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Abstract

This article compares the interconnections between dominant economic thought and processes of policymaking in the area of labour market and social policy reforms in Germany in the late 1960s and the early 2000s. The transition in labour market policies that took place in this period could be described as a change from an “active” to an “activating” approach. At the level of economic discourse, and especially in economic policy advice, these policy changes correspond to a paradigm shift from Keynesian to neoclassical/neoliberal economic thought. In order to analyse and contrast economic, political and discursive trends, we investigated these changes by locating them in the context of the debates on welfare state transformation and by focussing on two distinct reforms of labour market policies in Germany. To this end, we carried out a critical discourse analysis (CDA) which combines analyses of the politico-economic media discourse and of academic expert discourse on labour market and social policies. We find that the paradigm shift in economic thought was accompanied by a shift in economists’ discourse on social policy issues.

Keywords: critical discourse analysis, political power of economic thought, labour market and social policy reforms, welfare state transformation

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1 Introduction

In this paper we provide a comparative analysis of two reforms of labour market policy (LMP) in the late 1960s and the early 2000s in Germany, by that means focusing on the different role of economic thought and economic advice. The two reforms are closely related to two distinct approaches to LMP and can therefore be considered landmark reforms regarding the implementation of *active* and *activating* LMPs in Germany, respectively. This shift in LMP has to be interpreted against the backdrop of parallel trends of a welfare state transformation (from a Keynesian Welfare State to a Schumpeterian Workfare State) and a paradigm shift in economic thought (from Keynesian to neoclassical/neoliberal economics), inducing new modes and new actors of (privatised) economic policy advice.

Our main aim is to analyse, to quote the title of a famous book by Peter A. Hall (1989), “the political power of economic ideas” in the specific context of LMP reform. More precisely, we investigated the roles played by economic terms, concepts and theories in the transformation of LMP and the broader welfare state by addressing the following research questions: How should we conceptualise the relationship between economic thought and policy reforms in the 1960s and in the 2000s? How significant was the influence of economists, for instance, as academic experts or as policy advisers within think tanks and advisory boards, on the process of social policy-making? What characteristic lines of argument can be derived from economic expert or public discourses of economists and how did they feed into the process of LMP reforms?

In order to answer these questions the remainder of the paper is structured as follows. We start by outlining the theoretical and methodological framework of the paper (section 1) and introduce the empirical case studies (section 2). Here, the policy processes associated with the two labour market reforms are reconstructed to analyse influencing factors. In section 3 we then present a critical discourse analysis of the interpretative frames underlying these policy changes. Finally, in section 4 we draw conclusions regarding the changing role of economic thought in the process of policy-making.

2 Historical developments and theoretical considerations

Our starting point is the debate on welfare state transformation that has accompanied the changes in political economy since the 1970s. Authors, particularly those from a neo-Marxist tradition, stated a far-reaching transformation of the state in the critical transition process from Fordism to Post-Fordism. Using the changing functional requirements associated with this metamorphosis of capitalism as an analytical starting point, these authors asked how different nation states adjusted their economic and social functions to the new conditions in accordance with the political power relations and the institutional frameworks within the context of the time (Hirsch 2005; Altvater/Mahnkopf 2007: 478-516).

In his ambitious account, Bob Jessop (1993, 2002: 140-171), for example, introduced his hypothesis of the transition from a Keynesian Welfare State (KWS) to a Schumpeterian Workfare State (SWS).¹ In terms of social reproduction, this transition implied a strategic re-orientation of state functions from the aim of stabilizing demand in the framework of the nation state to that of improving supply in a global framework. The KWS seeks to achieve its ends by generalising (collective) norms of consumption, for example, by guaranteeing certain standards for collective bargaining and social rights. The SWS, however, bets on strengthening the competitiveness of the economy, for instance, by increasing the flexibility of labour markets and reducing social expenditure.

Building upon Jessop's analytical framework, numerous scholars have focused on the replacement of (decommodifying) welfare measures with (recommodifying) workfare measures associated with the transition from KWS to SWS in the fields of social welfare and labour market policy (e.g., Grover/Stewart 1999, Atzmüller 2014). They have also tried to improve the framework methodologically in order "to explore, and to speculate about, the embryonic regulatory *functions* of workfarism, and to do so in a way that is not functionalist" (Peck 2001, 351/358).

In accordance with these approaches we further investigate the transformation of state functions analysed so far on a macrolevel by re-conceptualizing it as a policy change on a microlevel in certain policy areas. Concretely, we focus on LMPs where this transition has been described as a policy change from an "active" to an "activating" approach (Weishaupt 2011). Both models have been promoted as guiding principles by international organizations such as the Organization for Economic Cooperation and Development (OECD), the International Labour Organization (ILO) and the European Union (EU).

However, whereas the former was developed in the 1960s in the context of economic prosperity and full employment, the latter emerged in the 1990s in the context of economic crisis and mass unemployment. And while "active" LMP in the framework of the KWS consisted primarily of enabling measures that enhance the (e.g. regional and occupational) mobility of labour power, "activating" LMP in the framework of the SWS operated first and foremost on the basis of restrictive measures for rapid reintegration of the unemployed into the (first) labour market (Bonvin 2004, Handler 2004).

Furthermore, while the concept of "active" LMP was embedded in a macroeconomic policy framework inspired by Keynesianism (e.g. countercyclical fiscal policy), the concept of "activating" LMP was "disembedded" in macroeconomic terms due to the dominance of neoliberalism (e.g. fiscal policy under

1 With respect to the tendencies of a "denationalization" and a "destatization" of the state Jessop (2002) conceived the KWS as a "National State" and the SWS as a "Postnational Regime".

the imperative of austerity measures). Against this background, it seems obvious to further investigate the economic discourse associated with these distinct approaches to LMP.

