

# Power of Knowledge Producers in EU

## Networks of decision-making and consultancy in the European debt crisis

### (Research plan)

Author: Laura Nordström

#### Abstract

I outline a research plan on finding out how knowledge has been used in decision-making in the EU during the debt and banking crisis. Firstly, it is topical to study the power of knowledge production in decision-making. The power of the traditional knowledge producers declines, knowledge is fragmented, facts are sidelined and the rising influence of consultants is threatening democratic accountability. The one who has the most convincing ideas has the power. Therefore, it is significant to study whose analysis and how is behind the ideas and thus decisions. Secondly, the European debt crisis could have been a time to re-evaluate the dominant neoliberal paradigm. However, despite the initial Keynesian reactions, the European decision-makers chose to return to austerity in the spring of 2010. This has not been researched thoroughly from the angle of consultancy.

Thus, the research question is: what kind of a network produced decisions on the European debt and banking crisis in the spring of 2010 and what was the role of the knowledge production in the decision-making? Who made the decisions on the First Economic Adjustment Programme for Greece, the European Financial Stability Facility (EFSF) and the European Financial Stability Mechanism (EFSM) and to which knowledge producers the EU decision-makers listened the most when making policy choices for austerity? How was analysis used? The findings will enrich the understanding of why austerity was the selected answer.

The research is based on the theory of power and knowledge. Knowledge one can use as power by 1) producing norms, depoliticizing truths and limiting possibilities and 2) by limiting and producing not only actors' capabilities, values, agenda, interests and norms. Epistemic communities can cement or revoke the discourse of austerity. The research aims at bringing new information on the use of analysis in decision-making and in crisis situations, the functioning of the consultocracy, the importance of alternatives in politics, the background of austerity and developing further the theory of power and knowledge. The data will be gathered through primarily interviews from Germany, Finland, and Brussels, but also through documents, such as ECOFIN conclusions and committee briefings, that are analysed with the help of discourse analysis. Also, a social network analysis based on quantitative data of experts and a comparison to other stages of crisis will be performed.

**Key words:** EU, consultancy, lobbying, austerity, power of knowledge, think tanks, debt crisis

#### 1 Introduction

This doctoral dissertation aims at analysing how decisions were made and influenced through the production of knowledge in the European Union during the European debt and banking crisis. My research brings new information on the active power of lobbying and how analysis/knowledge can make decision-making more open, democratic and efficient, especially in crisis situations.

Ruling democratic institutions are challenged: the presidential elections in the United States, the Brexit referendum and the rise of populism demonstrate the criticism directed at them. The declining power of

traditional producers of knowledge, such as newspapers, and the fragmentation of knowledge in the context of a data boom play a key role in this transformation. Whoever has the most convincing knowledge/ideas has the power. Also, the rising number of consultants outside democratic decision-making is threatening accountability and transparency (Kuusela & Ylönen 2013, 101, 106). On the other hand, we are seen to live in an era of post-truth politics where facts are sidelined. Therefore, it is significant and topical to study who really are behind ideas and decisions. Whose analysis is used and how? What is the power of production and dissemination of knowledge and has it changed? How lobbyists or academics exercise power? Is democracy transformed into consultocracy, a rule of consultants, described for example by Denis Saint-Martin (1998)?

It is important to study the power of knowledge and of the decision-making and consultancy networks especially at the EU level, as the majority of law-making in EU member states originates from there. The subject of my research is the European economic policy because it creates the framework for other policies and has a direct influence on EU-citizens for example in the form of austerity<sup>1</sup> measures.

## **2 Research question**

The role of mainstream economic thinking, which is called neoliberalism<sup>2</sup> or economism, has been constantly growing in Europe since the 1980's (Schmidt & Thatcher 2013, xv). It has won the battle of ideas in the absence of a coherent alternative (Jones 2013, 146). The Economic and Monetary Union itself has been seen as a neoliberal project (Patomäki 2012, 8; Streeck 2015, 13). For example the European Central Bank's (ECB) independence and focus on inflation are a manifestation of this phenomenon (Blyth 2013, 158). However, a crisis could be a time to re-evaluate the policy that didn't prevent the financial crisis. Interestingly many researchers see that instead of it being questioned, neoliberalism, with its focus on austerity, emerged from the crisis more politically powerful than ever (Crouch 2011, viii; Baker & Underhill 2015, 386). Despite a short winter of Keynesianism in 2008–2009 and divergent policy responses, European decision-makers chose to return to austerity, the policy of cutting a state's budget to promote growth (eg. Armingeon & Baccaro 2012, 2). At the same time the United States opted for moderate fiscal stimulus even after the acute aftermath of the crisis (Ylönen & Remes 2015, 39). Why did Europeans choose austerity instead of a permanent policy revision? Is neoliberalism so embedded that even a crisis doesn't change policymakers' perceptions?

