and administrative capacity' (Tallberg 2008, 688–689; see also Bailer 2010, 746) affect the bargaining power of an actor. The issue-specific power of a state is the 'state's resources in a particular issue, its commitment to this issue and its alternatives to a negotiated agreement' (Tallberg 2008, 692). The need for an agreement depends of the 'relative value that [a government] places on an agreement compared to the outcome of its best alternative policy' (Moravcsik 1998, 62; see also Odell 2010, 622; Warntjen 2010, 667–668). Institutional factors which determine the bargaining power are veto and voting rights or procedural control, such as the agenda-setting capacity (Bailer 2010, 745–746; Tallberg 2008, 694). Individual sources of power consist of a wide range of factors, such as personal authority, expertise, information, bargaining skills, respect and trust (Bailer 2010, 746–747; Moravcsik 1998, 57; Tallberg 2008, 702; Tallberg 2006, 29–31).

2.2) Hegemony and Socialisation

How does a state achieve the acceptance of its leadership among the follower states? In their seminal article on 'hegemonic socialisation' Ikenberry/Kupchan (1990) elaborate on the diffusion of norms from a hegemon to less powerful states in order to ensure the 'consent of the governed'. Norm diffusion is here understood according to Checkel's definition as 'a process of inducting actors into the norms and rules of a given community' (Checkel 2005, 804). In the context of hegemonic relations, the diffusion of norms ensures compliance with the hegemon's policy as leaders 'buy into and internalize norms that are articulated by the hegemon and therefore pursue policies consistent with the hegemon's notion of international order' (Ikenberry and Kupchan 1990, 283).

The literature has established three mechanisms of norm diffusion. First, norm diffusion and compliance can be rationally motivated when the secondary state internalises norms following incentives set by the hegemon. Material incentives are the 'use of threats and promises to alter the preferences of leaders in secondary nations' (Ikenberry and Kupchan 1990, 283). This policy change is likely to be followed by a norm change as the new policy is maintained and taken for granted, i.e. the norm is internalised. This is what Ikenberry/Kupchen call 'external inducement' (Ikenberry and Kupchan 1990, 290–292), Checkel 'strategic calculation' (Checkel 2005, 808–809) and Schimmelfennig 'intergovernmental reinforcement' (Schimmelfennig 2005, 830–832). Second, the hegemon can also diffuse its norms to other countries and ensure compliance by persuasion. Actors argue in order to achieve a reasoned consensus, are open to be convinced by other arguments and norms give orientation what the 'the right thing to do' (Checkel 2005, 812) actually is. They take them for granted and change their preferences and identity accordingly. This is what Ikenberry/Kupchan call 'normative persuasion' (Ikenberry and

Kupchan 1990, 290) and Checkel 'normative suasion' (Checkel 2005, 812). A third mechanism constitutes a middle course between the two aforementioned. When the secondary states are in uncertainty about the costs and benefits of alternative causes of actions they engage in role-playing and follow norms of appropriateness (Checkel 2005, 810). Norm diffusion and compliance is neither based on a narrow conception of rationality nor on persuasion, but on appropriateness. Actors follow norms because they have learnt what constitutes socially accepted behaviour in their environment. Once in a different environment, they might no longer follow these norms (Checkel 2005, 810–812).

3 Germany: A Hegemon in EMU?

There is wide agreement in the literature that the distribution of power in the EU was subject to significant changes in recent years. Germany is the EU's 'reluctant hegemon' (Paterson 2011) and 'number one' (Bulmer and Paterson 2013, 1392) which 'held and played the most important cards' (Hodson 2013, 197; see also Behr and Helwig 2012, 3; Dinan 2012, 88; Schönberger 2012, 3). It is 'Europe's benchmark' (Möller and Emmanouilidis 2010, 5) and it 'sets the pace' (Schwarzer 2010, 19). Is Germany indeed EMU's hegemon? The following section provides insights in Germany's position in the euro zone. It explores whether Germany satisfied the material and non-material conditions for hegemony.

