

Chapter from:

Between Voters and Eurocrats: How Do Governments Justify their Budgets?

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Chapter 2: The coding of annual budget plans

Most of the time, talk is cheap, particularly from a policymaking perspective. Politicians give speeches continuously, in the media and at public events. In many of these speeches, they seek to legitimise their positions from a variety of angles. Neoliberal politicians may appear at a trade union event and make statements about how their policies are best fit to serve the interests of workers. Socialist politicians, for their part, can give interviews to the Financial Times about how they are committed to preserve the competitive advantage of their country's most important firms. The extent to which these words matter is obviously questionable, and most of the time they remain unrelated to what happens in the world of public policy.

Sometimes, however, talk can matter a great deal. On 26 July 2012 the then President of the European Central Bank (ECB) Mario Draghi, was one of the most eagerly awaited speakers at a conference hosted by the British Prime Minister David Cameron in London. At the time, the whole world was anxious to know what the ECB was going to do to tackle the sovereign debt crisis and therefore to save the common currency. It was on that occasion that, Mario Draghi pronounced the famous phrase that the ECB was ready to do 'whatever it takes'. These words changed the course of the sovereign debt crisis that was plaguing Europe since 2009, as they

expressed the commitment of Europe's most powerful central bank to actively support governments against financial speculation (Randow and Speciale, 2018). A similar, yet different, incident took place in March 2020, a few weeks after the outbreak of the coronavirus pandemic, with the new president of the ECB, Christine Lagarde, who stated that the growing spreads between the yields of German and other European bonds could only be reversed through national governments' fiscal policies. This immediately created financial turbulence, as capital markets took this as a signal that the ECB would not support the economic recovery of member states facing the consequences of the pandemic. The ECB had to quickly correct this statement, and consequently commit itself to the purchase of sovereign bonds, continuing de facto the policy initiated by Mario Draghi. The statement announcing this correction quickly calmed down the markets and kept the spread between German and Italian bonds temporarily in check.

Sometimes the whole world seems to hang on the lips of key decision-makers. Even if sometimes talk may be 'cheap', it is one of the key elements that make public policy and democracy work. Public policymaking involves communication between different actors. Especially in established democracies, policymakers are required to be accountable to a variety of actors, including various overseers, different types of stakeholders and the public at large. Discourse can be considered as the glue that keeps together the various actors involved in—and affected by—the policymaking process. To some extent, discourse may at times also reflect the characteristics of a polity (Schmidt, 2010), tending for example to be more conflictual in majoritarian democracies and more consensus-seeking in proportional parliamentary systems (Karremans, 2017). At moments when the audience includes watchdogs and stakeholders *and* in which key public-policy decisions are discussed, the analysis of decision-makers' discourse can be highly revealing about the criteria driving the decision-making process. On such occasions, policymakers cannot escape explaining their actual actions (Veen, 2011, p. 31).

In national socioeconomic policymaking, this takes place on an annual basis. Every year the finance minister is expected to appear in front of parliament to illustrate the government's expenditure and taxation policies, and to provide an explanation of the government's actions. On these occasions, the minister's discourse is not only followed by all parties in the parliament, but in the context of European economic governance, it is also closely followed by European institutions (see for example Mérand, 2021). Furthermore, as the policies presented have direct fiscal implications, through media coverage the discourse also reaches the attention of financial markets, businesses, local constituencies and the public at large. Budgetary debates represent a point of central importance in national political disputes (Maatsch, 2017, p. 693).

Given this context, when presenting the annual budget, finance ministers are pressured to both prove their technical competences *and* to make political statements in order to win the votes of a parliamentary majority and maintain the support of large sections of the electorate. Their discourse in these contexts is indicative of which set of criteria they tend to favour in order to legitimise their actions. Annual budget plans and their presentation are therefore valuable proxies for grasping how governments interpret their double role as electoral representatives and responsible state administrators.

In order to make inferences about whether and how decision-making criteria vary from one government to the other, or from one year to the next, it is necessary to apply a method for analysis that is replicable in a consistent way across time and countries. This chapter illustrates a method that not only zooms into the parts of the discourse in which the finance minister justifies the government's policies, but also transforms these policy justifications into countable units, on the basis of which it is subsequently possible to perform statistical analyses.

Selecting comparable and relevant texts

In order to be comparable across different states and situation, the texts selected for analysis need to have the same communicational purpose, a similar level of institutional formality, and cover the same subject (Schmidt, 2008). For public policy discourses, this entails first identifying communications produced at a particular stage of the chain of democratic accountability, featuring therefore a specific communicational purpose and institutional format (Bühlmann and Kriesi, 2013; Karremans and Lefkofridi, 2020a). Second, it entails identifying a subject of communication that is not country- or time-specific, but that is a universal subject of debate in democratic societies.

In addition to being an event that captures the attention of many audiences, the presentation of an annual budgets is a perfectly suitable text for comparative research. In parliamentary democracies, the presentation of the government's budget is a key moment in which the balance of power between government and parliament is exercised. The former have executive power over the budget, but need to secure a reliable majority in the parliament in order to effectively continue their action. Through their vote, members of parliament can express their formal approval or disapproval of the government's budget and therefore, as a collective, they have the power to secure continuation or to put an end to the government's socioeconomic policy. In terms of their place in the democratic accountability chain, the presentation of annual budget plans belongs to that stage in which the government provides information to the parliament—and by extension to the voters—about its actions.