At the level of economic discourse, the policy change from active to activating LMP corresponds to the paradigm shift from Keynesian to neoclassical economic thought (e.g. Hall 1989). Soon after the publication of Keynes' seminal work "The General Theory of Employment, Interest and Money" in 1936, many economists tried to "formalise" Keynesian theory (Hicks 1937; Klein 1947) and/or to combine it with neoclassical theory (known as the neoclassical synthesis, cf. Samuelson 1947, 1948). The stark opposition to these two developments on a theoretical and epistemological level led Keynes' collaborators to establish a new school of economic thought (Post-Keynesianism) in which his concept of "fundamental uncertainty" is at the centre of economic analysis (Robinson 1953; Hansen 1953; Kalecki 1954). Nevertheless, "Keynesianism" in its mainly neoclassical interpretation replaced neoclassical general equilibrium models as the guiding principle for economic policies after WWII – a development which was subsequently reversed from the 1970s onwards in the course of the neoliberal transformation, which led to the re-establishment of the neoclassical paradigm (Backhouse 1997; Fourcade 2009).

Whereas "Keynesianism" is characterised by the "economic imaginary" (Jessop 2010: 344)² of the need for active economic management in the light of the "planning euphoria" of the 1960s (e.g. in the German context the concept of macroeconomic management or "Globalsteuerung"),³ neoclassical neoliberalism strictly opposes active policy measures in favour of the "economic imaginary" of a self-regulating market mechanism. And while the former promoted demand-oriented policy measures in order to achieve the primary aim of full employment in the framework of the KWS, the latter aims mainly to improve the supply side of national economies with the primary goal of a balanced budget in the framework of the SWS.

Table I: Theoretical Considerations in three Dimensions

<p>I. Welfare State Transformation: Transition from a <i>Keynesian Welfare State</i> to a <i>Schumpeterian Workfare State</i></p>	<p>Goals: Stabilizing demand (nation state) → Improving supply (global framework) Means: Universalizing norms of consumption → Flexibilisation of labour markets and reduction of social expenditure</p>
<p>II. Policy Change in Labour Market Policies: Transition from "active" to "activating" Labour Market Policies</p>	<p>Context: Economic prosperity and full employment → Economic crisis and mass-unemployment Framework: Embedded in a macroeconomic policy framework → "Disembedded" in macroeconomic terms</p>

² The term "economic imaginary" in this article is understood as a heterogeneous set of economic ideas, economic thought and economic worldviews serving as guiding principles for economic policy processes (Jessop 2010).

³ Coddington (1976) described the strong belief in the predictability of economic processes in derogatory terms as "hydraulic Keynesianism".

<p>III. Discursive Shifts in Policy Advice/Planning: Transition from Keynesian to neoclassical/ neoliberal economic thought</p>	<p>Goals: Active economic management → Self-regulating market mechanism Means: Demand-oriented policy measures → Improvement of the supply side</p>
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3 Methodological Approach

In the field of (critical) policy studies, a wide variety of interpretative or post-positivist approaches have been elaborated in recent years (e.g., Fischer and Gottweis 2012). Their core idea is that social phenomena and developments are constructed or mediated by ideas, knowledge or discourse. Hence, as Fischer and Forester (1993: 6) put it, (political) “problem solution depends on the prior work of problem construction [...], and this work is deeply rhetorical and interpretative”. Building on this argument, we consider policy-change to be based on, or guided by, discursive changes (e.g. Hajer 2003, Schmidt 2011).

Therefore, the basic analytical approach employed in this paper is based on the methodological framework of critical discourse analysis (CDA) (e.g. Fairclough 1992, Wodak 2013). CDA is a socio-linguistic approach that focuses on the use of language in combination with social and cultural hegemonic processes. This means that CDA assumes a close connection between (i) trends in (economic) thought, (ii) the specific use of language in political debates and argumentation patterns as well as (iii) the social settings and social contexts from which a specific discourse develops. Discourses are thus understood as complexes of statements and discursive practices of actors that generate hierarchical systems of knowledge and form the perception and interpretation of social reality (e.g. Van Dijk 2008).

The analysis of specific discursive events must therefore be accompanied by an analysis of, amongst other things, changing institutional settings and politico-economic processes. As Fairclough and Wodak (1997: 258) pointed out prominently in their attempt to develop a CDA approach, “Describing discourse as social practice implies a dialectical relationship between a particular discursive event and the situation(s), institution(s) and social structure(s) which frame it. A dialectical relationship is a two-way relationship: the discursive event is shaped by situations, institutions and social structures, but also shapes them.”

Referring to such a broad understanding of CDA we are not only analysing the discursive patterns related to the policymaking process but also its politico-economic and institutional context. Due to this, we also attempt to contribute to the debate on the role of CDA in (critical) policy studies (e.g. Jessop 2010: 340, Schmidt 2011: 114, Fairclough 2013).

4 Empirical Case Studies

On the basis of the theoretical and methodological considerations above, we introduce our empirical case studies regarding the two labour market reforms in Germany in this section. We start with the *Labour Promotion Act* of 1969 and proceed to the *Fourth Law for Modern Services in the Labour Market* of 2005 with the aim of reconstructing the policymaking processes in order to analyse the influencing factors.