3.1) Material Capabilities

As regards to the bargaining power, Germany is the euro zone's predominant member state. This refers to both the aggregate state power and the issue-specific power. The table below documents an array of indicators which are particularly relevant as they cover the issue-specific resources for negotiations in the euro zone crisis. It is compared to France, Ireland and Spain which compose a sample of other member states for the case study (see chapter 4 for details on selection criteria). Germany has by far the highest share of GDP in the euro zone with an increasing distance to France. It is the only country with three 'triple A' ratings which is of utmost importance to guarantee a smooth functioning of the ESM. As the ESM's credit rating is related to that of the euro zone member states, a good rating increases the importance of a country for the financing of the ESM and enhances its issue-specific power. Germany's historically low interest-rates indicate the trust it enjoys from financial market actors. It is thus in a key position to restore trust in the euro zone as well. Ranked fifth in a world-wide comparison, Germany's economy is the second most competitive of the euro zone with only Finland being ranked higher.

Table 1: Indicators of economic performance during the negotiations to the TSCG (data from 2012)

	Germany	France	Spain	Ireland
GDP/euro zone[2]	27.8 %	21.4 %	11.1 %	1.7 %
Credit rating[3]				
Fitch	AAA	AAA	AA–	BBB+
Moody's	AAA	AAA	Baa3	Ba1
Standard & Poor's	AAA	AA+	BBB+	BBB+
Interest rate state bonds (1st quarter)[4]	1,83 %	3,05 %	5,23 %	7,7 % (4th quarter 2010)
Competitiveness Ranking[5]	6	21	36	27

Source: own compilation based on indicated sources.

[2] Gross domestic income of the member states as share of the euro zone's GDP. Data from Eurostat-Online database, http://epp.eurostat.ec.europa.eu/portal/page/portal/eurostat/home/.

[3] Fitch: Fitch Places Belgium, Spain, Slovenia, Italy, Ireland and Cyprus on Rating Watch Negative, 16.12.2011; Fitch: France, 16.12.2011; Fitch: Germany, 20.09.2011; Moody's: France. Government of, 15.12.2011; Moody's: Germany. Government of, 15.12.2011; Moody's: Ireland. Government of, 15.12.2011;
Moody's: Spain. Government of, 15.12.2011; S&P: France. Republic of, 13.01.2012, S&P: Germany. Federal Republic of, 13.01.2012; S&P: Ireland. Republic of, 13.01.2012; S&P: Spain. Kingdom of, 13.01.2012.

[4] Eurostat-Online database.

[5] Schwab, Klaus (Ed.) 2012: World Economic Forum: The Global Competitiveness Report 2012-2013, Geneva: WEF, p. 13.

Compared to other member states there is no major pressure on Germany to achieve changes to the status quo as it reaps benefits from the common currency. Germany has a very strong interest in maintaining EMU, however, this can hardly be used by the crisis countries for blackmailing attempts as the costs of a breakup might be even higher for them. Consequently, the situation equips Germany with a powerful negotiation position. Germany's bargaining power benefits further from its ability to link different issues. As biggest contributor to the European Financial Stability Facility (EFSF) and the European Stability Mechanism (ESM) it disposes of a powerful instrument to demand concessions from other member states on other issues. As some member states were directly dependent on the joint funds and others not yet fully secure of the risk of applying for bail-out, Germany's bargaining power during the euro zone crisis was boosted by its crucial importance for any financial assistance (see e.g. Beach 2013).

There are certain constraints on a potential hegemonic role arising of Germany's domestic institutions (Schönberger 2012, 4). All major EU negotiations require approval in the national Parliament. This becomes is increasingly difficult due to the differentiation of the German party system with less clear majorities for the government coalition[6] (Schönberger 2012, 5). The polarisation of European politics questioned the reliability of the consensus on European integration among the political parties. Furthermore, the Constitutional Court *Bundesverfassungsgericht* has narrowed down the government's discretionary competences with some tough rulings (Bulmer and Paterson 2013, 1398–1399). Compatibility with the German constitution is conditional on a veto role for the national parliament in all budgetary

[6] Even though the current 'grand coalition' provides for a large majority for the government in the majority, most of the euro zone crisis management was done under the coalition government of the Christian-Democrats (CDU) and the Liberals (FDP).

issues. This restricts a possible upload of further competences on the EU level. These constraints narrow down the government's room or manoeuvre which is essential to assume a hegemonic role (Link 2012; Schönberger 2012).