As regards the content of communication, the budget captures the variety of actions a government undertakes in the socioeconomic sphere, ranging from taxation to capital gains in financial markets, to the payment of family benefits. The budget comprises the sum of public revenues and expenditures, and therefore has a central role in a government's socioeconomic policy. Even though it may not be directly about the more regulatory aspects of socioeconomic

policy, such as labour market regulation or wage setting, when presenting the budget the government is induced to explain how its spending and taxation policies relate to such regulatory measures. For example, the government may need to explain how certain market regulations generate additional state revenues and improve the fiscal balance. The regulatory aspects of socioeconomic policymaking generally involve measures directly or indirectly affecting tax and expenditure rates or levels. For example, labour market regulations may involve changes in the taxes paid by employers and employees, or changes in the retirement age may have substantial implications for pension expenditures in the medium term. Presentation of the annual budget is therefore a moment when the government is expected to clarify its choices regarding the country's economy, social policy, and the balance of its finances (Schiavo-Campo, 2017).

Being a key instance of executive-legislative relations, the annual presentation of the government's budget is something that occurs in every advanced democracy. In the United Kingdom, for instance, each year in spring there is 'budget day', in which the Chancellor of the Exchequer appears in front of parliament to present the expenditure and taxation policies for the upcoming fiscal year, which ends on 5 April each year. In most continental European countries, instead, the fiscal year runs from January to December. The presentation of the annual budget therefore generally takes place in autumn. In the context of the European Semester, there is an increasing harmonization of the annual budgetary process, as member states have specific deadlines for sending their plans to the Commission, receiving recommendations and having the budget approved by the parliament (Verdun and Zeitlin, 2018). Being such a similar annual recurrence across countries, presentations of annual budgets lend themselves very well for comparative analyses.

In France, Germany and Spain, the presentation of annual budgetary plans follows largely the same format, with the finance minister appearing in front of the parliament between August and

October, in order to give a speech that marks the beginning of a week of parliamentary debates about the government's plans for the upcoming fiscal year (Karremans, 2021a). In Austria, the procedure is also very similar, even though sometimes the finance minister presents a double budget, stating a plan for the upcoming two fiscal years. On such occasions, the speech may take place in spring rather than autumn (Karremans and Kaltenleithner, 2021). In other eurozone countries like Italy or the Netherlands, the annual procedure for budget approval follows a similar temporal scheme as in Germany, France and Spain, but the finance minister generally only appears in parliament to answer questions, and does not always provide a structured speech. In these cases, the best comparable text is the written document provided by the government to parliament to illustrate the budgetary plan. Most importantly the text must be representative and illustrative of the government's overall budgetary policy, and be central in the communication exchanges between government and parliament on this issue.

Table 2.1 lists the speeches and documents that were analysed for the purpose of the present study. The selection seeks to capture the annual budget plans for three consecutive legislatures in Austria, France, Germany, Italy and Spain, and therefore to cover the roughly twelve-year period that runs from the global financial crisis of 2008 to the coronavirus pandemic of 2020. For Austria, the legislatures covered are five because of the short-lived legislatures of the Kern government in 2016–2017 and the first Kurz government in 2018–2019. For Spain, the analysis ends in 2018, because between the elections of that year and 2020 no structured budget speeches were held in autumn. In Germany the analysis starts from the second Merkel government (2009–2013) which featured its first budget speech in January 2010. As German elections take place in September, the first budget speech of a new government is always postponed to the winter or spring of the following year. For France, the selection includes a budget speech for every autumn between 2007 and 2020. For Italy, the selection includes every *Documento di Economia e Finanza* (DEF) published by the government between 2008 and 2020.