4.1 The Labour Promotion Act (*Arbeitsförderungsgesetz, AFG*) of 1969

Economic and political context: In 1966/67, the first economic downturn after more than a decade of prosperity and full employment resulted in rising unemployment in the German labour market. In response to the crisis, a grand coalition of Christian Democrats (CDU) and Social Democrats (SPD) formed under the leadership of chancellor Kurt G. Kiesinger (CDU) (Lutz 1989: 205ff.).

Labour-market policy: The minister for social affairs, Hans Katzer (CDU), launched the *Labour Promotion Act* (AFG) in 1969. With the AFG, an active LMP was introduced as a “micropolitical counterpart of the macropolitical Keynesianism” (Schmid/Oschmiansky 2006: 333) in order to fight unemployment, labour shortages and so-called “inferior employment” in a more preventive and flexible way. Hence, in addition to the traditional (passive) means of LMP (unemployment benefits, job placement) a wide range of (active) measures was introduced. These active measures primarily sought to improve the (e.g. regional or occupational) mobility of the labour force (Kühl 1982).

Policymaking process: The draft of the AFG was presented to the German Bundestag in November 1967, where it was assigned to the Parliamentary Committee for Work. In May 1969 the substantially revised bill was adopted by the Bundestag and came into force on July 1, 1969, after one and a half year of intense debate and modification.

Influencing factors: Many scholars have stated that the AFG was influenced considerably by the social partners, and especially the trade unions, which exerted influence on the legislative process via both formal (e.g. invitation to public hearings) and informal channels (e.g. coordination process regarding the first draft) (Kühl 1982: 252ff.). However, the government itself – in particular leading politicians and civil servants in the BMAsV, but also minor officials in the relevant departments – were classified as the most influential actors (Altmann 2004: 146).

Role of economic expertise: The public hearing of the Parliamentary Committee for Work was the first occasion for economists to participate on a formal level as academic experts in the policymaking associated with the AFG. Several of the economists involved were representatives of public advisory bodies (e.g. the German Council of Economic Experts, GCEE) or from large economic research institutes (e.g. the German Institute for Economic Research) (GesDok AFG: A2 [12]). Some of these actors, such as the Council of Economic Experts, also tried to influence the legislative process on a more informal level by commenting on

existing proposals or by submitting new ones (Schmid/Oschmiansky 2006: 342; Altmann 2004: 138). The same was true for the central think tanks related to trade unions and employers' associations (ibid.: 105/107; Kühl 1982: 254).⁴

4.2 The Fourth Law for Modern Services in the Labour Market (Hartz IV) of 2005

Economic and political context: In 2001/2 an economic downturn put an end to the short recovery phase of the late 1990s and led to a further increase in the already high unemployment rates. In response to the crisis, the governing coalition between the Social Democratic Party (SPD) and the Green Party under the leadership of chancellor Gerhard Schröder (SPD) initiated a far-reaching policy change (Butterwegge 2005: 167ff.).

Labour-market policy: In February 2002 Chancellor Schröder established the "Modern Services in the Labour Market" expert commission chaired by Peter Hartz (Weimar 2004). After Schröder won the elections in 2002, he immediately started to implement the proposals of the commission by presenting four bills on "Modern Services in the Labour Market", better known as "Hartz I" to "Hartz IV" (Jan/Schmid 2004). Especially the last of these bills, the new "Basic Provision for Jobseekers", which was established by the Hartz IV legislation in 2005, marked the final breakthrough of an activating LMP in Germany. Hence, its primary aim is to strengthen "personal responsibility" and promote "economic independency" by ensuring rapid reintegration of the unemployed into the labour market (Mohr 2007: 198ff.).

Policymaking process: The draft of Hartz IV was presented in the German Bundestag in September 2003, where it was assigned to the Parliamentary Committee for Work and Economic Affairs.⁵ In October 2003 the marginally revised bill was adopted in the Bundestag. However, in November 2003 the bill was rejected by the (conservative-dominated) Bundesrat in favour of an alternative bill proposed by the Christian Democrats of the State of Hesse. A conciliation committee was subsequently established which reached an agreement in the form of a new bill that was adopted by the Bundestag and the Bundesrat in December 2003 and that came into force on January 1, 2005.

Influencing factors: As Wolfgang Streeck's (2003) assessment of the end of the "century of corporatism" in Germany suggests, the role of the social partners and especially the trade unions in the policymaking

4 Namely, the Economic and Social Research Institute associated with the DGB and the Cologne Institute for Economic Research associated with, amongst others, the BDA.

5 An important change took place at the institutional level after the Schröder administration was re-elected in October 2002, as the former Federal Ministry of Labour and Social Affairs – which was traditionally closely affiliated to representatives of the employees in both of the major parties – was broken up and the Labour Department was merged with the former Federal Ministry of Economics and Technology (Schmidt 2007: 306; Hassel/Schiller 2010: 227).

process was rather limited, as in-/formal channels of influence had been closed. Therefore, also in the context of the Hartz IV reform, the government was the most influential actor, especially leading politicians and civil servants in the newly established Ministry of Economic Affairs and Labour, but also minor officials in the relevant departments (Hassel/Schiller 2010: 20/229).