The personalisation and identification of Germany's government with Angela Merkel puts her in the spotlight regarding power resources on the individual level. As an internationally recognised political leader she enjoys high levels of recognition which exceed those of many of her peers in the European Council. Successful elections have added further strength to her government. Also other ministers or high diplomats benefit of a high reputation (see e.g. Paterson 2011, 64). However, the lack of pro-European leaders and of a vision for Europe has reduced Germany's capacity to be in the role as hegemon (Bulmer and Paterson 2013, 1398). Merkel has never aspired the role as most important leader in the EU, but the crisis imposed it on her (Behr and Helwig 2012, 11; Paterson 2011, 65). The 'leadership avoidance reflex' (Paterson 2011, 72) characterizes well Germany's government and state apparatus as well Chancellor Merkel as its leading personality. The close consideration of the largely hostile public opinion pressured Merkel to engage in a discourse of German interest which also limits the government's capabilities to assume a hegemonic role (Featherstone 2011, 201).

Summing up, Germany disposes of considerable bargaining power in the euro zone crisis. Its economic strength is preeminent and it increasingly qualifies as the EU's 'material giant'. Particularly the issue-specific strength adds to Germany's strong negotiation position. Constraints arise from domestic institutions and from the individual leadership level.

3.2) Persuasive Capabilities

As regards to ideas as resources for persuasive capabilities, Germany's policy is guided by ordoliberalism. It is a genuinely German strand of economic theory which provides for a set of norms resonating with Germany's state identity in EMU-related questions (Behr and Helwig 2012, 7; Dullien and Guérot 2012). Its cornerstone is the 'stability culture' (Fitoussi and Saraceno 2004, 1152–1154; Heipertz and Verdun 2010, 92–93; Howarth and Rommerskirchen 2013; McNamara 2006, 815), defined as 'a common economic policy perspective whose primary concern is price stability which is considered to constitute a vital framework for the market economy (…) and the preservation of social peace' (Howarth and Rommerskirchen 2013, 753). It rejects Keynesian anti-cyclic spending (Behr and Helwig 2012, 7). Its background is a particular reading of Germany's history before World War II and the experience of hyperinflation and the subsequent rise to power of the *Nazi* movement (Risse et al. 1999, 168). Many of the characteristic traits of Germany's economic policy, such as the emphasis on exports-led growth, price stability and fiscal and budgetary discipline, can be traced back to the ordoliberal ideational paradigm (Behr and Helwig 2012, 7). This ordoliberal set of ideas provides for an attractive asset in deliberations. The term is prominently placed in the discourse of the government and was openly endorsed by the government. According to Chancellor Merkel, 'Europe needs a new stability culture' (Merkel 2010) as a benchmark that 'must be followed worldwide' (Merkel, cit. in Bonatti and Fracasso 2013, 1031).

Some constraints arise from Germany's nation-state identity. Against the background of Germany's Nazi past, Europeanness has been a core norm for German policy makers to follow in the post-World War II period. Translated into day-to-day politics, this meant a normative commitment multilateralism and problem-solving instead of hard bargaining strategies (Paterson 2011, 57). The normalisation of German identity started during the government of Schröder (1998-2005), who was less reluctant to defend Germany's national interest: 'Germany standing up for its national interests will be just as natural as France or Britain standing up for theirs' (Schröder 1998). This and the rather pragmatic interest-based approach to European integration of the Merkel government indicate a certain 'normalization' (Kundnani 2011, 37–39) of Germany's foreign policy in the EU. Nonetheless, the normalisation is still not finished and identity remains a constraint on Germany in the euro zone crisis. Reconciliation with France has been another guiding norm of Germany's EU policy (Dinan 2012, 89; Bulmer and Paterson 2013, 1393). From an external point of view, the 'shadow of history' over Germany delegitimises a hegemonic role in other EU member states. Against this background, a hegemonic role faces significant constraints rooted in Germany's state identity and its perception abroad.

Summarising the main points on Germany non-material resources, it disposes attractive persuasive capabilities. Ordoliberalism is an ideational resource which underpins the economic role model performance from Germany. Nonetheless, doubts remain. Even though the persuasive capabilities of Germany are high, it is still restricted by associations to its Nazi past and the lack of willingness to assume leadership.