Table 2.1 List of texts analysed

	Text type	Dates	Budget years	Governments / Presidencies	Finance Ministers
<i>Austria</i>	Finance minister's speech in Nationalrat	21.04.2009	2009	Faymann I	Josef Pröll
			2010	Faymann I	
		30.11.2010	2011	Faymann I	Josef Pröll
		19.10.2011	2012	Faymann I	Maria Fekter
		16.10.2012	2013	Faymann I	Maria Fekter
		29.4.2014	2014	Faymann II	Michael Spindelegger
			2015	Faymann II	
		14.10.2015	2016	Faymann II	Hans Jörg Schelling
		12.10.2016	2017	Kern	Hans Jörg Schelling
		21.3.2018	2018	Kurz I	Hartwig Löger
	2019				
	14/4/2020	2020	Kurz II	Gernot Blümel	
<i>France</i>	Finance minister's speech in Assemblée Générale	16/10/2007	2008	Sarkozy	Éric Woerth
		20/10/2008	2009	Sarkozy	Éric Woerth
		20/10/2009	2010	Sarkozy	Éric Woerth
		18/10/2010	2011	Sarkozy	François Baroin
		18/10/2011	2012	Sarkozy	Valérie Pécresse
		16/10/2012	2013	Hollande	Pierre Moscovici
		15/10/2013	2014	Hollande	Pierre Moscovici
		14/10/2014	2015	Hollande	Michel Sapin
		13/10/2015	2016	Hollande	Michel Sapin
		18/10/2016	2017	Hollande	Michel Sapin
		17/10/2017	2018	Macron	Bruno Le Maire
		15/10/2018	2019	Macron	Bruno Le Maire
		14/10/2019	2020	Macron	Bruno Le Maire
12/10/2020	2021	Macron	Bruno Le Maire		
<i>Germany</i>	Finance minister's speech in Bundestag	19/01/2010	2010	Merkel II	Wolfgang Schäuble
		14/09/2010	2011	Merkel II	Wolfgang Schäuble
		06/09/2011	2012	Merkel II	Wolfgang Schäuble
		11/09/2012	2013	Merkel II	Wolfgang Schäuble
		30/01/2014	2014	Merkel III	Wolfgang Schäuble
		09/09/2014	2015	Merkel III	Wolfgang Schäuble
		08/09/2015	2016	Merkel III	Wolfgang Schäuble
		06/09/2016	2017	Merkel III	Wolfgang Schäuble
		15/05/2018	2018	Merkel IV	Olaf Scholz
		11/09/2018	2019	Merkel IV	Olaf Scholz
		11/09/2019	2020	Merkel IV	Olaf Scholz
		20/09/2020	2021	Merkel IV	Olaf Scholz
		<i>Italy</i>	Documento di Economia e Finanza, signed by finance minister and prime minister	18/06/2008	2008
15/07/2009	2009			Berlusconi IV	Giulio Tremonti
29/09/2010	2010			Berlusconi IV	Giulio Tremonti
13/04/2011	2011			Berlusconi IV	Giulio Tremonti
18/04/2012	2012			Monti	Mario Monti
10/04/2013	2013			Monti	Mario Monti
08/04/2014	2014			Renzi	Pier Carlo Padoan
10/04/2015	2015			Renzi	Pier Carlo Padoan
08/04/2016	2016			Renzi	Pier Carlo Padoan
11/04/2017	2017			Gentiloni	Pier Carlo Padoan
26/04/2018	2018			Gentiloni	Pier Carlo Padoan
09/04/2019	2019			Conte I	Giovanni Tria
24/04/2020	2020			Conte II	Roberto Gualtieri
<i>Spain</i>	Finance minister's speech in the Congreso	21/10/2008	2009	Zapatero II	Solbes Mira
		20/10/2009	2010	Zapatero II	Salgado Méndez
		19/10/2010	2011	Zapatero II	Salgado Méndez
		24/04/2012	2012	Rajoy I	Montoro Romero
		23/10/2012	2013	Rajoy I	Montoro Romero

22/10/2013	2014	Rajoy I	Montoro Romero
14/10/2014	2015	Rajoy I	Montoro Romero
25/08/2015	2016	Rajoy I	Montoro Romero
03/05/2017	2017	Rajoy II	Montoro Romero
25/04/2018	2018	Rajoy II	Montoro Romero

An important aspect to highlight is that the fiscal year for budget speeches delivered in autumn—which are the vast majority of texts analysed in this book—is the year after that in which the speech is taking place. This entails that for speeches delivered in autumn 2009, for example, the budget year is 2010. In cases where the speech or the document is produced in the first half of the year—as in the case of the Italian DEFs or for some speeches in the German, Austrian, and Spanish cases—the budget year coincides with that in which the speech is delivered. Most references in the analyses here are to the budget years.

Distinguishing relevant from ‘cheap’ talk

Having identified the presentation of annual budget plans as the object of study, the next question to reflect on is whether every passage within these texts is relevant. The answer to this question is simply no. Also in the presentation of annual budgets, there is a lot of talk that is relatively ‘cheap’ included in annual budget presentations, in the sense that it is unrelated to the government’s policies. The first analytical task, therefore, is to separate the ‘cheap’ from the talk that matters.

As anticipated, in order for talk to become relevant for policy analysis, addressing it to stakeholders and watchdogs is not enough: it must also include statements about policy choices. In the context of annual budgetary plans, this means that when the government expresses its opinion about the state of international affairs, for example, these statements are ‘cheap’, unless they are linked to actions undertaken by the government. When, in autumn 2008, finance ministers expressed their opinions about how the collapse of the Lehman Brothers bank in the

United States was affecting the world economy, for instance, most of these statements were irrelevant for understanding the criteria behind their actions, unless these statements were directly used as an argument to justify specific policies. In short, in understanding the criteria behind policymaking, talk becomes relevant when decision-makers make binding statements about their policy choices. Table 2.2 lists several passages from budget speeches of different European governments, including both cases that will be analysed in this book as well cases from earlier studies (Karremans, 2017; Karremans and Damhuis, 2020). In the left column, the table reports examples of passages that are relevant for understanding policymaking criteria. In the right column, instead, examples of non-relevant passages are reported.