Role of economic expertise: A far-reaching change in the policymaking process in terms of the role of economic expertise became apparent in the context of Hartz IV (Patzwaldt 2008; Pautz 2012): On the one hand, traditional channels of influence, both formal and informal, expanded.⁶ On the other hand, several new channels were established, most notably expert commissions such as the “Hartz-Kommission”, in which economists were not represented directly but which asked for economic expertise in multiple ways (Siefken 2006). Another channel was the direct involvement of economists from privately funded think tanks in the policy-making process. Thus, to name one example, the government contracted the private foundation Bertelsmann Stiftung to moderate a working group of politicians and civil servants concerned with the reform (Spindler 2007). A last channel consists of individual economists, such as Hans Werner Sinn, head of the publicly funded ifo-Institute for Economic Research, who acted as a kind of a “Policy Entrepreneur” (John Kingdon) in order to exert influence on the reform.⁷

5 Labour market policies in academic and public discourses of economists

In order to highlight the shifts in our two examples of labour market policies and particularly the changing role of economic thought and distinct economists in these processes, we focused on the interconnectedness between discursive patterns present at the following two levels. First, we analysed the argumentative patterns of economists participating in the politico-economic media discourse on social and economic policy reforms, concentrating particularly on the language used to describe the relation between economics and politics.

6 With respect to formal channels, this applies to the aforementioned public hearing of the Parliamentary Committee for Work and Economic Affairs in which representatives of five economic research institutes and think tanks participated (BT-Protokoll XV/34). With respect to informal channels, this applies to attempts made by such institutes on their own initiatives to exert influence on the policymaking process, for instance, by commenting on existing proposals or by submitting new ones (Griesser 2012).

7 For example, the reform proposal presented by the institute in May 2002 (ifo-Institute 2002) strongly influenced the proposals of the GCEE (2002) and the Advisory Council to the Federal Ministry for Economic Affairs and Technology (2002) due, among other causes, to the personal involvement of Sinn. Further, the alternative bill favoured by the German Bundesrat in November 2003 was developed by the Ministry of Social Affairs of the State of Hesse in close cooperation with the Munich-based ifo-Institute (Adamy 2003).

We selected the articles for the sample in the first step by standardised retrieval from the electronic archives of “Der Spiegel” and “Die ZEIT” (two influential print publications) from 1966 to 1969 and 2002 to 2005 using the keywords “Ökonom”, “Volkswirt”, “Wirtschaftswissenschaftler” (three commonly used terms for “economist”) in combination with “Sozialpolitik” and “Wirtschaftspolitik” (social policy and economic policy). In the second step, we selected from these articles and/or text fragments only those which were authored by economists or in which individual economists were quoted directly or indirectly. In the third step, the selected texts were analysed with respect to the core patterns of argument and basic convictions of economists regarding social and labour market policies.

The analyses of the media debate and the policymaking process is supplemented with an analysis of the economic expert discourse on social and economic policy reforms in particular and the self-image of economists in their role as policy advisors in general. For this purpose, we used annual publications of the German Economic Association (“Verein für Socialpolitik”, GEA) documenting the relevant expert debates at their annual conferences. In order to analyse economic experts’ dominant discourses on labour market policies and the relation between policies and economics in general, we focused especially on the lines of argument in two publications edited by the Committee for Social Policy in the GEA about labour market policy, social policy and social security (Sanmann 1970, resp. Schmähl 2003).

Note that, in the first years after WWII, economists played an important role in German policymaking at several levels. First, professors of economics held important political positions, for instance, Ludwig Erhard as chancellor and Alfred Müller-Armack and later (in the period of our first example of policy reforms) also Karl Schiller as ministers. Second, economic advisors mainly from the ordo-liberal or German neoliberal school of economic thought were directly involved in the foundation of the German Federal Republic (e.g. the currency reform of 1949)⁸. Third, ordo-liberally oriented economists in close collaboration with employers’ associations served as promoters of the forming vision of Social Market economy in the years of the “German economic miracle” (Köhler/Kolev 2013, Ptak 2004). Nützenadel (2005) even labelled the 1950s and 1960s in Germany as the “hour of economists”⁹.

5.1 Level I: Academic expert discourse on labour market policies

In the 1950s and 1960s, often referred to as “the golden age of economic advice”, there was a strong belief in the possibility of social and economic planning. As a consequence of the “planning euphoria” (e.g.

8 Dullien and Guerot (2012), for instance, reported a “long shadow of ordo-liberalism” in Germany, and Pühringer (2015) showed the strong dominance of German neoliberal networks among economists with significant influence on media and policy advice, especially compared to union-linked economists.

9 In academic economics, this seems somewhat surprising, as nearly all prominent economists were forced to leave Germany under the Nazi regime and refused to return after WWII (Hagemann 2005), and German economists into the 1960s reported a severe backlog in German economics research when compared to the Anglo-Saxon world (Borchardt 1960).

Schelsky 1967, Wagner 2003) of the late 1960s, the theory of rational economic policy was supported by the majority of economists ranging from most Keynesians to interventionist ordo-liberals. Hence, the title of the 1966 annual conference of the GEA and the published proceedings thereof was “Rational economic policy and planning in the economy today” (Schneider 1968). Based on the theory of rational economic policy, the majority of economists could agree that economists as academic advisors and politicians as recipients of economic advice had different tasks in the process of economic planning, but had the same societal goal of increasing the common good.

In this context, the foundation of the German Council of Economic Experts in 1965 and the close collaboration of the council with the German government is understood as a hallmark of more rational economic policies. Focussing on the central role of Schiller, Giersch et al. (1994: 140) pointed out, “The honeymoon of policy counselling might not have been possible without the receptiveness on the side of policy-makers. In particular, Karl Schiller (...) was ready to engage in a long-standing constructive dialogue with the Council of Economic Experts.” After this introduction to the basic convictions about the relation between economics and politics in the late 1960s, we highlight the dominant lines of discourse in Sanmann’s volume “On the problem of social investments”, which reflects the debate in the Committee for Social Policy of the GEA in the years 1968 and 1969.