4 Case Study: The Treaty on Stability, Coordination and Governance

After demonstrating both the material predominance of Germany as well as the constraints of a hegemonic role it faces, the negotiations on the Treaty on Stability, Coordination and Governance (TSCG; 'fiscal compact') will be analysed in this chapter in order to gain empirical insights on Germany's role in EMU negotiations. It was selected as it is one of the three 'big bargains' in the euro zone crisis besides the European Stability Mechanism (ESM) and the Banking Union. If Germany is a hegemon, an analysis of the decision-making process leading to the fiscal compact is likely to give evidence to it. The analysis is based on Germany's bargaining power as well as its ability to diffuse the norm 'stability culture' (Howarth and Rommerskirchen 2013; Fitoussi and Saraceno 2004, 1152–1154) to other member states during the negotiations. In order to analyse the German negotiation strategy more in detail a sample of three member states was selected as points of reference (or even counterpoints) to Germany. The selected countries are France, Spain and Ireland due to variation in size and power. France is the second most powerful country in the EU and traditionally a shaper of policies at the EU level, too. Spain represents the middle-sized and Ireland the small-sized countries. Consequently the sample provides for insights into a potential hegemonic role for Germany against an array of representatives types of countries.

4.1) Provisions of the TSCG

The heads of state or government agreed on the main provisions of the TSCG at the European Council summit of 08/09 December 2011. After subsequent detailed negotiations, it was signed on 02 March 2012 and entered into force on 01 January 2013. It is a treaty of international law as an amendment of the EU Treaties was vetoed by the United Kingdom. All of the then 27 member states except the UK and the Czech Republic signed the agreement. The TSCG consists of three parts. In the first, states oblige themselves to a balanced budget (TSCG, Art. 4). It operationalises the debt criteria from Stability and Growth Pact (SGP) which limits public debt at an amount equal to 60% of the GDP. The newly introduced 'structural deficit' (TSCG, Art. 3(1)) of a member state is restricted to 0.5% of GDP a year. The ratifying member states are obliged to translate this 'debt brake' in their national legal systems 'preferably' on constitutional level (TSCG, Art. 3(2)). The implementation of the debt brake is under surveillance of the Court of Justice of the European Union. The member states (but not the European Commission) have the right to bring a case before the court (TSCG, Art. 8). Sanctions are triggered 'semi-automatically' with the 'reversed qualified majority' (TSCG, Art. 7). If a ratifying state violates the deficit criterion and the Commission proposes a fine, it enters into force unless a qualified majority of the member states decides against it. The ratification of the TSCG is a pre-condition for receiving funds from the ESM (TSCG, preamble). The second part of the TSCG aims to strengthening the economic policy coordination in the euro zone without containing precise measures (TSCG, Art. 9-11). The third part codifies the institutional structure of the euro zone as it has already been specified in the Conclusions of the European Council summit of August 2011 (European Council Conclusions, 26/10/2011). It institutionalizes the Euro Summits as the euro zone's equivalent to the European Council meetings (TSCG, Art. 12).

4.2) The Preferences of Germany

Germany's main aim in the negotiations was to strengthen fiscal discipline in the euro zone. Establishing a 'golden rule' had highest priority for Germany during the negotiations (Agence Europe 2012). In order to achieve compliance with the new rule Germany's attempts were directed towards strengthening the role of the Commission and of the Court of Justice in monitoring the 'debt brake' and sanctioning any violations (Merkel 2011, see also Beach 2013, 121-123). Achieving a treaty change instead of a mere amendment of the respective protocol aimed to increasing credibility as well as satisfying the critical domestic public opinion in Germany. This included the willingness of proceeding without the United Kingdom

(Merkel/Sarkozy 2011). The government was worried that the price to be paid for accommodating the UK's demands would be risking the substance of the agreement by introducing too many derogations (Schäfer 2013, 114). Germany insisted on two red lines during the negotiations. First, it was not willing to any restrictions on its huge export surplus (Schwarzer 2010, 18–19). Second, it directly linked ratification of the TSCG with receiving funds from the ESM. As an exchange, it agreed setting up the ESM one year earlier than originally envisaged (Beach 2013, 126). In the course of the negotiations, Germany was seeking close cooperation with France. Granting a key role to France fits very well to the constraints on Germany's state identity regarding a unilateral leadership and the resulting importance of Franco German cooperation (Beach 2013, 116).