Table 2.2 Distinguishing between hard and cheap talk: Examples of relevant and non-relevant passages

Examples of relevant passages	Examples of irrelevant passages
<p>‘This Budget is about equipping Britain for the times ahead and making sure that everyone, no matter what their circumstances, can exploit their full potential. It is about building a fairer society, offering more opportunity—a fair Britain in which everyone can succeed’.¹</p>	<p>‘Throughout the world, economies have benefited from the globalisation of trade and investment, which has delivered strong world growth. Here in Britain, our openness, our global reach and our history of scientific invention and creative success make us uniquely placed to succeed in the global economy. But with the benefits of globalisation, we see, too, how problems in one part of the world can quickly spread to another. Turbulence in the global financial markets, which started in the American mortgage market, has affected all economies, from the United States to Asia, as well as Europe’⁵</p>
<p>‘In addition, we were forced - I mean forced - to increase VAT. It was best to do so, in order not to be passively observing that the country was the very cause of a crisis of the euro’²</p>	
<p>‘A considerable fortune, no one can deny, confers a particular contributory faculty. This is the first reason for which it is legitimate to impose taxes on large fortunes. Such taxation is also justified by the need to correct inequalities, which are superior in terms of assets to those already considerable in terms of income’.³</p>	<p>‘Ladies and gentlemen! The economic situation that is embedded in every budget consultation is overshadowed this year by the crisis of confidence, which can in short be named Euro-crisis. Even if we are on course, the crisis is not over. Problems due to excessive public debt, instability in the banking sector and, as a consequence, periods of uncertainty in the real economy will unfortunately continue to affect Europe and the world in the coming months’⁶</p>
<p>‘The 2017 budget will also make 3 additional billion euro available for schools and higher education. Thanks to our action since 2012, the school system</p>	

¹ Alistair Darling, House of Commons, 12 March 2008.

² Montoro Romero, Spanish Congreso, 25 August 2015.

³ Laurent Fabius, Assemblée nationale, 27 October 1981.

⁵ Alistair Darling, House of Commons, 12 March 2008.

⁶ Wolfgang Schäuble, German Bundestag, 11 September 2012.

of the Republic is once again able to educate our fellow citizens in the changes of today's and tomorrow's world, and to play its emancipatory role so that everyone, whatever one's social origin, can fully participate in public life'⁴.

What distinguishes the passages on the left from the passages in the right column is that the former have a direct reference to a government's policy that is accompanied by one or more arguments justifying it. The passages in the right column give an assessment about the economy, without however referring to something that the government is doing. The passages in the left column, instead, refer to 'this budget', 'increase VAT', 'taxes on large fortunes', and '3 additional billion euro'. All passages in the left column, thus, refer to a government's policy. These policies are justified respectively with arguments about 'building a fairer society', avoiding 'a crisis of the euro', 'correcting inequalities' and ensuring that everyone 'can fully participate in public life'. From the passages in the left column there is something to learn about policymaking criteria. From the passages in the right column, not really. The coding of policy justifications starts by collecting statements that directly refer to the government's policies, intended as any action that the government has done, is doing or is intending to do. The policies being referred to, in turn, can be categorized according to whether they involve more or less expenditures, or revenues.

The categorisation of policy references

The policies referred to in the annual budget plans can range from general references to the government's overall budget to references to more specific measures, such as an increase of VAT or cuts in unemployment benefits. As we shall see below, distinguishing between references to different types of policies is crucial for establishing whether the government is

⁴ Michel Sapin, Assemblée nationale, 18 October 2016.

engaging in ‘hard’ talk by being assertive in its policy choices, or whether instead it engages in relatively ‘cheaper’ talk by refraining from disclosing the direction of its policy. For instance, when a budget speech presents a specific expenditure increase as part of a programme to increase the number of school teachers in the country, the audience is better informed about the criteria for policymaking than when the speech simply says that in its budgetary policy the government is doing something for education. When justifications refer to clear policy choices, the related justifications have more weight, because they give the audience an argument allowing them to hold the government accountable for its choices. In the example of a statement justifying expenditure increases for hiring more teachers, the parliament is being given the possibility to evaluate whether the said increases in expenditure effectively meet the given purpose. If the parliament is only told that in the budget there are resources for education, it has fewer instruments to evaluate the government’s choices.

To grasp the distinction between responsiveness and responsibility, the relevant information to be coded from the policy references is whether the policy choices are targeted more at ‘giving’ or ‘taking’ resources from domestic socioeconomic groups. Therefore, in those instances where the policy reference is precise enough, it is important to code whether the policy choice involves increases or decreases in public spending, or increases or decreases in taxation. In some cases, the policy reference may be to a policy package or a regulation involving the combination of different measures in terms of spending and taxation. In these cases, it is important to distinguish whether the policy package involves (a) more spending and more taxes, (b) less spending and less taxation, (c) less spending and more taxation, or (d) more spending and less taxation. The first two policy packages can be coded respectively as Keynesian and neoliberal, where the former reflects the traditional social democratic welfare-oriented policies involving progressive taxation and relatively high public spending, whilst the second reflects economic policies favoured by the political right involving low taxes and a relatively small public sector.

The third and fourth policy packages reflect respectively an effort of fiscal consolidation and of fiscal stimulus, with the former having a strong accent on ‘taking’ resources to rebalance the state’s finances and the latter a strong accent on ‘giving’ resources at the risk of affecting the balance between expenditures and revenues. When the policy reference is about expenditure or tax in/decreases, or about one of these policy packages, the budget speech (or document) is giving information about the government’s choices as regards the direction of socioeconomic policy.

Table 2.3 lists the various types of policy references that were coded from the annual budget plans in the selected cases⁷. The categories are listed from the most precise to the most general references to the government’s policy choices in terms of expenditure and taxation. The policy references coded as ‘general’ are those from which it is not possible to infer the direction of socioeconomic policy. Among these, there are also references to government actions undertaken at the EU-level, such as the positions expressed at an EU summit. Even though in some cases certain types of stances on EU-level policies go hand in hand with different choices regarding expenditure policies (Karremans, 2021b, pp. 521–522)—for example a government promoting more solidarity at EU level may also pursue more expansive policies domestically—taken by themselves these measures are not directly informative about budgetary policy choices. In this study, these references are thus considered in the same way as references to the government’s overall actions.