The Committee for Social Policy was reconstituted in 1968 and is therefore a relatively “old” committee of the GEA. Main topics of the first committee’s conferences in the first years included “Social Security”, “Problems of the Social Budget”, “Social Investment”, “Motives and Goals of Social Policy” and “Problems of the Labour Market”. Hence, publications of this committee should serve the purpose of our analysis, that is, reflect the academic expert discourse on social and labour market policies at that time. The volume comprises eight articles and comments. It is somewhat enlightening that two of the contributions were authored by representatives of the “social partners” – the German employers’ association and the German federation of Trade Unions (DGB) – which indicates the strong position of the social partners and the implicit mode of cooperation between political practitioners and economic advisors in times of rational economic policy. Against this background, the following main lines of discourse on social policies can be deduced.

First, the authors sought to define the goals and specific characteristics of social policy in contrast to those of other policies. Especially Nell-Breuning (1970), a proponent of Catholic social teaching and a founding member of the Scientific Advisory Board of the German Ministry of Economic Affairs closely involved in policy advice after WWII, connected social policy measures and particularly social investment (i.e. active policy measures in the area of health, welfare or education) to the Economic Stability and Growth Act (Stability Compact). Although the main goal of social policy is to provide social security to all members of society, Widmaier, Nell-Breuning, and Winterstein stressed the need for institutional reforms (at the

macrolevel) in the case of systemic imperfections of social order. In this context, the problem of defining the normative goal of social policy arises. Nell-Breuning suggested that the basic right of human dignity laid down in the German "Grundgesetz" (constitution) could be used to determine the scope of social policy measures. In a society that is potentially able to provide all its members with basic security, "the threat to one's subsistence induced by unemployment [...] is a form of discrimination too close to human dignity" to be acceptable (Nell-Breuning 1970:62). Widmaier (1970:12) similarly rejected the sole focus on passive social policy measures and argued for an "active and future-oriented social policy" while referring to the academic comeback of politico-economic approaches.

The second line of argument addresses the question of how to decide on normative goals and the role of economics in this process. Generally, the authors of the analysed volume agreed that ultimate societal ends must be defined in a political process where economic reasoning plays a minor role. They argued that there should be task sharing between economic thought and policymaking. Referring to cost benefit analyses as core parts of rational economic policy measures, Kullmer (1970) stated that "it must be clear that cost benefit analysis can never make political decisions". Similarly, Widmaier (1970) and Marx (1970: 55) claimed that the advances in economic theory and economic modelling facilitate better or more rational economic policy advice, but at the same time they agreed that both politics and economic policy advice serve societal progress. The dominant discourse among economists on social progress is reflected in their argumentation for active social policy. Widmaier, for instance, stated that active social policy is (from a distributional and democratic perspective) normatively preferable to passive measures, because, by reducing elitist consequences of capitalism, it serves the ultimate goals of social equality and democratization of the society.

The third core line of argument is characterized by an implicit optimism about planning and policy advice in most contributions in the volume edited by Sanmann (1970). As indicated above, Wiedmaier (1970: 33) assumed that politics and more rational economic policy advice would lead to a better society, and Marx (1970: 55) also stressed the potential of social policy reforms guided by more rational implementations. Generally, the economists' discourse on social policy measures and social investments in the future characterized by the idea that mid- or even long-term planning, referring positively to the Stability Compact as a hallmark of rational economic policy in the international context, offers the possibility of enhancing social progress. Contrary to pessimistic assumptions about politicians and the policy process in general as promoted, for instance, by the then newly established theory of Public Choice, Widmaier (1976) argued for a common effort of politics, science and the public in order to define normative ends and explore expedient means. According to Widmaier, the science of social and economic planning should be accompanied by a "science of participation" (Engelhardt 1978: 202).

The analysis of the labour market and social policy expert discourse in our second example case is based on the volume "Social security and labour market" edited by Schmähl (2003) and is a collection of ten articles and comments from the 2001 annual conference of the Committee on Social Policy of the GEA. In contrast to the situation in the 1960s, Germany was at that time facing a relatively high unemployment rate of about 9%. Most of the authors in this volume were therefore concerned with the question of how to raise employment, especially of unskilled workers. Unlike the 1960s publications, the contributions in this volume are characterised by the application of micro-econometric or simulation approaches, reflecting the international trend of mathematisation in economics (see, e.g., Blaug 2003). Wagner (2003: 49) pointed out the importance of evaluations of labour market policies based on mathematical methods in order to prevent a "blind flight in social and labour market policy". Similarly, Kleinhenz (2003) argued for the use of micro-econometric modelling, although he was aware that the sole concentration on "economic efficiency" in labour market policies could have problematic consequences.