4.3) The Preferences of France, Spain and Ireland

The French priority in the negotiations was insisting on an intergovernmental institutional architecture of the euro zone. It was the prioritised objective and France was a 'driver' towards shifting the institutional architecture of the euro zone towards the intergovernmental paradigm (Sarkozy 2011b; see also Dinan 2011, 107). France was even willing to agree on Germany's preference for more fiscal surveillance if in exchange EMU governance remained under intergovernmental control (Sarkozy 2011a; see also Beach 2013, 117). Nonetheless and in line to its preference for an intergovernmental institutional structure, France wanted to use the 'reversed qualified majority' for less cases than Germany and defended the principle of an 'ordinary' qualified majority (Schäfer 2013, 115). Similar to the old idea of a *directoire*, France also advocated an agreement without all member states (Ludlow 2012, 13–19). Furthermore, it opposed Germany's preference for granting the Commission the right to take proceedings against member states not complying with the ‘golden rule’. It feared a ‘gouvernement des juges’ as opposed to a democratically legitimate government and objected a strong role for the Court of Justice as well (Grant 2011; Ludlow 2012, 13).

Spain might have been the strongest supporter of Germany. It has already adopted and implemented a ‘debt brake’ in 2011 which clearly followed the one Germany introduced two years earlier (Rajoy 2011). The ‘role model impact’ of Germany has hardly ever been as strong as it was on Spain during the TSCG negotiations (Montero Ramos 2011, 2). The Rajoy government had already been elected, but not yet entered office. It was still closely linked to Germany on the ideational dimension at that time (Ludlow 2012, 43). There was not yet evidence for the latter divide when Spain shifted towards the southern coalition of the euro zone. Spain supported more competences for the Court of Justice and the Commission – partly due to the expectation to achieve support and a more stable institutional architecture, partly due to the strong normative commitment to supranational integration (Rajoy 2012; Zapatero 2011b; see also Dinan 2011, 109). Proceeding without the United Kingdom was meeting Spanish approval as long as the membership of Spain itself in the ‘in-group’ of European integration has not been asked (Mestres 2012, 18). It was, however, opposing the idea of a treaty change which was rejected as too inefficient and taking too much time (Cué and González 2011). The existence of a ‘debt brake’ in the Spanish constitution made it rather easy for the Spanish government to approve the conditionality link between the ESM and the TSCG. Spain prioritised to have a start of the ESM one year earlier in order to have a safety net for a possible bail-out (Beach 2013, 126). The only major point of disagreement with Germany was criticism at Germany’s export surplus (Zapatero 2011b). This was, however, not part of the core negotiations of the TSCG as it pertains to a slightly different policy area.

Ireland was in a difficult position during the negotiations. Its main concern was to avoid a referendum on the fiscal compact. This however was inevitable if Germany would successfully impose that the 'debt brake' was to be implemented on constitutional level. Any such legal acts are automatically subject to a referendum in Ireland. The government attempted to water down the prescriptions on the legal level and also objected the initiative of a treaty change (Kenny 2011b, 2011d). Its achievement was a formulation saying that the provision should be implemented 'preferably constitutional', hereby not making it mandatory. However, even though the government assumed this would be enough to avoid a referendum, surprisingly it was not (Kaczmarek 2012). Another setback was the collective agreement on moving on without the UK. Ireland's ties to the UK are as close as to no other member state and in many policy areas they pursue similar preferences. An agreement without the UK was thus a major blow for Ireland (Kenny 2011). Nevertheless, it accepted stronger role for the Commission in matters of fiscal surveillance and did not object the involvement of the Court of Justice (Gilmore 2012). The trade-off of linking ESM and TSCG in exchange for an earlier start of the ESM was accepted by Ireland, even though with major difficulties as – especially in case of a referendum – the government was not sure to obtain the required majority in the public vote (Beach 2013, 126).