⁷ Dataset is available at: <https://cadmus.eui.eu/handle/1814/75958>

Table 2.3 Different types of policies referred to in annual budget plans

<i>Level of policy choice</i>	Policy type	Description
<i>Specific policies</i>	Expenditure increase:	Explicit references to an increase in expenditure
	Expenditure reduction:	Explicit references to a reduction in expenditure
	Tax increase:	Explicit references to an increase in taxation
	Tax reduction:	Explicit references to a reduction in taxation
<i>Policy packages</i>	Keynesian:	Combinations of or regulations involving tax and expenditure increases
	Neoliberal:	Combinations of, or regulations involving, tax and expenditure reductions
	Fiscal consolidation:	Combinations of, or regulations involving, tax increases and expenditure reductions; policies of debt and deficit reduction
	Fiscal stimulus:	Combinations of, or regulations involving, expenditure increases and tax increases
<i>General policies</i>	Budget general:	General budgetary policy (e.g. ‘this budget’); references to government action with no further specification about taxation or expenditure
	Expenditure general:	References to expenditure or spending, but no specific details about increases or decreases
	Tax general:	References to taxation (or fiscal policy) but no specific details about increases or decreases
	Administrative reforms:	Broad reforms in state assets (e.g. reform of judicial system) that do not directly involve changes in expenditure or taxation
	EU-level:	Actions taken at the European level
	Other:	Regulatory policies that cannot be classified as part of one of the policy packages listed above

The categorisation of the different types of policies helps make more sense of the statements justifying them. As we shall see below, the coding of responsiveness and responsibility is achieved precisely by combining the information on the types of policies referred to with the information on the content of the justifications.

The coding of justifications

The ultimate step in capturing policymaking criteria from annual budget plans is to identify statements that justify the actions undertaken by the government. In social relations, a justification is understood as a ‘legitimation process that normalizes unexpected, untoward acts’ (Zelditch, 2001, p. 7). As discussed in Chapter 1, legitimation processes are about the principles through which collectivized decisions are accepted by the community (Bartolini, 2005, pp. 165–166). Justifications are those arguments used by an actor to explain to an audience how or why its actions are suited in a certain circumstance. In the case of governments, justifications are those arguments with which policies are being presented as proper and therefore as acceptable to the parliament and the wider (inter)national community. Justifications are thus informative about the common understanding between politicians and their audiences about what governments are expected to do. By studying these arguments, we learn about how governments profile themselves and, thereby, we get a closer insight into ‘what they are about’ (Robinson, 2005, p. 51), as well into the ‘logic of appropriateness’ of their actions (March and Olsen, 2009).

When presenting the budget, the arguments governments use to explain their policies give some hints about why such policies ought to be accepted. In the example of explaining an increase in expenditure as being necessary to hire more school teachers, the explanation is a reason for the audience to accept (or refuse) such expenditure increase. In annual budget plans, the statements that clarify the criteria behind, or the purpose of, the policy can be seen as a justification. These statements can subsequently be analysed through the following lens:

This *policy* is just because → justification

The justification statements can be collected inductively. In the following excerpt from the budget speech of the German finance minister Olaf Scholz on 11 September 2018, for instance,

there are two justification statements referring to one policy. The justification statements are underlined and the policy reference is italicized.

One of the things we need to get underway, which we have prepared in the Federal Government, which is now up for decision and for which we have made provision in this budget, is that we want to do something for the children who are growing up in this country. The *Gute-KiTa-Gesetz* is not only a good quality law that we will discuss, but it is also something we that we can finance and that we will finance.

Olaf Scholz, Bundestag, 11 September 2018

The policy referred to regards a provision in relation to the *Gute-KiTa-Gesetz*, which is Germany's childcare scheme. The provision foresees more public spending in this area. The government provides two reasons for this increase of spending, namely the desire to improve services for children, and the availability of sufficient financial resources. The statement that emphasizes children can be categorized as a socially oriented argument, while the statement that emphasizes affordability can be seen as a financial argument.

The following excerpt from the budget speech of French finance minister Bruno La Maire features three justification statements:

The long-term objective of *this budget* is indeed the new French prosperity, which must concern all French people and all territories. It must not be based on ever-increasing public expenditure but must be the result of the creation of value by the French and by our companies. Indeed, the path to prosperity based on public spending leads us straight to the increase in public debt and taxes, where we want to *reduce spending, reduce debt, reduce our taxes*.

(Bruno La Maire, Assemblée Générale, 15 October 2018)

The first two justifications refer to the overall budget, with the first one emphasizing how it will bring prosperity to the entire country, and the second one how it aims to promote the entrepreneurship of private companies. The third statement refers to the choice for a policy of expenditure and tax reduction, justifying it with the argument that this is the best way to reduce debts and deficits. The first statement simply underlines how the budget is designed to contribute to the country's economic well-being, and can thus be categorized as an argument about the macro-economy. The second statement can be seen as an example of ideological support for private economic freedom, as it emphasizes that wealth should be created by creative private companies. The third statement is another example of a financial argument, in the sense that it expresses a concern about the state of public finances.