Concerning the core question of unemployment, the authors largely agreed that the social security system with its high social insurance contribution rates and its collectively agreed minimum wages was to be held responsible especially for the low employment rates of unskilled workers and low-wage earners.¹⁰ Based on influential studies of the OECD (1999) in the international context and the contributions in Hauser (2000) in the German context, Steiner (2003), Riphahn (2003) and Wagner (2003) argued in favour of far-reaching reforms of the German welfare system. Similarly, referring to a study of Prasard (2000), Riphahn argued that in a functioning market the growing unemployment of low-skilled workers would induce a price adjustment of labour costs. However, as rigidities exist in the form of minimum wages and strong bargaining positions of the trade unions that prevent this adjustment process, she came to the conclusion that unemployment is caused by a lack of wage flexibility. Referring positively to the higher wage inequality in the US, Steiner (2003) and Riphahn (2003) concluded that a greater wage spread between low- and high-skilled workers had positive labour market effects. Whereas for the former group, assuming a high labour-demand elasticity, a policy of reducing minimum wages and social insurance contribution would have an immediate positive effect on employment, for the latter group there would be stronger incentives to "invest in their human capital". Wagner (2003: 46) agreed and indicated the huge potential of product market deregulation, especially in the areas of simple manufacturing and care services, for low-wage earners.

In summary, the economists' discourse on unemployment of low-skilled workers and/or low-wage earners was characterized by the neoclassical assumption of voluntary unemployment. In this context, the authors

¹⁰ Based on the economic insider-outsider concept developed by Lindbeck and Snower (1986, 2001), trade unions were even made directly responsible for the high unemployment in Germany especially of low-income earners, as they prevented workers with lower wage expectations from entering the labour market, and they therefore stayed unemployed.

referred to a negative image of unemployed workers, and on this basis stressed the importance of restoring the “Lohnabstandsgebot”, the principle that benefits should be far below the going wage in order to prevent worker inactivity (a contemporary version of the “less eligibility” principle). This negative image manifests in the functionalist use of the label “human capital”, which reduces workers to their “market value” in a capitalist system. In this context, Wagner (2003: 47) argued that the group of long-term unemployed is particularly problematic because, on the one hand, they face a “strong depreciation of their human capital”, and on the other their employment status leads to a “withdrawal of the ‘imperatives’ of the daily working routine”.

In addition to the pejorative perception of low-skilled and/or low-wage unemployed, the authors blamed the German welfare state and the social partners of being insufficiently flexible to meet the requirements of the globalised economy. Kleinhenz (2003: 83), for instance, indicated that the evaluation studies on active labour market policies, especially for the states of the former GDR, proved that they were “expensive” but “ineffective”. Based on the negative and pejorative image of the receivers of welfare benefits and the presumed impotence of the German welfare state in its institutional setting at the beginning of the 2000s the economists’ discourse paved the way for major social and labour market policy reforms in the following years, culminating in the Hartz IV reforms.

Moreover, the framing of social and labour market policies as “expensive but ineffective” in combination with positive references to the “imperatives” of the working routine for low-skilled workers supports the paradigm shift from active to activating labour market policy with all its severe societal consequences (Aust/Arriba 2005, Griesser 2012).

5.2 Level II: Politico-economic media discourses

This section highlights dominant lines of politico-economic discourse on social and economic policies and the main topics addressed by economists in this field. We seek to show in what specific contexts and in which function economists entered the debate and what understanding of the relation between economics and politics can be assumed in this connection.

In our example from the late 1960s, three main lines of argument can be identified:

First, economic knowledge was used to support active labour market policies. Against the background of the first economic downturn in 1966/67 after two decades of economic growth, euphemistically termed the German economic miracle, the threat of unemployment reappeared in debate. Gleitze and Brenner, economists at the union-linked economic research institute WSI, and CDU economic advisors, such as Andreae and Nell-Breuning, considered unemployment a big threat to societal cohesion. Therefore, fighting unemployment was seen as an ultimate goal. Schiller, then finance minister, stated, “We cannot accept

unemployment at any level. We have to bear the NPD in mind" (Spiegel 1967_1).¹¹ Based on the Keynesian-oriented "magic polygon" of economic policy consisting of economic goals such as high employment, external balance, growth, just distribution of wealth, and price stability, many economists and even the newly founded GCEE (1967) demanded interventionist measures to achieve full employment.

The second line of discourse where economists and economic expertise entered the politico-economic debate concerned the wage bargaining process of trade unions and employers' associations as well as the debate on the distribution of income and wealth after decades of economic prosperity. Once again it can be shown that the majority of economists argued for a more just distribution of wealth and income. On the one hand, this was a consequence of the strong position of trade unions in the debate and in the institutional setting of Karl Schiller's political programme of a "concerted action".¹² On the other hand, the dominance of Keynesian or even pronounced left-wing economists in the debate on just distribution of profits reflected a power balance among economists to the disadvantage of neoliberal or neoclassical economic thought, although this observation applies to a relatively short period of "German Keynesianism" (Hagemann 2008). In the progressive environment of the late 1960s (see, e.g. the German students movement), economists such as Gleitze, Ortlieb, Föhl and even (Eucken's pupil) Krelle as well as the "Sozialenquete" demanded a redistribution of wealth and supported this idea with several studies on the uneven distribution of wealth and property in Germany. Ortlieb (Spiegel 1966_1) stated that the German market economy acted in a "socially disintegrative" way and favoured the egotistical over the altruistic type. Zeitel (Spiegel 1969_3) accused the German income tax system of offering "privileges to employers and property owners" while taxing workers disproportionately highly. Gleitze and Föhl agreed and claimed that these policies concentrated wealth in the hands of just a few families. Krelle (ZEIT 1969_3) even predicted the rise of an "inoperable group of rentiers, similar to the aristocracy and clergy under the ancien regime". Against this background, Schellenberg, chairman of the Bundestag Committee on Social Politics and also economist (Spiegel 1967_1), stressed the importance of the distributive mechanism of the German welfare state: "The confidence of the citizens in social security is a central part of the confidence in democracy". Although there was broad agreement amongst the majority of economists on interventionist policy measures, several economists as early as in the 1960s criticized the expansion of the German welfare state as a "total welfare state" or an "anti-individualistic ideology of a paternalistic state" (Mann in Spiegel 1966_4).