4.4) Assessment

The table below summarises the negotiation positions of the four member states as described above. It gives insights in two respects: first, to what extent the member states in the sample achieved to negotiate their preferences in the agreement. '+ +' means that the TSCG provisions on this issue correspond widely to the preferences of the respective member state. By contrast, the assessment '– –' says that the member state's preference was widely different to the negotiation outcome. Second, the table reveals the similarity or difference of Germany's preferences to those of other member states. This is important to assess a hegemonic role of Germany as hegemony as defined here is assessed in terms of a specific state of the relations between states. Many '+ +' for Germany *and* the other member states would mean that Germany negotiated successfully and achieved to diffuse its norms. We can then infer a hegemonic role for Germany. Many '+ +' on the side of Germany and many '– –' assessments for the other member states mean that Germany pursued its preferences successfully and shaped the outcome, but could not socialise the other states into its policies. A negative assessment for Germany (such as '– –') would show that it had no 'decisive influence' (see Triepel above) on the outcome and thus is not a hegemon at all, independent of its relations to the other member states' preferences.

Table 2: Overview of TSCG provisions and member states' preferences

	A	B	C	D	E
00	**TSCG Provision**	**Extent to which the TSCG reflects the preferences of…**			
		Germany	**France**	**Spain**	**Ireland**
01	**Legal form of the agreement**	+ +	+ +	+	– –
02	**Number of signing parties**	+	+ +	+	–
03	**Legal form of the 'golden rule' in national legal system**	+	+	+	– –
04	**Link between TSCG ratification and access to ESM funds**	+ +	–	+	–
05	**Competence of the Commission to take up proceedings at the CoJ**	–	+ +	–	+
06	**Introduction of the 'reversed QM'**	+	–	+	+
07	**Competences of the CoJ**	+	– –	+	+
08	**Institutional Architecture of the euro zone**	+	+ +	–	+

The table clearly demonstrates that Germany shaped the outcome according to its preferences. The only concession is the failed transfer of competences to the Commission for taking proceedings at the Court of Justice if one member state does not implement a 'debt brake' in the national legal system. On a general level, there is clear evidence that the negotiation success of Germany was not 'only' power wielding. It diffused its norm of the stability culture as many preferences of other member states correspond to those of Germany. Its relatively successful economic performance during the financial crisis and the euro zone crisis and the early recovery increased its ideational bargaining power. Whereas Southern European countries found themselves in a deep economic crisis, Germany enjoyed new lows of unemployment. This gave credibility to Germany's economic policy and leverage to propose fiscal discipline and competitiveness as remedy to the problems of the crisis countries in the euro zone. Establishing a 'competitiveness paradigm' in the euro zone was a big success for Germany. It is highly evident in the discourse of the case study countries that competitiveness is a norm to be achieved (Rajoy 2012; Rajoy 2011a; Sarkozy 2012; Sarkozy 2011b; Zapatero 2011a; Kenny 2011a; Kenny 2011b).

France pursued preferences successfully in the TSCG negotiations. The intergovernmental institutional architecture of the euro zone mirrors its preferences and it successfully limited the competences of the Commission in the surveillance of the TSCG. The strong role of France in the negotiations might at first sight seem unexpected given its limited bargaining power, but there are three partly complementary explanations for it. First, France benefitted from its privileged position for Germany. Due to the 'leadership avoidance reflex' in Germany's nation state identity, France is needed as 'legitimiser' to reconcile a German hegemonic role with Germany's state identity. Second, the pre-negotiations in the Franco German tandem permit France to back its preferences with Germany's bargaining power. Once a package deal between the two member states is reached, the 'French' elements in this deal are backed by Germany's bargaining power as well. Lastly, some of France's policy preferences give hints to a diffusion of the stability culture from Germany. Sarkozy's appreciation for the '*modèle allemand*' is well documented (Demesmay and Rittelmeyer 2012, 26) and meets support in the population. 62% of the French citizens regarded the German model as 'inspiring' in January 2012 (Institut Français de l'Opinion Publique 2012, 12). There is, however, evidence that the notion of 'stability culture' in French politics during the TSCG negotiations is rather role playing than normative suasion. German leadership is hardly reconcilable with France's nation state identity and would require a prior identity change. The subsequent policy of the Hollande government, which challenged and did not follow any German stability culture ideas, demonstrates very clearly that a taken-for-grantedness of the stability culture has never taken place in France.