The events point at a strong position of a well-established decision-making network that is significant to study. Thus, my research question is: who made the decisions and to which knowledge producers did EU policymakers, in Germany, Finland and the European Commission, listen when making decisions for the European debt and banking crisis in 2010? At that time in May 2010, not only were the First Economic

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<sup>1</sup> According to Mark Blyth (2013, 2) "[a]usterity is a form of voluntary deflation in which the economy adjusts through the reduction of wages, prices, and public spending to restore competitiveness, which is (supposedly) best achieved by cutting state's budgets, debts, and deficits".

<sup>2</sup> David Harvey (2005/2008, 7–8) defines neoliberalism as promoting individual enterprise in a framework of private ownership, free markets and trade and a minimal state. The concept is nevertheless more multifaceted than this. Special attention will be paid on the conceptualization of neoliberalism by focusing on the research done by eg. Dieter Plehwe and Philip Mirowski.

Adjustment Programme for Greece, the European Financial Stability Facility and the European Financial Stability Mechanism adopted, but also the return to fiscal consolidation chosen as an answer to the still ongoing economic crisis. My doctoral dissertation will bring new information on the power of lobbying and knowledge in the EU economic policy and on why austerity was the selected policy answer. These issues have not been researched sufficiently.

The events of 2010 and the ideas they were based on are justified as an important research topic also as they had significant long-term consequences. At the same time the European project is in crisis and it seems that single currency is not unifying Europeans, but dividing them (Streeck 2015, 13). Why did Europeans then choose cuts in welfare which has direct consequences for citizens?

### **3 Theoretical background: Knowledge is power**

The background of my research is in the research on the EU, the global political economy, the European economic governance, the financial crisis and European debt crisis, as well as in the theory of ideas and power. The research is part of the ideational turn in international relations that emphasizes the role of ideas, principles and norms (Finnemore and Sikkink 1998).

Power is not only constraining, but also productive (Hayward 2000; Barnett & Duvall 2005). Power works through both structure and actors (eg. Guzzini 1993). Structure constrains and produces actors and the other way round.

Knowledge has a pivotal role in the use of power. According to the theory developed in my master thesis, by producing or controlling knowledge one can use power by 1) producing norms, depoliticizing truths and limiting possibilities and 2) by limiting and producing not only actors' capabilities, values, agenda, interests, norms (Lukes 2005/1974, 16–17, 12–13, 28–29), but also identities (Foucault 1976/1998).<sup>3</sup> Facts are not inevitable, but constructed (Hacking 1999/2009, 14–15, 20). Therefore, discursive practices and ideas matter in politics. For example Blyth (2002, 11, 275) sees ideas as a strong causal power as through them actors can define objectives and a framework for interpretation.

Neoliberalism can be seen as an episteme, meaning a hegemonic bubble through which actors understand the world and produce social facts (Adler & Bernstein 2005, 295– 297). Epistemic communities, such as think tanks that I have researched in my thesis, can use power/knowledge for cementing or revoking the neoliberal episteme and the concept of austerity. This again produces and constrains actors themselves.

Furthermore, it is useful to see the ideational change as a constant struggle, but not in clear-cut camps (Morin & Carta 2015, 118). Also, it is important to note that the reason for the resilience of neoliberalism is, besides

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<sup>3</sup> This view of reality as socially constructed draws from constructionism (eg. Wendt 1999/2003), but also by highlighting temporary foundations (Marchart 2001, 966) from post-foundationalism. However, it is based on a critical realist ontology emphasizing the existence of some material reality. Despite this, it is impossible to know about the reality without the practice of knowledge production. The aim in science is to get close to this reality that doesn't consist of just materiality, but largely of ideas.

it being embedded and promoted by powerful interests, its ideational diversity and adaptability (Schmidt & Thatcher 2013, 404). According to Sanna Salo (2017) actors in the crisis adapted to the prevailing neo-liberal paradigm by recombining existing ideational elements in a procedure that enabled this paradigm to internalize the crisis, without being fundamentally challenged by it.