Through this inductive coding procedure, justification statements can be categorized according to their main theme of reference. From the budget speeches and documents listed in Table 2.1, the following types of justifications were identified:

- *Social*: Address social issues related to: education, health, equality, family, unemployment, vulnerable groups, social inclusion, integration, redistribution, helping people into work, etc.
- *Environmental* : Address environmental issues, e.g. climate change, pollution, etc.
- *Security*: Policy is about providing law and order, police, military
- *Private economic freedom*: Promote the private market, support the free market, stimulate private entrepreneurship, promote private ownership (e.g. heritage), etc.
- *Macroeconomic*: Address the country's macroeconomic issues such as: gross domestic product, growth rates, competitiveness, productivity, prosperity, overall employment, etc.
- *Financial*: Address public finances: public debt, public deficit, government balance sheet, long term sustainability of public finances, stability of public finances

- *International commitments*: Referring to international commitments to e.g. the European Union, G20, International Monetary Fund
- *State polity*: Organisation of finances across different state levels
- *Demography*: Policy driven by demographic developments such as birth rates or ageing
- *Sovereignty*: Policy is about maintaining national sovereignty
- *Other/bureaucratic logics*: Various kinds of bureaucratic logics.

The statements underlined in the examples above from the speeches of Olaf Scholz and Bruno La Maire are the units of observation of the study presented in this book. The counting is based on full grammatical sentences: each justification corresponds to a sentence that explains why the policy is just. However, as discourse is extremely fluid, breaking it down into consistent countable units is not a straightforward task. In earlier research using this same research approach (Damhuis and Karremans, 2017; Karremans and Damhuis, 2020), the counting was more centred on references to actors or objectives. This strategy can be problematic in the case of the German language, as there may be multiple references to actors within one word, or the reference may be ‘hidden’ in a pronoun. In an effort to have a more consistent counting strategy across the cases, for this study all speeches were coded by focusing on grammatical sentences. Even though the speeches of the Hollande presidency had been coded for earlier studies (Damhuis and Karremans 2017; Karremans and Damhuis 2020), the analyses presented from Chapter 4 onwards are based on an entirely new coding based on grammatical sentences (instead of actors or objectives). This also provided an additional, and successful, reliability test⁸. The coding for the earlier study with Koen Damhuis had produced 474 observations from the speeches of the Hollande presidency (to be discussed in more detail in Chapter 3). For the study presented here, 488 observations were collected from the same speeches, featuring highly

⁸ For more info on the technicalities of the coding procedure and reliability tests, please see also the Online Appendix of Karremans (2021a).

similar identical patterns, particularly with regard to the annual shares of socially and financially oriented justifications.

Table 2.4 reports the matrix of policy justifications coded by their policy reference and justification theme, for the total of 7,805 observations collected from the 58 annual budget plans listed in Table 2.1. The table shows that of the total 7,806 policy justifications, 1,670 concern social themes. Of these, 549 emphasize social themes *and* justify an expenditure increase. Similarly, 2,150 policy justifications are about financial themes and of these 371 serve to justify expenditure reductions. When dividing these numbers by the total, one already has an indication of how much governments between 2008 and 2020 in the five countries focused on social, financial, or macroeconomic issues, or how much their justification discourse was about expenditure increases or fiscal consolidation. The codification of responsiveness and responsibility is built by matching the information from the rows and columns of this table.

Table 2.4 Matrix of policy justifications from 58 annual budget plans, in absolute numbers

JUSTIFICATION THEME

	Social	Environmental	Security	Private economic freedom	Macroeconomic	Financial	International commitments	State	Demography	Sovereignty	Other	Total
Exp increase	550	42	61	67	218	178	42	58	6	0	30	1252
Exp reduction	48	2	6	28	44	371	20	9	1	2	10	541
Tax increase	56	11	0	10	18	91	7	4	0	0	10	207
Tax reduction	113	7	2	194	87	41	15	4	0	0	4	467
Keynes	12	3	0	0	2	4	3	0	0	0	0	24
Neolib	9	0	0	24	18	45	1	1	0	0	1	99
Consolidation	45	0	0	15	94	295	51	12	3	1	12	528
Generous	31	0	0	22	22	7	2	0	0	0	1	85
Budget	458	26	23	199	925	618	135	98	7	4	153	2646
Exp general	145	22	9	50	131	231	38	39	5	2	21	693
Tax general	71	0	3	76	25	92	20	15	0	0	26	328
Administrative reform	45	0	0	34	37	27	3	23	0	0	37	206
European policy	34	6	5	13	139	95	126	3	0	2	13	436
Other	53	6	1	34	64	55	36	13	1	0	31	294
<i>Total</i>	<i>1670</i>	<i>125</i>	<i>110</i>	<i>766</i>	<i>1824</i>	<i>2150</i>	<i>499</i>	<i>279</i>	<i>23</i>	<i>11</i>	<i>349</i>	<i>7806</i>

The codification of responsiveness and responsibility

In terms of distinguishing between responsiveness and responsibility, the analytical distinction should capture, on the one hand, policy choices that are tailored to deliver resources for the benefit of domestic constituencies—whatever these may be—and on the other, policy choices targeted at improving the sustainability of the state’s finances. The matrix of Table 3.4 provides a bird’s-eye view of both the frequency of the references to the actual policy choices and of the theme of the related justification arguments. The policy reference categories allow to distinguish between policies that *give* to domestic constituencies in the form of expenditure increases and tax reductions, and policies that *take* resources in the form of spending cuts and tax increases. The related justifications are informative about whether these policies are actually intended to serve domestic socioeconomic groups or—for example—reduce public deficits. In some instances though, the policy justification statements do not provide inferences about governments’ choices. In these instances, the statements are to be considered as neutral, in the sense that they do reveal the government’s propensity to be either responsive or responsible. At the broadest level of abstraction, therefore, the policy justifications can be divided into three categories: neutral, responsive, and responsible.