11 All quotations were translated by the authors. References indicate the medium and the year and quarter of publication.

12 The aim of establishing a "concerted action", following the advice of the GCEE, was to offer the most important economic interest groups a forum for discussing core issues of economic policy.

The third line of argument in the analysed public discourse of economists addressed the challenges for economic policy advice, more specifically the relation between economic theory and economic policy. Although the increasing importance of mathematical and statistical methods was seen ambivalently,¹³ there was a strong overall belief in the idea that economic policy could be planned on the basis of economic expertise in order to enable stable economic growth. Influenced by the French model of planification, many economists argued for a rationalization of economic policies. Krelle stated that his greatest wish was a higher degree of rationality in politico-economic decisions, and Gleitze (Spiegel 1967_2) even predicted that “with the second third of the 20th century the liberal ideal of an unplanned economic policy will come to an end.” The era of Keynesian-oriented policymaking, in Germany also termed “Hydraulic Keynesianism”, was characterized by the conviction that economics has the societal function of supplying rational expertise to politicians, but should at the same time keep out of the process of policymaking itself.

In contrast to the 1960s, in the 2000s the following lines of argument can be identified in the public media discourse of economists.

First, economists admonished, explaining the “bitter truth” to politicians and the public. Horst Siebert (Spiegel 05_2), president of the Kiel Institute for the World Economy and member of the GCEE, complained that the GCEE, “like Sisyphus”, repeatedly highlighted severe problems of the German welfare state, but “the willingness to hear” was “very low”. Hence, warning and explaining the economic necessities to politicians seemed like a never-ending task to economists. Similarly, Kistler and Rürup stated that the German social system was “at its end”. Miegel agreed and stressed that the “most urgent objective (is) fully explaining the present situation (the severe crisis of the German pension system, remark SP/MG) to the German people” (Spiegel 05_2). The discourse on “urgent economic necessities”, excessively slow political processes and insufficiently ambitious economic policy reforms was also reflected in the inner economic debate on the proper role of policy advisors and policy advice. Especially in the early 2000s, prominent economists active in economic policy advice complained about the prospective “withering of the queen of social sciences” (Franz 2000, Frey 2000). Arguing mainly from a German neoliberal¹⁴ point of view, several economists claimed that, due to the observed “resistance to advice” of politicians – which was interpreted

13 Kade (Spiegel 1969_3), for instance, criticized that economics “has become an instrument for stabilizing power that hides behind seemingly objective mathematical formalism”.

14 The term “German neoliberalism” refers mainly to ordo-liberal ideas, but also includes other schools of economic thought, connected by members of the “neoliberal International” of the Mont Pelerin Society. In the context of the argument presented in this article, these are neo-institutional, public-choice, rational-choice or partly neoclassical economists. The German post-war era was marked by a strong dominance of “German neoliberal networks” (Plehwe and Walpen 2006) among German economists active in policy advice and the public media debate, which was even barely interrupted in the heyday of “German Keynesianism” (Ötsch/Pühringer 2015).

as empirical proof of the negative image of politicians as present in public-choice-oriented approaches –, “good” and “successful” economic policy advisors would have to switch from a position of policy advice and advising politicians to a position of “citizen advice”. “Enlightened citizens” would then in turn demand more rational economic policy. Neoliberal think tank projects such as the INSM (“Initiative for New Social Market Economy”), founded in 2000, can be interpreted against this background as initial tests of such a new orientation for German neoliberal economists.¹⁵

The second important debate economists were involved in concerned the high unemployment rates especially in the low-income sector. In principle, the majority of economists welcomed the Hartz IV reforms and particularly its initiation of fundamental reforms in the German labour market. Rürup (Spiegel 02_3), for instance, concluded in the summer of 2002 that the suggestions of Peter Hartz, human resource manager of the German Volkswagen Group, that the combination of time-work increased pressure on the unemployed and that promotion of self-employed entrepreneurship was “one of the most interesting and most intelligent suggestions in recent years” for “breaking up rigid structures” (“verkrustete Strukturen”) in the German labour market. Alongside coining the phrase “rigid structures” in the German labour market, economists claimed repeatedly that there was an overall lack of flexibility both of institutions and of the unemployed themselves. Whereas in the former case it was mainly the trade unions that were at the centre of critique, in the latter case the personalization of the responsibility for being unemployed went hand in hand with the paradigm shift from active labour market policies to activation policies. In this context, the discursive support of “personal responsibility” and “flexibility” served to contrast the image of a “modern, dynamic” market-oriented welfare state with that of the “static and inflexible” welfare state dominated by social partners and egotistical politicians. The GCEE (ZEIT 02_1), for instance, stressed the urgency with which the “flexibility of the labour market had to be increased”. Against this background, trade unions were called “brakemen” or the last, aside from French communists, “who still support vulgar Keynesian slogans” (Streeck in Spiegel 03_2).