In this research actors' role is emphasized. Austerity wouldn't win without a social construction (Dellapiane-Avellaneda 2015, 413–414). Nonetheless, I do not assume the power relations to be simple such as a process where an expert A suggests for a politician B a policy that B would directly adopt. Firstly, by following the above-mentioned cyclical theory of power, the knowledge producers can not only create “facts” and futures, but also the possibilities of the available facts and even the identities and interests of the knowledge producers themselves. Secondly, the decisions made by politicians influence the perceived truth and future action, in other words the structure. Thirdly and very importantly, agency is not innate, but also constructed. Discursive practices/structure/hegemonic paradigms produce and constrain the knowledge producers.<sup>4</sup> These diverse effects of agency and structure have to be taken into account, especially when identifying the causality. Despite this, I concentrate on examining agency as it is too often ignored. Thus, in order to understand how austerity was selected, the focus of my study will be on the genealogy of austerity. Who were behind the discourse that translated into policy outcomes or at least was used as a justification?

#### **4 Aims and objectives**

The aim of my dissertation is to enrich the understanding of what kind of a network made the decisions on the European debt and banking crisis in the spring of 2010 and especially what was the role of knowledge production in the decision-making: to which producers of knowledge the EU decision-makers, governments and the European Commission, listened the most when making policy choices for austerity in 2010?

How did the policymakers and officials use knowledge/analysis in the decision-making? Which instances (and how) constrained and produced austerity as knowledge taken as the truth and were then in fact behind austerity as a policy choice? Where they the ECB, think tanks, university economists, domestic lobbyists, civil servants etc.? In other words, how ideas transformed into decisions in the political process? What was the role of different actors producing ideas and therefore the events? This question is answered by uncovering the power and knowledge nexus. I compare the network to earlier and later stages of the crisis. The objective of my dissertation is to also shed light on why austerity and neoliberalism were not in the end questioned due to the crisis, but proved to be resilient.

My study focuses in who concretely lobbied austerity ideas to decision-makers as there is a lack of research in this regard. Blyth (*ibid.*, 165–176) points out the influence of neoliberal economists of the Bocconi

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<sup>4</sup> Hendrik Wagenaar (2015, 423) makes a useful division of interpretive policy analysis' concern with meaning into three types: hermeneutic (actors), discursive (frameworks) and dialogical meaning (interaction).

University, such as Alberto Alesina, and especially their research on expansionary fiscal consolidation. Earlier the Sapir report was very influential (Mitchell 2015, 210). Anis Chowdhury and Iyanatul Islam (2012) claim that Alesina directly influenced ECOFIN, ECB's Jean-Claude Trichet, UK Treasury and the US Council of Economic Advisors in 2010. Political actors listened to Alesina's message of austerity because they wanted to (ibid.). Oddný Helgadóttir (2016, 404) underlines that Alesina's influence relies partly on his network accessing the revolving doors of several transnational sites of power. These are nevertheless just fragments of events, so more research on the consultancy's role is needed.

The causality between ideas and actions is hard to prove. Ideas do not mostly impact actors in a simple causal manner, but actors' interests, identities and paradigms are part of the equation; hence the chain of events to be analysed is how ideas influence actors' interests which only then result in austerity. It is important to observe actors' background and resources, the earlier role of austerity in the EU economic governance and the overall context.

Research on who made the decisions in the crisis and on their final interests and reasons is based on earlier findings (eg. Bastasin 2012, Jones 2015, Mitchell 2015, Pontusson & Raess 2012, Dellepiane-Avellaneda 2015 and Scharpf 2012, as well as the studies referred to above). For example Blyth (2013, 7, 10) sees that austerity was selected in order to save banks and to enable the conservatives to cut the welfare state and as in its simplicity it is seen as commonsense.

My study aims at contributing not only to the academic debate about the European debt crisis and genealogy of austerity/neoliberalism by producing new knowledge and explanations of the events, but also to the theory of power and knowledge and consultocracy. I aim to demonstrate how ideas (jointly with rules, economic interests, partisan politics etc.) matter in politics, how they spread, translate into policy outcomes and how they, also alternative point of views and analysis, could enhance the quality of decision-making, especially in times of crisis, and how paradigms endure crisis.