The neutral statements are those in which there is no indication of policy choices on the allocation of public finances. Statements expressing how the overall budget serves broad macroeconomic objectives, for instance, provide no information about responsiveness and responsibility. Justifications focusing on macroeconomic aspects such as growth rates, overall employment rates, prosperity, or productivity, are functional to both responsive and responsible purposes, as higher growth rates give more resources for domestic redistribution and ensure a larger pool for future governments to draw revenues from. The very first sentence from the Bruno La Maire excerpt analysed above, refers to providing prosperity but features no information about policy choices and the related justification theme is functional both to

domestic redistributive purposes and to guaranteeing sufficient state revenues in the long run. The same logic applies to justifications about sovereignty and those that were coded as ‘other’. In these cases, policy justifications cannot be coded as either responsive or responsible. Justifications from the ‘macroeconomic’, ‘sovereignty’, and ‘other’ categories can be coded as manifestations of responsiveness and responsibility only when clear policy choices are disclosed. These neutral statements amount to 21 per cent of the total observations.

It is not by chance that statements focusing on macroeconomic aspects are the core of the ‘neutral’ category. In socioeconomic policymaking, economic growth is the glue between responsiveness and responsibility. Yet there are different ways in which economic growth can be pursued, and these may be either more or less responsive to different political preferences, or be part of an institutionalised consensus about the mutual relationship between economic performance and public finances. When economic growth is pursued through expenditure increases, this can be seen as responsive to the preferences of the political left, while growth strategies based on tax reductions can be seen as responsive to the preferences of the political right. On the other hand, the idea that fiscal consolidation is a necessary precondition for economic prosperity is inherent to the ideational framework by which European fiscal rules were developed (Matthijs, 2016). Statements presenting fiscal consolidation as the only option for economic performance can therefore be seen as manifestations of responsibility.

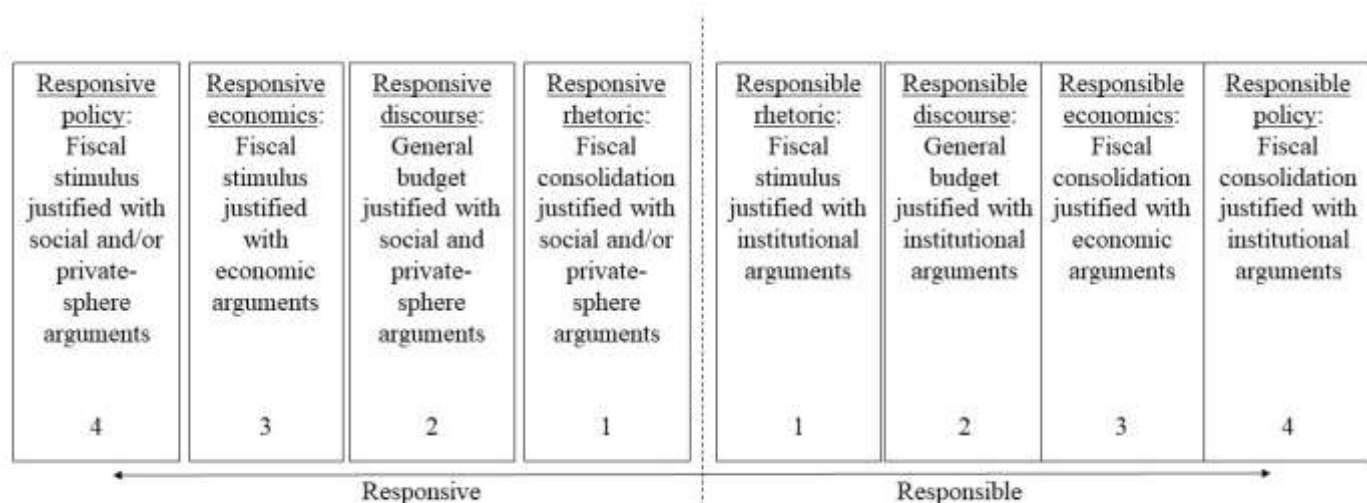
The government’s inclination towards responsiveness or responsibility becomes even more unequivocal when the justification statements express commitment to a particular policy goal and at the same time present coherent policy choices. The categories ‘social’, ‘environment’, and ‘security’ contain arguments about improving social justice, ameliorating the quality of life, or facilitating the functioning of domestic societies. These goals often require increases in public spending. The category ‘private economic freedom’ contains statements that reflect the preferences of liberal-oriented voters and requires resources in the form of a reduction of fiscal

burdens. The combination of either one of these four justification categories with references to expenditure increases or tax cuts are unequivocal manifestations of responsiveness towards distinct political or redistributive preferences.