Similar patterns of argument of economists were also present in other areas of social policy. Several economists argued for a major systemic change in the welfare system in general and referred in particular to the pension system, health care and social security contributions. The discourse on the prospective German welfare state was therefore dominated by the assumption that care and public pensions were no longer affordable, or, as Rürup (ZEIT 03_2) pointed out, “the current system is at its end”, but “many

15 A good example of this re-orientation was provided by Bernd Raffelhüschen (ZEIT 2005_2), “ambassador of the INSM”, who referred positively to the INSM, as it gave him an opportunity to be heard by many more people than he could have reached as an academic economist. The INSM, which was heavily supported by German employers’ associations, was very active in the political debate in the 2000s, especially in the run-up to the Bundestag elections 2005, where it supported the “Hamburger Appell”, a plea of 250 economists for neoliberal social and economic policy reforms.

politicians have not yet recognised this". Raffelhüschen (ZEIT 05_2) even demanded, "Abolish nursing care insurance in its current form!" Oberender (Spiegel 02_4) mourned the results of the "consistent de-economisation" of the health care system, which had caused a "cost explosion due to wrong incentive structures for all participants".

Prominent economists such as Sinn, Rürup and Homburg, and similarly also the GCEE, concluded that a systemic change to enhance private risk management (e.g. lump sum social security contributions and privatisation of hospitals, more competition for pharmacies and far-reaching liberalisation of the public health insurance) was sorely needed. On the one hand, this reflects a strong dominance of neoliberal economic thinking among German economists, which also manifested in the high number of supporters of the neoliberal "Hamburger Appell". On the other hand, it becomes obvious that, in contrast to the 1960s, when many economists shared an optimistic vision of social progress, high employment rates and an inclusive welfare state, during the labour market and social policy reforms of the 2000s economists warned repeatedly of the severe economic consequences of ill-advised policies. In this context, the use of the term "demographic change" is especially enlightening. Demographic change was interpreted almost exclusively as a major threat to the German welfare system. Moreover, it was taken for granted that the German pension and nursing care insurance systems would be totally unable to cope with the "threat of demographic change", which also paved the way for strong support of a capital-financed system in preference over a pay-as-you-go system.

In telling the "bitter truth", many economists not only provided policy advice but also tried to convince the public that trusting the current pension system would be very risky in the long term and private retirement provision should therefore be made.

6 Conclusion

The change from "active" to "activating" labour market policy associated with the transition from the Keynesian Welfare State to the Schumpeterian Workfare State was accompanied by far-reaching changes in economic thought. With respect to our overarching research issue, we conclude that such discursive changes are of crucial importance, particularly in times of crisis, since they represent competing guidelines for politicians and civil servants in search of solutions to emerging problems. Or, as Jacob Torfing (1999: 376), referring to the similar crisis of Atlantic Fordism and the Keynesian Welfare State, put it, "[t]he actual shifts in the mode of regulation are guided by discursive changes that are brought about by political forces engaged in hegemonic struggles over the authoritative response to societal dislocation".

Based on the results of our interpretive policy analysis, several dimensions of the changing role of economic thought in the processes of policymaking associated with the AFG of 1969 and with Hartz IV of

2005 can be differentiated. We conclude our paper by pointing out three process-related and three content-related dimensions:

Firstly, as differences regarding the duration of parliamentary debates indicated, one can observe the diminishing role of the parliament vis-à-vis executive authorities such as the government and ministry officials with respect to the processes of policymaking. The second process-related dimension of change consists of a decline in the influence of social partners and especially of trade unions vis-à-vis new actors such as expert commissions, think tanks and advocacy groups. And finally, as a third process-related dimension, we have identified the changes in the role of economic policy advice as more – and more diverse – actors exert influence via both traditional and newly established channels.

With respect to the basic “economic imaginaries” both in the academic and in the public media debate of German economists, three main shifts can be recognized. First, a tendency towards “marketisation” of social institutions: Policies of privatisation, liberalisation and deregulation discursively subordinated active economic policies to the “market mechanism”. Second, a trend towards “individualisation” of social risks: Whereas against the backdrop of the “Keynesian planning euphoria” of the 1960s and 1970s social policy was often considered “societal fine-tuning” of macroeconomic management in order to strengthen social cohesion, in the period of the “neoliberal third way” common normative goals were replaced with the call for individual responsibility. Third, we have shown that the broad trend of social “economisation” also reflects economists’ discourse on labour market policies, manifesting in a decoding of the social in economic terms and in the changing self-image of economists as “universal experts”.

In summary, we have found that during the process of transformation from the “Keynesian planning euphoria” of the 1960s and 1970s to the “neoliberal third way” of the 2000s, the increasing dominance of economics as the leading social science became apparent at several levels. On the one hand (neoclassical mainstream) economic thought served as a theoretical foundation for the neoliberal policy paradigm, which manifested in activating labour market policies. On the other hand, we were able to show a far-reaching change in perceptions of the role of economic advice in the policymaking process. Whereas during the “Keynesian planning euphoria”, the majority of the economists in the analysed debates shared the positive vision that economic knowledge could support future-oriented social policies and thus induce social progress, the economists’ discourse of the 2000s was characterized by a negative image of policymaking processes and politicians as well as, partly, a pejorative portrayal of social security recipients. In this context, economists complained about the ignorance of politicians and the public of “undeniable

economic rationalities” and the “threat of the demographic change”, and acted as sole purveyors of the bitter economic truth, thus framing economics as the “dismal science”.¹⁶

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16 The definition of economics as the “dismal science” refers to the approach of the 19th century British economist Robert Malthus, who argued against pauper relief, because it would further induce a population growth rate exceeding the productivity growth rate. In a similar vein, Harkins and Lugo-Oscando (2016) found that the Malthusian ideology of a pejorative image of the “underclass” remains present in public discourses.

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