As the table above demonstrates, Spain's preferences were almost identical with Germany's. Consequently, also the outcome of the negotiations reflects many Spanish preferences as well. Is this a case of excessive role playing or can we infer persuasion and successful processes of norm diffusion from this? There is considerable evidence that normative suasion has taken place. 'Debt brakes' in national constitutions became a symbol of fiscal discipline as key element of the stability culture. It is striking that Spain already introduced a debt brake in its constitution in September 2011 even before the TSCG negotiations began and when it was all but clear that it would pass. Also the discourse of the Spanish government gives hints towards deeply ingrained beliefs diffused from Germany. The then Spanish Prime Minister Zapatero called openly for a 'more German Europe' (Zapatero 2011b) and praised himself of 'adopting many of the policies which were also part of the Agenda 2010 [the German labour market reforms, DS] of Chancellor Schröder in order to restore productivity and competitiveness in Spain' (Zapatero 2011a). This gives evidence to the view of normative suasion in the case of Spain.

Ireland was disagreeing on several issues of the negotiations. It was particularly against the legal form of the agreement and against the 'preferably constitutional' rank of the implementation of the TSCG in the national legal order. This raises the question why Ireland finally agreed to the TSGC and implemented the debt brake as key element of the 'stability culture' in its national legal order. An explanation is rooted in norm diffusion through strategic calculation. Even though Ireland disagreed on many TSCG provisions, its ratification still provided for many benefits. The most obvious is the linkage between the TSCG and the

ESM. Financial support of the ESM was made conditional on ratifying the fiscal compact. As Ireland's return to the financial markets was relative uncertain at the time of the negotiations, it needed ratifying the fiscal compact to ensure its access to the bail-out funds. Its acceptance of the 'debt brake' was incentive-driven. The price of vetoing or not ratifying the TSCG would have outweighed the costs of doing so. Consequently, Ireland's agreement on the fiscal compact was motivated by strategic behaviour based on a calculation of its costs and benefits.

5 Conclusion

In this paper I analysed whether Germany is a hegemon in the euro zone crisis. Hegemon was defined as leadership which requires material predominance, the willingness to lead and the acceptance of the leadership among the follower states. Based on this definition, I intended to find out if besides being a 'material giant' Germany is also able to socialise other member states in its policies. The norm to be observed was the stability culture.

On the material dimension of hegemony, Germany's predominance in the euro zone is obvious. Both the indicators for the aggregate and issue-specific state power, such as the GDP, competitiveness, interest-rate spread and credit-rating, demonstrate its vast material resources. Additionally its bargaining power increases as Germany enjoys a status quo advantage compared to other EMU member states far worse off. There is also evidence that Germany has strong position on the non-material dimension of hegemony. Even though still reluctant, it is increasingly prepared for assuming a hegemonic role. Furthermore, its strong economic performance during the crisis made it a role model for other countries. The ordoliberal ideas provide an attractive asset for deliberations on the right course of action and increase Germany's power in this respect.

Germany's material strength does not remain without repercussion to the balance in the Franco German tandem. France assumed an important role in the negotiations, however, partly no longer because of its own strength, but because of the privileged access to Germany. This met with a considerable support towards the German 'stability culture' in France. However, this was not long-enduring and it seems like role-playing of France's government towards Germany's norms. Spain's preferences almost mirrored those from Germany. The government in Spain has actively advocated most of Germany's preferences during the TSCG negotiations and there is evidence for a norm diffusion of the 'stability culture'. As the study demonstrated, there is evidence that the Spanish preferences are the result of normative suasion. The stability culture is prominently placed in the discourse and the implementation of a debt-break even before the TSCG negotiations can hardly be explained by strategic calculation and do not fit role playing assumptions. By contrast, Ireland seems a clear case of norm diffusion through strategic calculation. Ireland finally accepted most of Germany's proposals, however, most of them only after considering the benefit of signing the TSCG in order to maintain access to the ESM.

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