Central concepts are the power of ideas, the theory and the genealogy of austerity and neoliberalism, lobbying, the EU, the European economic governance and the debt crisis and think tanks among other knowledge producers.

## **5 Research literature, materials and methods**

Besides the already mentioned research on the financial and European debt crisis and power and knowledge, my dissertation will be based on research on EU lobbying and the evolution of EU economic governance together with the theory and history of austerity in relation to neoliberalism, such as the work of Blyth (2013), Colin Crouch (2011), Harvey (2005/2008), Barry Eichengreen (2008) and Vivien Schmidt and Mark Thatcher (2013). The events of 2010 were naturally not disconnected from the earlier genealogy of neoliberalism and austerity that have a long history (Blyth 2013, 106–162). Where the same arguments used and the same actors

acting as before? One reason for the resilience of neoliberalism is, besides it being embedded and promoted by powerful interests, its ideational diversity and adaptability (Schmidt & Thatcher 2013, 404).

I concentrate on analysing the decision-making in the spring of 2010 when the turn back to austerity was made. I will focus on who made the decisions and who provided the ideational background for the key player, namely the European Commission, and the governments of Germany and Finland. The focus on Germany is justified as it has exerted a lot of influence in the structure of the European currency union and in the reaction to the crisis (Streeck 2015, 16, 18). Austerity has been central also to the Finnish answer for the crisis.

I will gather the data for my research mainly through qualitative methods, primarily individual interviews. I intend to *inter alia* inquire whether identified knowledge producers were listened to, how actors justify the use of ideas and whether they see that the crisis changed their perception of policy options. I will see what these answers bring to the theory. The interview framework will be prepared carefully as decision-makers' actions can be unconscious or they are unwilling to expose their sources. In order to secure the relevance of the data, I will ask in addition to the main research questions other questions such as the justifications for the decisions. The target group consists of around 30 politicians, officials and advisors in the proximity of the decisions made in 2010 from Germany, Finland, the Commission, and the Council Secretariat (the relevant nodes are presented in 6.2). ATLAS.ti software is used in the analysis. Methods are specified after further research. My earlier EU work experience, contacts and language skills are vital for the data collection and contacting interviewees, and generally for the success of the research.

Written material from hearings and briefings in the policy process, such as the Finnish and German Parliament's EU and Finance Committees, ECOFIN, Economic and Financial Committee, Economic Policy Committee, Eurogroup and its working group will be used as well. I will study who were listened to and use discourse analysis in identifying justifications and discourse of austerity that is operationalised into nodal points (Laclau 1985, 112) and claims. Also, in the spirit of a mixed methods approach, I will gather quantitative data of the main actors for a social network analysis (SNA) performed with the help of the RStudio software. SNA explains social phenomena by observing the relations between people, organizations, and other entities (Van Cleemput 2010, 76).

In order to overcome bias and to illustrate the historical process, I will compare the findings to the Keynesian events in 2009. I will see through written material and interviews whether same knowledge producers, such as think tanks, were listened to and did their messages change. How do policymakers explain the change of policy choices from 2009 to 2010? In addition, I will extend the analysis to cover the whole crisis resolution by comparing to the later networks and by asking the interviewees whether they have changed their perception of policy options. An exact later event to be compared has to be chosen in order to make sure that the data will explain why the paradigm endured. Otherwise, a focus on solely 2010 has the possibility to emphasize only Greece-related reasons to support austerity.

## 6 Work outline of the research

- 2017: a) Done since April: reading, concretising the research outline, method courses, international summer schools, networking, lecturing, first network analysis and drafting an article and the monograph  
b) Autumn: collecting data, finalising the article, the framework and the method for interviews, reading research, initiating writing the dissertation, grant applications and field work in Brussels
- 2018: a) Spring: choosing and contacting the interviewees, conducting interviews in Finland, Germany and Belgium, analysis of them and the data collected and writing  
b) Autumn: analysis, writing (also an article), further reading (continuous), attending a conference
- 2019: Writing, exchange studies at a university abroad (spring), additional interviews and a conference
- 2020: Writing (also an additional article), conferences and checking the topicality of the research literature
- 2021: Finalisation of the study after commentaries and submitting to pre-examination by May

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