On the other hand, the categories ‘financial’ and ‘international commitments’ contain statements that profile a government’s policy clearly in more responsible terms. When these justifications are about policies of fiscal consolidation, they can be seen as unambiguous manifestations of responsibility, as they reflect shared understanding between EU institutions and national authorities about the importance of sound public finances. Justifications about the allocation of financial resources among different state levels (‘state polity’) can be considered as part of this rationale. The collected justifications about demographic developments are essentially reflections about the financial implications of demographic ageing and can therefore also be added to the ‘responsible’ side of the dividing line. In sum, manifestations of responsibility are those statements that highlight the web of institutional and financial constraints in which the government operates. These manifestations are the most unambiguous when they refer to acts of fiscal consolidation.

The matching of information between policy references and justification themes enables a consideration of governments’ potential rhetorical strategies, by giving more weight to statements that unambiguously commit resources to domestic social groups, or that clearly express a commitment towards fiscal sustainability. The statements can be placed on a dimension ranging from the most responsive to the most responsible. Figure 2.1 illustrates this idea.

Figure 2.1 The responsive-responsible continuum



Source: Author's illustration.

At the left extreme of the dimension illustrated in Figure 2.1, arguments are unequivocally about how the government uses public resources in order to serve certain social or private interests. These may be increases in social benefits justified with arguments about the importance of providing the unemployed with support or tax reductions justified with arguments about the inalienable right to home ownership. At the right extreme, policies of fiscal consolidation are justified with arguments about deficit levels or international agreements, for example. These are unequivocal examples of fiscal responsibility that one would imagine hearing from a technocratic executive, but certainly not from a populist party claiming to represent the will of the people. In between, there are different gradations of responsive and responsible justifications. At one level, moving inwards, in columns marked with the number 3, justifications express how the government's policy serves the country's economic growth. On the responsive side, they are associated with distinct policies that are attributable to Keynesian or neoliberal ideologies, involving fiscal stimuli in the form of either public investments or tax reductions. As they reflect the government's autonomy in designing its budgetary policy, the more these arguments occur the less valid is the claim that European economic governance

constrains choice in macroeconomic policy. By the same token, when fiscal consolidation is justified with macroeconomic arguments, it indicates that the government's criteria are in line with the supranational logic that low debt and deficit levels are the conditions *sine qua non* for economic prosperity to be achieved. Further towards the middle, in the columns marked with number 2, the justifications clearly express political or institutional arguments but refer only to the overall budget and not to distinct policies that confirm a certain commitment. They give an indication on whether the government seeks to be evaluated in either responsive or responsible terms, without however disclosing information on clear policy choices. Finally, at the most ambiguous level, in the columns marked with number 1, the responsive and responsible justifications feature an internal contradiction, as on the one hand they justify fiscally responsible policies with political arguments and on the other they justify fiscally less responsible policies with arguments of fiscal responsibility.

The scheme presented in Figure 2.1 indicates a clear and consistent dividing line, which is necessary for carrying out meaningful comparative research. In addition, it allows development of insights on the extent to which the observed variations in responsiveness or responsibility genuinely reflect a real change in approach to budgetary policymaking. The various levels of categorisation of the justification statements enable tracking how the contents of responsiveness and responsibility change from one government to another. While it is relatively straightforward that governments of different partisan compositions are likely to feature different types of responsiveness because they respond to different socioeconomic groups, with regard to responsibility it is less clear whether and how this may be interpreted differently by different governments. In principle, as will be discussed in Chapter 7, there are different ways of serving the principle of fiscal sustainability. The extent to which this is also the case under European economic governance is an under-explored question that can be tackled through this categorisation of policy justification statements.

Ready to start comparing

The categorization of policy justifications presented in this chapter allows gaining comparative insights into the extent to which, in the shared understanding between governments and parliaments, budgetary policy ought to be evaluated in terms of what it delivers domestically, or in terms of how it is compliant with several financial thresholds. The different subcategories in which responsive and responsible statements are divided reflect different levels of ambiguity towards different policy goals. This differentiation reveals whether the vocal commitments are associated with clear policy initiatives. The distinction of subcategories according to the clearness and cohesion of the policy justifications allows to separate ‘hard’ discourse that matters from talk that is relatively ‘cheaper’. Faced with parliaments that closely follow the choices regarding the allocation of public resources, and in front of polarizing electoral demands and mounting institutional commitments, governments’ unambiguous statements about the purpose of expenditure increases or fiscal consolidation are highly informative about the criteria by which they perceive their actions ought to be evaluated.

The policy justifications gathered from annual budget plans contain clear signals to international audiences and local constituencies about whether the government intends to pay more attention to domestic demands or whether it is more concerned with the sustainability of public finances. Based on this data, it is possible to gain insights into the extent to which international economic integration makes governments focus more on fiscal sustainability and less on domestic responsiveness, and into whether European economic governance strengthens this trend further.

At this stage, everything is set for exploring the extent to which governments, after the introduction and strengthening of European economic governance, have become less

responsive and more responsible. Before zooming into how the consequences of reforms introduced during the sovereign debt crisis, the next chapter first illustrates whether during the 2010s the overall balance between different types of policy justifications was substantially different than during the 1980s and 1990s, at the dawn of the intensification of European integration. The subsequent chapters exploit the data presented in this chapter more fully, seeking to grasp the extent to which the strengthening of European economic governance had an effect on the balance between responsiveness and responsibility.